

Subject:	Annual Fraud Report 2019/20	Status:	For Publication	
Report to:	Audit & Accounts Committee	Date:	9 th March 2021	
Report of:	Fraud & Compliance Officer	Portfolio Holder:	Resources	
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached:	No
Biodiversity Impact Assessment:	Required:	No	Attached:	No
Contact Officer:	Carol Walker	Telephone:	01706 252582	
Email:	carolwalker@rossendalebc.gov.uk			

1.	RECOMMENDATION
1.1	Members are recommended to note the content of this report.

2. PURPOSE OF REPORT

- 2.1 Provide details of the Fraud & Compliance work completed and performance results during the period 1st April, 2019 to 31st March, 2020.
- 2.2 Outline the plans for 2020/21.

3. BACKGROUND

- 3.1 Local authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There is a duty to have effective controls and procedures in place to prevent, detect, deter and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP) on 1st May 2015, along with the Council's Fraud Investigation Officer at that time. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.
- 3.2 The objectives of the Fraud and Compliance Officer are to:
 - Protect public funds.
 - Undertake fraud prevention measures.
 - Detect and stop fraud, thus making financial savings to the Council.
 - Conduct investigations, implement sanctions and recommend appropriate follow on action in line with the Investigation, Sanction & Prosecution Policy, which is updated annually.
 - Ensure that investigations comply with the appropriate regulations.
 - Increase fraud awareness.

3.3 PARTNERSHIP WORKING

The Fraud and Compliance Officer acts as Single Point of Contact (SPOC) for:

- Providing information on Housing Benefit investigations to the DWP.
- Liaising with the Police and other local authorities/agencies by dealing with requests for information under the Data Protection Act and other legislation.

This is work which would otherwise have been allocated to the benefit assessment team.

The Council is an active member of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.

The Council works closely with Lancashire and Greater Manchester local authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

3.4 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office, to assist in the prevention and detection of fraud. Data is collected from around 1,200 participating organisations across public and private sectors including government departments. Data matching involves comparing sets of data electronically, such as the payroll or benefit records, against other records held by the same or another body to see how far they match. The data matching allows potentially fraudulent claims to be identified.

In January 2019 the NFI released the main biannual set of data matches to all Councils for review, they also from time to time updated these adding extra matches. These cases which are matched against the Authorities Housing Benefit and Council Tax Support records. Any fraud identified will either be referred to the DWP for investigation (Housing Benefit matches) or be investigated by the Fraud and Compliance Officer.

This year there were 532 matches in total, as follows

Council Tax Reduction Scheme		Housing Benefit Claimants	
Risk	Matches	Risk	Matches
High	14	High	28
Medium	165	Medium	14
Low	146	Low	162
Nil	2	Nil	0
Total	327	Total	205

All matched cases have to be checked against the benefit system, the majority of matches have appeared on previous year's reports. To date all the matches have been checked. Approximately 18 cases have led to further enquiries, benefit reassessments or an investigation being conducted. To date benefit reassessments have resulted in £13,278.67 of overpayments being raised. The council is in the process of recovering this debt.

In August 2019 NFI released a batch of matches following a successful pilot, where data is matched against HMRC records. The matches were voluntary. Rossendale received 169 matches. To date 70 of these cases have been checked, 7 cases have been identified as requiring further investigations (including 1 which has referred for joint working with the DWP). Two cases have led to benefit being reassessed raising £2,308.34 of overpaid benefit. Work in this area is on-going.

3.5 FRAUD AWARENESS TRAINING

Fraud awareness training sessions occur on a rolling basis for Revenues, Benefits and One Stop Shop staff. These sessions include:

- The security of claims (including staff declaring an interest in any claims/properties)
- What is fraud within the differing areas of Revenues and Benefits
- Fraud in the 'hidden economy' incorporating what to look out for
- A general Question and Answer session.

All new Council employees and members have to complete an online fraud awareness course, as part of their induction to the Council. This training was previously hosted by an external company; however, the contract has ended. A new training course has now been developed into an online course and is expected to go live in the next few months.

3.6 UNIVERSAL CREDIT

On 21st November 2018 Universal Credit was rolled out in Rossendale. Therefore, with some exceptions there will be no new Housing Benefit claims for working aged people. As current Housing Benefit claimants start to have changes in their circumstances, some claims will transfer onto Universal Credit and Housing Benefit will cease. Pension age people will continue to claim Housing Benefit. Claimants will continue to claim Council Tax Support from the local authority. The impact of these changes on fraud is not yet known.

3.7 SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance has been undertaken in Rossendale in 2019/20.

3.8 SPECIAL EXERCISES

The National Fraud Initiative has been the key focus this year, with no other special exercises taking place. .

3.9 NEW INITIATIVES

From 29th April 2019 the Council has signed up to a national offer of joint working with officers from the DWP on allegations of fraud which include Council Tax Support. This is a voluntary scheme.

Suitably identified cases will be jointly investigated by the Fraud and Compliance Officer and a criminal investigator from the DWP. This includes close liaison during the investigation and the lawful sharing of evidence obtained. Once the evidence gathering process is complete, the customer will be interviewed under caution, by both officers at the same time. The DWP will refer suitable cases to the Crown Prosecution Service for consideration of legal proceedings being taken on both the DWP and local authority offences.

The advantages of the joint working include:

- The customer having to attend one interview.
- One case proceeding through the courts for similarly connected offences which are dealt with by the Magistrates/Judge at the same time.

- Local authorities save money as they are not paying prosecution/legal costs.

To date the local authority have offered joint working on four cases.

3.10 PERFORMANCE AND STATISTICS

During 2019/20 205 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team etc. Referrals were also generated from proactive work.

