

COMMITTEE: AUDIT & GOVERNANCE **REF NO:** AG/17/05
DATE: 27 JUNE 2017
SUBJECT: CORPORATE FRAUD - ANNUAL REPORT
2016-17

PORTFOLIO HOLDER: COUNCILLOR MARTIN COOK
CHIEF EXECUTIVE: RUSSELL WILLIAMS

<p><i>Short description of report content and the decision requested:</i> This report provides a summary of performance of the Corporate Fraud Service for the period 1st April 2016 to 31st March 2017.</p>
<p><i>Ward(s) affected:</i> All</p>
<p><i>List of Appendices included in this report:</i> None</p>
<p><i>This report has been prepared by Siobhan Martin, Tel: 01473 433900, Email: siobhan.martin@ipswich.gov.uk</i></p>
<p><i><u>This report was prepared after consultation with:</u></i> <i>Internal consultees</i> <i>Resource Portfolio Holder, Head of Resource Management, Chief Executive, Chief Operating Officer, S151 Officer. External consultees, None</i> <i><u>The following policies form a context to this report:</u></i> <i>Building a Better Ipswich, Anti-Fraud and Corruption Strategy, Whistleblowing Policy, Anti-Bribery Policy, Fraud Prosecution and Sanction Policy</i></p>

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(papers relied on to write the report but which are not published and do not contain exempt information)

<ol style="list-style-type: none">1. Corporate Fraud Case Management System2. Corporate Fraud Services Business Plan 2016-17

1. Introduction

- 1.1 This report provides a summary of performance of the Corporate Fraud Service for the period 1st April 2016 to 31st March 2017.

2. Background

- 2.1 As at 1st May 2015 Benefit Fraud Investigators transferred to the Department of Work and Pensions, which now has statutory responsibility for investigating Housing Benefit Fraud under the national Single Fraud Investigation Service.
- 2.2 Ipswich Borough Council has a zero tolerance approach to fraud and as such launched a Corporate Fraud Service on 1 May 2015. A comprehensive programme of proactive and reactive anti-fraud work has been detailed in the Corporate Counter Fraud Business Plan 2016-17, which was presented to the Council's Audit & Governance Committee on 1st March 2016.
- 2.3 The Corporate Fraud Service sits within Internal Audit Service under the direction of the Head of Internal Audit (Audit Partnerships Manager). Two full time investigators are in post, both of who are Accredited Financial Investigators, and provides the Council with an opportunity to recoup financial losses as a result of fraudulent activity.
- 2.4 The Internal Audit and Corporate Fraud Service form a partnership arrangement with Suffolk Coastal District Council and Waveney District Council. This provides additional resources if required as well as the services of a further Accredited Financial Investigator.

3. Performance

- 3.1 The Corporate Fraud Service investigates a variety of frauds which the Council is vulnerable to. Referrals received during 2016/17 include:
- Housing Benefits (referred to the DWP for investigation)
 - Council Tax Reduction Scheme
 - Council Tax – Single Person Discount
 - False identity documents
 - Right To Buy
 - Social Housing Fraud*
 - Blue Badges
 - Internal Investigations

* Social housing fraud includes (but is not limited to) false housing applications, subletting, successions.

- 3.2 A continued focus during 2016-17 has been to maintain good working relationships across service areas within the Council, and particularly to widen the scope of the Corporate Fraud Service input within Housing and Community Services.
- 3.3 The Corporate Fraud Service reviews all Right to Buy applications, succession applications and is now involved with allocations and applications where Housing Officers believe input may be beneficial.
- 3.4 The following table sets out the total number of referrals and investigations taken on by the team since its creation on 1st May 2015:

	2015/16	2016/17
Number of referrals received	303	339
Number of cases investigated / under investigation	258	Ongoing from 2015-16: 18 Referred in 2016/17: 271
Number of referrals rejected*	18	23
Number of referrals referred to another agency	27	45

* These referrals were rejected based on a low score arising from a risk assessment, or because they related to another organisation (Babergh or Mid Suffolk District Councils).

- 3.5 The following tables represent a breakdown of data for each fraud type, with prior year comparable data:

Right To Buy

	2015/16	2016/17
Number of applications	170	186
Source of referral: Internal	170	186
Number of cases investigated	104	112
Number of cases under investigation	66	74
Outcome	28 RTB applications stopped as a result of fraud involvement	29 RTB applications stopped, as a result of fraud involvement. 1 case referred to Legal Services for consideration of prosecution.

- 3.6 During 2016-17, 77 IBC properties were sold under the Right To Buy scheme with a total discount of £5,087,035. This provides an average discount of £66,065 per property.

- 3.7 Due to the joint working relationship between the Corporate Fraud Service and Tenancy Services and the due diligence performed by the Corporate Fraud Service, the discounts saved on Right To Buy applications prevented is £1,915,896 The Council continues to have these properties available for residents in need.

