

Eden District Council
Accounts and Governance Committee
27 September 2018
Annual Fraud Report 2017-2018

Portfolio:	None
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 This report gives Members an update on how the Council has sought to detect and prevent fraud in 2017-2018.
- 1.2 The report includes information that meets the mandatory disclosure requirements of the Local Government Transparency Code 2015.

2 Recommendation

That the report be noted.

3 Report Details

- 3.1 Like any organisation, the Council is potentially vulnerable from fraud, either from its employees, or from members of the public. The Council's approach to protecting itself from fraud is set out in its Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan, updated annually and approval sought from this Committee as set out elsewhere on this agenda.
- 3.2 The main area where the Council is particularly vulnerable to fraud is that of benefits payments. The Council administers the national scheme for Housing Benefits and the local scheme for Council Tax Reduction. Prior to April 2013, this was the national Council Tax Benefits scheme. . These are means-tested benefits that assist those on low incomes to meet their Housing and Council Tax costs. Housing Benefit is a direct payment, whilst Council Tax Reduction is a reduction in liability. Because of the complexity of the schemes and the large amounts involved, they are particularly susceptible to fraud.
- 3.3 In July 2015, responsibility for detecting and investigating Housing Benefit fraud transferred to the Single Fraud Investigations Service (SFIS), run by the Department for Works and Pensions.
- 3.4 There is always the possibility that the Council might suffer from fraud arising in other areas than benefits. This report looks at fraud in benefits and fraud in all other areas.
Adequacy of Counter-Fraud Resources
- 3.5 In assessing the resources required, it is important to reflect the Council's small size. The Council does not now have any dedicated counter-fraud staff. A variety of staff is regularly involved in counter-fraud work as follows:

- Director of Finance - in his role as Head of Internal Audit, the post holder is responsible for counter-fraud arrangements generally and, in particular, is responsible for:
 - Counter-fraud strategy;
 - Annual fraud report;
 - Undertaking biennial anti-fraud training; and
 - Undertaking biennial check that all staff have read the Counter-Fraud Strategy.
- Senior Internal Auditor:
 - Advises the Director of Finance on the above; and
 - Co-ordinates the National Fraud Initiative (NFI) response.
- Staff in Financial Services - clearing NFI matches;
- Staff in Benefits - clearing NFI matches.

3.6 It is not currently possible to quantify the amount of time spent on counter-fraud activity. However, this is now a requirement of the Transparency Code and time spent on such activity recorded separately in the Council's timesheet system.

3.7 In February 2016, an internal audit of counter-fraud arrangements did not suggest that any additional resources were required for day-to-day counter fraud: to assess this had been part of the audit brief. However, it is clear that if the Council ever has to deal with a major fraud event, it would have to buy in resources.

Mandatory Requirements of the Transparency Code 2015

3.8 Local authorities must publish the following information about their counter fraud work. The Council shows its response too:

- **Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers** – none, as the Council has no housing stock;
- **Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud** – no full time equivalent: this is due to the situation outlined in 3.3 above;
- **Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists** - none: as noted above, the Council would buy-in such expertise as and when required;
- **Total amount spent by the Authority on the investigation and prosecution of fraud** – nil: although there is some staff input as and when required as noted above there is no longer any dedicated resource. If any 'general awareness' training is required then there would be the cost of attending a suitable course. If needed, the Head of Internal Audit would buy-in additional resources to deal with an urgent need to address any major fraud.
- **Total number of fraud cases investigated** - see elsewhere in this report.

Corporate Ownership of Counter-Fraud Arrangements

3.9 The Counter-Fraud Strategy notes that whilst this Committee has ultimate oversight of counter-fraud arrangements, the Council's Management Team is responsible for ensuring that strong and robust counter-fraud arrangements are in place.

3.10 The final draft of this report was circulated to Management Team on 3 September 2018.

National Fraud Initiative (NFI)

- 3.11 The Council is obliged to take part in the NFI. This is a Cabinet Office data matching exercise that tackles a broad range of fraud risks faced by the public sector. Since 1996, the NFI has embedded the statutory external audit process for audited and inspected bodies. The initial focus was on Housing Benefits, but coverage has grown considerably in recent years and now matches records across a range of Council activities. Originally, the NFI was run on a two-year cycle, with Benefits, Creditor Payments, Payroll, Licensing and Insurance Claim data being submitted in one year and Council Tax/Single Person Discount and Electoral Registration data being submitted the next. Since 2014, the requirement has been for the Council Tax/Single Person Discount and Electoral Registration matching exercises to be undertaken annually. This also led to the introduction of Council Tax data matching with some of the bi-annual data submitted for the 2016-2017 exercise.
- 3.12 The Council's Senior Internal Auditor undertakes the co-ordination of the NFI. To support and inform the 'annual audit opinion', the Senior Internal Auditor reviews identified Payroll and Creditor matches with input from the staff responsible for these areas. The Visiting and Support Officer reviews benefits matches, with progress and outcomes monitored by the Senior Internal Auditor as the NFI 'key contact'.
- 3.13 Over the years, the standard of matches provided by the NFI has improved and some new match types have been introduced. Participation is now an important element in the Council's approach to fraud prevention. Following investigation, it is generally found that most of the matches have a legitimate explanation. For this reason time spent in investigating the matches is not considered as "investigation and prosecution of fraud" as in most cases there is no evidence to indicate that a fraud may have been committed. Work undertaken does however contribute to providing assurance that the lack of identified fraud is indicative of no discernible fraud actually taking place. The identification of some overpayments due to 'error' is different to overpayments arising from actual fraudulent claims or actions.
- 3.14 Work on the matches returned from the 2016-2017 NFI data submission relating to Housing Benefits, Payroll, Creditor Payments (and associated 'standing data'), Licensing records and Insurance Claims is now complete.
- 3.15 All 667 matches were checked. These comprised of 172 Benefits matches and 260 Council Tax Reduction Scheme (CTRS) matches to various data sets, 187 Creditors' matches, 32 Payroll matches and 16 'Procurement' matches.
- 3.16 Investigations identified overpayments of £10,637.77, relating to 'errors' in nine of the Benefits matches returned and overpayments of £1,335.66 due to error in three Council Tax Reduction Scheme matches.
- 3.17 Two duplicate payments totalling £4,122.70 were identified from the Creditors matches and the firm concerned has been contacted to obtain repayment. Many of the creditors matches are due to routine reasons, for example, payment of monthly/quarterly standing orders/invoices, or annual grants, or the repayment of failed BACS payments. This shows that whilst filtering by the NFI has improved the standard of matches, there is still scope for improvement.