During the 2019/20 year 69 cases were referred to the DWP for their consideration. The DWP's Criminal Investigation Team issued 22 requests for information in relation to their investigations relating to Housing Benefit fraud. There were 28 requests from the DWP's Compliance Team for further information, in relation to their non-criminal investigations.

As a result of the Fraud And Compliance Officer involvement/investigations overpayments of Housing Benefit and Council Tax Support totaling £99,908.39 were raised between 01/04/19 – 31/03/2020. One £50 Housing Benefit civil penalty was applied and three £70 Council Tax Support civil penalties were applied.

An additional methodology to identify counter fraud performance is also in place. This is because when a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the Fraud and Compliance Officer, the value of the intervention is actually not just the amount of any overpayment that has occurred.

It is recognised that there is also a "future" saving, resulting from preventing further incorrect payments being made. In these cases, the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place.

This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for the Council is £212.32, giving estimated "future" savings for 2019/20 of £11,040.64. It should be noted that "future" savings can only be estimated, but do help demonstrate another benefit to the Council of undertaking counter fraud work. This saving is only calculated against Council Tax Support.

As a result of the Fraud and Compliance Officer's intervention, £5,522.31 adjustments were made to Council Tax bills, following single person discounts being withdrawn. Also £12,176.47 of exemptions were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].

The Analyse Local System is utilised to generate additional income, by finding business rates rateable values that are not on our system and increased rateable values on business premises. During 19/20 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable vale of £34,800. Based on the 2019/20 rate multipliers and for a full year this equates to £11,111.51 in gross rates payable.

The Rossendale Free Press printed an article following the last annual report, highlighting the results of the previous year's performance. Going forward social media will also be used to highlight fraudulent activity in the community.

Of note, there was a period where civil penalties were not applied on fraudulent cases. This was due to revisions in policies and procedure and IT which affected the raising and issuing of notices.

3.11 RECOVERY

Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities. Fraudulent Housing Benefit overpayments attract a 40% subsidy, this means that any monies collected over 60% of the overpayment, is additional income for the Council. If 100% of the overpayment is recovered then the Council would retain 140% of the original overpaid. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2019 £487k of recoverable overpayments were raised and £381k collected at a collection rate of 87.7%. Overpayment collection is reported quarterly as a key performance indicator.

3.12 OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

The Exchequer team have to remain vigilant to attempts of fraud. One of the checks they perform when they receive notification of a change of a company's bank details, is to confirm the correspondence is genuine. By doing an internet search for the company, they obtain their contact details and give them a ring to confirm the letter and details contained therein are correct. They do not ring the contact details supplied within the original correspondence. This ensures that invoices are paid correctly, funds are not diverted to a perpetrator and the Council does not lose funds.

The Council Tax Team also need to be vigilant to attempts to defraud the Council. Council Tax have changed their way of working following some Council's being defrauded nationally. In this instance the perpetrator contacted Councils regarding an empty property in their area and advised they had moved in. They wished to pay the Council Tax for the whole year and paid this via credit card payment. A few weeks later, the perpetrator contacts and advises they did not move in or they moved out within a few days. They ask for a refund. The perpetrator provides bank account details for the refund. Ultimately the Council are told the original credit card was stolen and used fraudulently and the Council loses this as the Council has refunded into the bank account. To avoid Rossendale becoming victim to this fraud, the policy was changed to include that refunds will only be made to the originating payment method/card.

The Council sets high standards for both members and officers in the operation and administration of the Council's affairs and will always deal with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption to include the Anti-fraud and Corruption Policy, a Whistleblowing Policy and a number of Codes of Conduct.

3.13 FRAUD REPORTING SYSTEM

At the start of the year the Fraud and Compliance Officer researched fraud computer systems available for recording investigations, storing records and being able to produce statistics. Ultimately 'Opus' was purchased, it is a simple to use system which secure records securely in the 'cloud'. All investigations and actions taken are recorded timeously,

evidence is scanned and stored therein and records are deleted in line with regulatory requirements.

3.14 COVID-19

The country went into lockdown towards the end of the financial year on 23rd March, 2020. Within a few weeks of this date it became apparent that councils all over the country had been the target of fraud. Moving into the start of 20/21 the Fraud and Compliance Officer has been reacting to fraud and attempts thereof, thus changing the focus of their work temporarily. The impact of Covid-19 fraud will be reported in the 20/21 report.

4. RISK

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

In common with all other public bodies, Rossendale Borough Council is potentially vulnerable to fraud, either internally by its employees, or externally from members of the public. The Council has an on-going duty to protect public funds. This report, summarises the work of the Fraud and Compliance Officer and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

5. FINANCE

5.1 The financial implications of failing to protect the Council are potentially substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being protected from abuse. Fraud leaves the Council with less to spend on services for residents and costs taxpayers' money.

6. LEGAL

6.1 The work outlined herein supports good governance and demonstrates effective financial stewardship and strong public financial management. It is supported through other policies and procedures to include the Council's Whistleblowing policy.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 There are no policy implications and no consultation required. All relevant policies continue to be promoted to all staff via online media such as the Intranet.

8. CONCLUSION

8.1 There are no direct financial implications arising from this report.

This report has been developed to provide performance information in relation to the activities undertaken by officers and to demonstrate the joint working with other agencies on either a mandatory or voluntary commitment basis.

An element of the work programme is determined by the number of fraud referrals received. There would normally be scope within the workload for other proactive exercises to be undertaken. However, with the advent of Covid-19 and the fraud and attempts thereof, it is doubtful that any proactive exercises will be conducted during 2020/21. NFI is currently collecting data from organisations and a new batch of data matches will be released to all local authorities in the spring of 2021.

8.2 Delay due to reacting to and prioritising Covid-19 related work, there has been a delay in the presenting of this report. The 2020/21 report will be presented within quarter 2.