Tenancy Fraud

	2015/16	2016/17
Number of referrals	60	83
Source of referral:		
Public	25	20
Internal	35	60
Other agency	0	3
Number of cases investigated	26	42
Number of cases under investigation	22	31
Number of cases referred to another agency / rejected on risk assessment	12	10
Outcomes	3 properties recovered 4 applications prevented	11 properties recovered 3 Notice to Quit served and in progress to recover property 3 applications prevented 1 Single Person Discount removed 1 Caution

- 3.8 There were 2,937 active applicants on the housing list as at 31 March 2017.
- 3.9 The National Fraud Authority Annual Fraud Indicator 2013 reported the average annual notional cost of £18,000 to house a family or individual in temporary accommodation.
- 3.10 Due to the work undertaken by Corporate Fraud Services some £306,000 has been 'notionally saved' to enable provision of emergency accommodation for those in need.
- 3.11 National work is ongoing to review this figure; the Committee will be updated as appropriate.

Succession Applications for Housing

- 3.12 The Corporate Fraud Service reviews all succession applications received by Housing Services.

3.13 When a tenant passes away, the tenancy can be passed to their husband, wife, or civil partner provided they lived with them as their only home. This process is called succession, and can only take place once.

3.14 Six applications were reviewed during the year, with one application refused.

Council Tax – includes Council Tax Reduction Scheme and Single Person Discount

	2015/16	2016/17
Number of referrals	42	100
Source of referral:		
Public	12	12
Internal	17	52
Other agency	13	36
Number of cases investigated	19	19
Number of cases under investigation	19	46
Number of cases referred / rejected	4	35
Outcomes	Overpayments identified £3,870.18 Penalties awarded 3 1 Caution	Overpayments identified £16,409.26 Penalties awarded 3 1 claim stopped

3.15 The Council Tax Reduction Scheme is designed and operated to provide support to residents who are on a low income.

3.16 Fraudulent applications for a reduction in their Council Tax liability reduces the funding available to the Council to deliver its' services.

3.17 Towards the end of 2016-17, the Corporate Fraud Service has been working with Revenues regarding eligibility for the award of Single Person Discounts; outcomes for this will be reported in the annual report for 2017-18.

Embedding an Anti-Fraud Culture

3.18 Proactive initiatives are undertaken by the Corporate Fraud Service throughout the year. The following were undertaken during 2016/17:

- Fraud clinics
- Multi-agency working
- Facilitation of ID verification training
- International Fraud Awareness Week participant

- Fraud risk awareness, including dissemination of intelligence alerts to relevant service areas.

4. Relevant Policies

- 4.1 Building a Better Ipswich Priority: An Efficient and Effective Council. The primary focus of the Corporate Fraud Service is to protect the public purse and reduce the risk of loss to the Authority from fraud and error.
- 4.2 The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy provide guidance and a reporting process for staff to follow when cases of fraud or corruption are suspected.

5. Risk Management

Risk Description	Consequence of risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1-6) 1 – almost impossible 6 – very high	Impact of risk, if it occurred taking account of actions (scale 1 – negligible; 4 – catastrophic)	Actions to mitigate risk
1. Loss to the public purse	Failure to maximise service delivery through reduced income.	Using skilled staff to effectively prevent and detect fraud.	3	2	<p>Utilising a professionally trained and skilled investigation team.</p> <p>Raising awareness of fraud throughout the organisation.</p> <p>Working with partners and other agencies to counter criminal activity.</p> <p>Prosecuting offenders and publicising successes.</p>

6. Environmental Impact Assessment

6.1 There are no direct or indirect environmental impacts arising from this report.

7. Equalities and Diversity Implications

7.1 There are no Equality and Diversity implications arising from this report. All investigations considered the Human Rights Act 1998.

8. Financial Considerations

8.1 The Corporate Fraud Service has been delivered within the original, approved budget.

9. Legal Considerations

9.1 The Corporate Fraud Service conducts lawful investigations in accordance with the Criminal Procedures and Investigations Act, Data Protection Act, Human Rights Act and Regulation of Investigatory Powers Act.

9.2 Legal Services provide invaluable support to secure successful convictions and sanctions.

10. Performance Monitoring

10.1 The Head of Internal Audit (Audit Partnerships Manager) monitors the overall performance of the Corporate Fraud Service and reports independently to the Audit & Governance Committee.

11. Conclusions

11.1 The work of the Corporate Fraud Service has resulted in notional savings 'opportunity costs saved' to the Council of:

£306,000	Tenancy Fraud
£1,915,896	Right to Buy Fraud
£16,409	Annual CTRS saving

£2,238,305

12. Recommendations

12.1 **That the Audit and Governance Committee comment upon the performance of the Corporate Fraud Service for the financial year ending 31 March 2017.**