

Subject:	Annual Fraud Report 22/23	Status:	For Publication		
Report to:	Audit & Accounts Committee	Date:	26 th July 2023		
Report of:	Fraud & Compliance Officer	Lead Member:	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 This report provides an update to committee on the work of the Fraud and Compliance Officer for 2022/2023.

2. EXECUTIVE SUMMARY

- This report updates the Committee on the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.
- This work has resulted in a financial saving to the Council and partner organisations.
- The Fraud and Compliance function provides assurance that if major fraud is attempted, there are systems in place to identify and prevent it.

3. BACKGROUND

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. Local authorities retained the responsibility investigate Council Tax Support fraud, Council Tax exemptions, discounts and liabilities fraud and any Business Rate exemption and liability fraud. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

4. DETAILS

The objectives of the Fraud and Compliance function is 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 periodically.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

4.1. PARTNERSHIP WORKING

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

- The provision of 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.

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

4.1.3. 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.

4.1.4. 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.

4.2. COVID-19

4.2.1. During the last year the Fraud and Compliance function has continued to respond to Covid related fraud and attempts thereof.

4.2.2. During 2022/23, 3 new Covid related business rate grant fraud referrals were identified. These referrals have reduced compared to previous years, the main reason for this being that life has returned to normal following the pandemic and no new business grant schemes were released.

4.2.3. Following investigation, the Fraud and Compliance Officer has made a total of 37 recommendations for the withdrawal of a covid grant/s. It is likely that work around recovery of grants and ongoing disputes will continue in the medium term.

4.2.4 During 2022/23, no Covid cases were closed.

4.2.5 The police's National Investigation Service (NATIS) are investigating the organised and cross boundary fraud activities targeting Local Authorities. To date there has been no feedback from NATIS regarding any Rossendale cases referred.

4.3. NATIONAL FRAUD INITIATIVE

4.3.1. 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 focuses on the identification of potentially fraudulent claims.

4.3.2. In February 2023, the NFI released the latest biannual set of data matches to all Councils for review and they will from time to time update these adding extra matches. This first release contained 98 matches relating to Housing Benefit or Council Tax Support over 15 report types.

4.3.3. Checks comparing the matches against Council records are undertaken. Any Housing Benefit fraud identified is referred to the Department for Work and Pensions for investigation. The Fraud and Compliance function will investigate Council Tax Support fraud.

- 4.3.4. The Fraud and Compliance Officer has checked 31 matches to date, of these 1 case has been referred to the DWP and 4 cases have been passed to benefits for further action.
- 4.3.5. Progress on the remaining matches and the results will be reported in next year's report.
- 4.3.6. At the later end of the 2021/22 financial year NFI released matches relating to Small Business Rate Relief and Covid grants. The cases outstanding from these matches resulted in £65,869.71 of small business rate relief being withdrawn and recommendations that £60,000.00 of Small Business Rate Grants are withdrawn.

4.4. FRAUD AWARENESS TRAINING

4.4.1. A mandatory fraud awareness e-learning training course is completed annually by all employees. All new council employees and members have to complete the e-learning fraud awareness course, as part of their induction to the Council and received a fraud awareness leaflet.

4.4.2. Fraud awareness 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.

4.4.3. Over recent months the fraud awareness training for Revenues, Benefits and One Stop Shop staff and a handy guide for the warning signs of fraud have been reviewed in readiness for the 2023/24 training sessions.

4.5. SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2022/23 no cases were identified for surveillance.

4.6. SPECIAL EXERCISES

One proactive exercise has been undertaken. The class E Council Tax exemptions were reviewed [empty properties where the owner is residing in either hospital, a care or nursing home, with no intention to return home]. No issues were uncovered.

4.7. PERFORMANCE AND STATISTICS

4.7.1. During 2022/23 149 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team, the Business Rates team etc. The number of referrals increased in all areas except for business rates where they declined. This was to be expected following the end of the various business grant schemes.

Fraud Area	Number of Referrals
Council Tax Support	71
Housing Benefit	24
Council Tax [single person discount/exemptions etc.]	42
Business Rates [grant fraud/small business rate relief fraud etc.]	12

4.7.2. These referrals were received from

Source	Number of Referrals
Anon Referral	11
Assessment Team	23
Council Tax Team	6
DWP LAIEF	1
Email	4
LA Staff [Internal]	3
NFI	9
NNDR Team	2
One Stop Shop	5
Online Referral Form	39
Other	3
Other LA Staff	1
SAT Team	10

4.7.3. During the 2022/22 year 24 cases were referred to the DWP for their consideration.

4.7.4. The DWP's Criminal Investigation Team issued 10 requests for information in relation to their investigations linked to Housing Benefit fraud. There were 13 requests from the DWP's Compliance Team for further information in relation to their non-criminal investigations. This is an increase on last year, as DWP have re-commenced their investigation work following the pandemic, however, these figures are below pre-pandemic numbers.

4.7.5. Following the Fraud and Compliance Officers involvement/investigations, the following overpayments/adjustments were identified

Area	Value	Number of cases
Council Tax Support adjustment	£22,782.79	3
Single Person Discounts withdrawn	£3,770.10	3
Council Tax Exemptions withdrawn	£1,024.58	1
Council Tax Liabilities raised	£546.55	1
Housing Benefit overpayment	£38,008.01	1

4.7.6. Three £70 Council Tax Support penalties, two £70 Council Tax Single Person Discount penalties, one £50 Housing Benefit penalty were applied.