- 3.18 As noted in 3.11 above the Council submits Council Tax and Electoral Register data to the NFI on an annual basis. The main purpose is to identify cases where Single Person Discount (SPD) on Council Tax has been awarded, but the Electoral Register shows more than one person at the address. The returned matches identified cases where SPD is being received, but a 'rising 18' at the address means that SPD may cease to be applicable. Due to the volume of matches received and the timing of these it is not possible to complete all investigations in the year to which they relate. This report therefore includes the outcome of the 2016-17 exercise and the current position with the 2017-18 matches. Data submitted in 2016-17 resulted in reports detailing 429 'Electoral Register', 35 'rising 18' matches and 648 matches to 'other datasets' (i.e. Concessionary Travel Passes, Blue Badges, Housing Waiting Lists, Pension Payments, as well as the Council's own data) being received. All matches have now been investigated and 39 'errors' found resulting in a total of £24,395.00 being identified for repayment. This compares to £17,016.97 arising from 36 cases of 'error' identified from the 350 matches returned as part of the 2015-2016 exercise.
- 3.19 The results of the 2017-18 Council Tax and Electoral Register data submission were received in January 2018, and comprised of 487 'Electoral Register', 36 'rising 18' and 924 matches to 'other datasets'. 904 of these have been investigated to date with errors discovered in 19 cases and £5,730.44 identified for repayment. The final outcome of this submission will be reported in next years Annual Fraud Report.

Benefit Fraud

- 3.20 In addition to the NFI data matching with the DWP and HMRC, SFIS receive cases of suspected fraud.
- 3.21 The Council's Benefits Investigation Team disbanded in July 2015 when SFIS took over these investigations.
- 3.22 There were 11 referrals in 2017-2018. The Council no longer receives NFI referrals for customers receiving a passported benefit. The DWP receive these directly.
- 3.23 The DWP do not advise the Council of the outcome of cases referred.

Other Fraud Areas

- 3.24 All internal audits consider possible exposure to fraud. The risk is greater in some audit areas, for example, Creditor payments, than others. Internal Audit identified no issues in relation to fraud during the year. There was no identification of fraud from other sources.

Money Laundering

- 3.25 No money laundering issues were identified during the year.

Confidential Reporting Code

- 3.26 There were four referrals under the Confidential Reporting Code in the year which were all investigated and appropriate action taken to address the issues raised.

Effectiveness of the Anti-Fraud Strategy

- 3.27 The CIPFA Code of Practice on managing the risk of fraud and corruption requires an annual assessment of the effectiveness of the counter fraud strategy.

- 3.28 As the Head of Internal Audit and the lead officer for counter fraud arrangements, I consider that the Strategy has shown itself to be effective. This is based on:
- This reports which shows low level of identified fraud; and
 - The recent Internal Audit review of counter-fraud arrangements.

Register of Interests and Gifts and Hospitality

- 3.29 In order to monitor compliance with standards of conduct, the Council publishes a Register of Members' Interests on its website. Staff must declare all offers of gifts or hospitality to Internal Audit. Management Team receives annually the entries in the Register.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council
- 4.3 This report meets the Quality Council corporate priority.
- 4.2 Whilst the Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan is not one of the identified elements of the budgetary and policy framework, it is an element within the Council's Annual Governance Statement, which is an element of that framework.

5 Consultation

- 5.1 There has been no consultation with Ward Councillors or Portfolio Holders.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.
- 6.1.2 There are no direct financial implications arising from this report. However, having effective systems in place against fraud is an important protection against financial loss.

6.2 Legal

- 6.2.1 The proposals within this report assist the Council in achieving the requirements of the Accounts and Audit Regulations 2015.

6.3 Human Resources

- 6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No implications
Health, Social Environmental and Economic Impact	No implications
Crime and Disorder	No implications
Children and Safeguarding	No implications

6.5 Risk Management

Risk	Consequence	Controls Required
Fraud not detected, nor discouraged	Financial loss to the Council	Effective policies and monitoring in place

7 Other Options Considered

7.1 None.

8 Reasons for the Decision/Recommendation

8.1 This is an important element within the Council's corporate governance arrangements. It is therefore appropriate that Members approve each annual update.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	3 September 2018
Monitoring Officer (or Deputy)	3 September 2018
Assistant Director	Not Applicable

Background Papers: F37/18 - Internal Audit Annual Report 2017-2018

Internal Audit Files

Investigation Team Files

Appendices: None

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