

AUDIT COMMITTEE - 24 July 2018

PART I -DELEGATED

5. FRAUD ANNUAL REPORT

(DoF)

1. Summary

- 1.1 This report informs members of the work of the Fraud Section for the financial year 2017/2018 and provides updates on progress and developments for the current financial year.

Details

- 1.1.1 The Council has a zero tolerance of fraud and corruption.
- 1.1.2 The Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is a crime that affects everyone. The 2016-2019 Fraud and Corruption Strategy from CIPFA quotes fraud losses in local government of more than £2.1 billion a year. The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale.
- 1.1.3 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures.
- 1.1.4 The Council has a responsibility to protect the public purse through proper administration and control of public funds. It is recognised we must have effective core arrangements in order for us to be effective and recognise the challenges we face. These include prevention and deterrence, investigation and detection, recovery and redress and openness and transparency. Minimising fraud and irregularity is a continual process.
- 1.1.5 The Council is committed therefore to providing a proportionate and efficient value for money anti-fraud service which understands and acknowledges our fraud risks. We must have efficient policies, have sanctions in place for those that offend and that reflect legislative changes and continually strengthen existing and new partnerships. Countering Fraud is the responsibility of everyone.
- 1.1.6 The Fraud Section is part of the Finance Service with Watford. The details below apply to both councils unless otherwise stated.
- 1.1.7 Fraud does not fit neatly within geographical boundaries of the Council. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity. This may also include responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime. It is also within the Council a centralised best practice hub.

2. Council Tax reduction

- 2.1 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 2.2 During 2017/18 the Fraud Section issued 17 sanctions. These include prosecutions, and cautions and financial penalties. Additionally two properties were recovered for Thrive Homes and Aldwych Housing that were illegally sublet.
- 2.3 In 2017/18 a total of 164 investigations were completed.
- 2.4 Of these investigations where a customer is suspected of committing an offence they are interviewed under caution by officers. These interviews are digitally recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with many conducted in Police stations or other organisations with which we collaborate. Generally, those conducted in a Police station are after the customer has been arrested and a search of their premises has been conducted.
- 2.5 In 2017/18, a total of 388 referrals for investigation were made. Each referral is risk assessed based on a number of factors before proceeding to investigation. A referral breakdown of the major contributors is shown below;

Information Source	
Internal Council Departments	59
External sources including Police	136
Fraud Hotline and anonymous letters	102
Website referral	91

- 2.6 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office. It is a mandatory exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI include 1300 organisations that include for instance other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. NFI nationally since its inception has identified £37m of fraudulently received single person discounts and £39m in benefit related fraud. Examples of some matches are shown below;

Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for TRDC/WBC but has employment elsewhere

	that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two different addresses. For example where an address differs from the one they have declared on their waiting list application

2.7 Outcomes progressing and attributable to the following NFI matches are shown below;

Type of match	CTRS OP identified	HB OP identified	Total
Student loans	£892	£5804	£6,696
Taxi Drivers	£6,974	£33,555	£40,529
Immigration matches	£8,299	£53,122	£61,421
Alcohol licenses	£2,686	£22,505	£25,191
			£133,837 (27,278 TRDC + £106,559 WBC)

2.8 NFI and additional data mining is continuing in respect of Single Persons Discount (SPD). SPD is available to Council Tax payers who are the only countable adult, over the age of 18, living at their property. People who qualify for the discount have their Council Tax bill reduced by 25%.

We match Council Tax records against the Electoral Register and other data and identify addresses where the householder is in receipt of Single Persons Discount on the basis that they live alone yet intelligence suggests there is at least one other person aged 18 or over in the household.

2.9 The 2017/2018 SPD data matching exercise identified combined savings of £131,299.91 for Three Rivers DC and Watford BC, broken down as follows:

- 94 Three Rivers DC accounts; with £63,708.84 of wrongly claimed discount.
- 129 Watford BC accounts with; £67,591.07 of wrongly claimed discount.

These figures do not include estimates of the ongoing losses that would have occurred if the wrongly claimed discounts hadn't been identified and removed. All wrongly claimed discounts have to be repaid in full.

2.10 Proactive work is also ongoing dealing with the 2018 exercise and has (to date) identified 317 accounts for Three Rivers DC and 514 accounts for Watford BC which are currently being reviewed.