4.7.7. 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 function, 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.

4.7.8. The weekly figure for the Council is £44.79, giving estimated "future" savings from 2022/23 activity of £2,329.08. 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.

- 4.7.9. Also £82,182.15 of exemptions/relief were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].
- 4.7.10. The “Analyse Local” System is used to identify properties that are missing from the rating list or are undervalued. Typically the cases identified through Analyse Local are those in remote locations, unreported alterations to existing sites and internal changes which have an effect on rental value. They tend to be scenarios which are not picked up through the general property inspection regime. During 22/23 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable vale of £25,075. Including backdating, the estimated rate yield from these cases is £27,250.03.
- 4.7.11 An investigation of particular interest. In the first instance, DWP received a data match referral relating to possible undeclared bank accounts. Their Compliance Officer conducted a telephone interview with Mr X, however he refused to cooperate. Later, following Mr X’s subsequent dealing with the Benefits Team, the matter was referred to me. Mr & Mrs X, were interviewed, it was ascertained they had undeclared savings in the region of £110,000.00. As a result, benefits were reassessed from June 2004, overpayments of £38,008.01 Housing Benefit, £13,684.12 Council Tax Benefit/Council Tax Support were raised and civil penalties of £50 [Housing Benefit] and 70.00 [Council Tax Support] were imposed. The DWP also reassessed their entitlement to Income Support and Pension Credit and raised overpayments totaling £15,225.87. All overpayments were repaid swiftly.

4.8. RECOVERY

- 4.8.1. Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities.
- 4.8.2. 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.
- 4.8.3. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2022/23 £343.409.00 of recoverable overpayments were raised and £295.194.00 collected at a collection rate of 85.96%. Overpayment collection is reported quarterly as a key performance indicator.
- 4.8.4. Similarly, no separate recovery figure for council tax and NNDR adjustments is available. In year collection rates for all council tax was 95.95% in 2022/23 with 98.85% for NNDR.

4.9. OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

- 4.9.1. The Exchequer Team continue to verify any changes to bank details they receive before amending details on their system. They never use the contact details supplied on the change request notification to verify the change, but will check for another contact on the internet etc.
- 4.9.2. NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as procurement impersonation fraud, corporate impersonation fraud, bank mandate fraud and staff salary mandate fraud, these are passed to the relevant teams to make them aware of impending threats.

4.10. COVID-19 ORGANISED CRIME

- 4.10.1. Since the start of the pandemic Rossendale BC was one of the only Local Authorities who did not pay any Covid business rate grants to organised criminals.

4.11 SOCIAL MEDIA & ROSSENDALE BC WEBSITE

4.11.1. The Council's Facebook page and website have been used to highlight scams to our residents.

4.12. JOINT WORKING WITH THE DEPARTMENT FOR WORK AND PENSIONS

4.12.1. Since restrictions have been lifted, a joint working investigation has resumed and the Fraud and Compliance Officer has offered three further investigations to the Department for Work and Pensions to consider joint working. All investigations are complex and are therefore time consuming. The former case has involved both Fraud Investigators obtaining evidence, there had been a joint interview under caution and the case is jointly being prepared for prosecution. The investigation of cases to criminal standard is time consuming due to the amount of work required. It is hoped the Crown Prosecution Service accept this case for prosecution. I will give a further update on this case in next year's annual report. Of the three cases recently referred for joint working, two relate to two families who are related and a complex web of undeclared capital.

4.13. FRAUD TRENDS

4.13.1 There have been four tenants over two addresses, where the owner of a property has claimed to have tenants residing in their property. The owner has sent in a tenancy agreement and their tenant's ID [normally a copy of their passport] to Council Tax to make their tenants liable for Council Tax. Much later when the tenants haven't paid their Council Tax and the bailiffs become involved, the tenants are traced to another address. The tenants are claiming that their lost ID's have been used fraudulently. Further enquiries show these tenants are not linked to the alleged address in Rossendale. It appears that the property owners are doing this to evade having to pay premium council tax on empty properties. I have recently had two more cases of this type referred for consideration.

4.14. CONCLUSION

4.14.1. 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.

4.14.2. This work has resulted in fraud being identified and repayments to the Council and partners being made.

4.14.3. 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, but due to the pandemic and associated work only one exercise took place. It is anticipated that proactive exercises will be conducted during 2023/24, once the Covid grants investigations have been finalised.

4.14.4. Joint working with the Department for Work and Pensions has resumed, it is anticipated that the offers of joint working from DWP will start during the next year, moving joint working in a different direction to previous years. It is hoped that any successful prosecutions attract publicity, as this acts as a deterrent for others.

4.14.5. To summarise, as a result of actions by the Council's Fraud and Compliance function during 2022/23 there have been -

- £22,782.79 Council Tax Support adjustments created.
- £38,008.01 Housing Benefits overpayments raised.
- £3,770.10 Single Person Discounts were withdrawn.
- £546.55 Council Tax liabilities were raised.

- £1,024.58 Council Tax Exemptions were removed.
- National Non Domestic Rates exemptions were removed to the value of £82,182.15 Rossendale BC, will receive a proportion of this.

5. RISK

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 function and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

6. FINANCE

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.

7. LEGAL

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.

8. POLICY AND EQUALITIES IMPLICATIONS

Any policy implications are included in the body of the report. No equality implications.

9. REASON FOR DECISION

To note the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.

No background papers