This year a £70 civil penalty is to be applied to accounts where the Single Persons Discount gets removed. The penalty is applied when a council tax payer fails to

notify the council that an exemption or discount should have ended, or if they have deliberately provided false information to the council.

- 2.11 The link to the National Fraud Initiative report can be found at;
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/565216/nfi_national_report_2016.pdf
- 2.12 The Fraud Section continues to work collaboratively with many organisations including the DWP, the Police, Immigrations and Border agencies and other local authorities. It is vital in terms of being efficient to work jointly with other partners and not in silos.
- 2.13 Work has continued on proactive Blue Badge exercises. The exercises are conducted jointly with Hertfordshire Police. The statistical information estimates that 20% of badges issued are misused. This includes badges that are forged, stolen, renewed after a person has died and simply misused sometimes without the badge holders knowledge. Whilst the loss in parking revenue may be assessed as quite small, the individual harm caused is significant. Fraudulent use of Blue Badges causes inconvenience and direct detriment by depriving an individual in genuine need and entitlement to disabled parking facilities. It may also have a reputational damage to the Council. The penalty if prosecuted for blue badge abuse generally is a level 3 fine for which the maximum penalty is £1,000. Some drivers are cautioned and some badges seized. Only the most serious cases are prosecuted. For the period 2017-18 2 cases were prosecuted and 1 matter received a caution.
- 2.14 The cabinet office reported in the NFI 2016 report that blue badge misuse had increased reversing a previous trend. This statistic may of course be a consequence of improved methods in tackling misuse. It was estimated in this report that the national monetary value associated with Blue Badge misuse and fraud is £13.2m.
- 2.15 Examples of publicity relating to Blue Badge prosecutions are detailed below;
http://www.watfordobserver.co.uk/news/15907379.Woman_fined_hundreds_of_pounds_after_parking_illegally_with_stolen_blue_badge/
<http://www.watfordobserver.co.uk/news/16284866.fraudster-used-his-dads-disabled-badge-to-park-his-audi/>
- 2.16 In 2017-18 two persons were cautioned in respect of offences relating to TPO's (Tree Preservation Orders). A TPO is a written order which makes it a criminal offence to cut down or willfully damage a tree protected by an order. Following investigation, the homeowner from Rickmansworth and his contractor were each interviewed under caution by officers and following admissions made in interview formal cautions were issued.
- 2.17 In 2017/18 at WBC the fraud section following receipt of whistleblowing allegations conducted a series of internal investigations which led to sanctions being imposed.
- 2.18 The following investigation relates to the Community Infrastructure Levy (CIL). A CIL allows the Council to raise funds from developers undertaking new building projects in their area. The money collected from the levy is used to support

development by funding infrastructure that the Council, local community and neighbourhoods need.

A CIL self build exemption is available to anyone who builds or commissions their own home for their own occupation and who completes the relevant claim form. They also have to submit a commencement notice in advance with the date the development will commence. An applicant who fails to submit a commencement notice in time immediately becomes liable for the full levy charge, and may be liable for a surcharge which is 20% of the CIL amount due, up to a maximum of £2,500.

Three Rivers DC received an application for a CIL self build exemption for a property to be built in Primrose Hill, Kings Langley which was granted. However it was later found that the new property had been built without TRDC having received a commencement notice. Therefore the applicant was no longer entitled to the self build exemption and they were informed that the CIL charge of £10,080 was due in full as well as a surcharge of £2,016.00.

In response to this the applicants agent contacted the council to say that they had sent the commencement notice to the Council by email before the development had commenced. The agent emailed the Council a copy of the alleged commencement notice they purported to have previously sent. Following suspicions the matter was referred to fraud and an investigation completed.

The agent was subsequently interviewed under caution by the team and admitted they had falsified the email and commencement notice that they had forwarded to the Council purporting to have been sent before the building works had commenced.

If Three Rivers District Council had believed the agent, and accepted that they had emailed Three Rivers District Council with the CIL commencement notice then the applicant would have evaded paying the CIL charge of £10,080.00, and a surcharge of £2,016.00

Following the investigation the agent received an official caution, an alternative to prosecution following mitigation, for sending an email that was false and misleading.

2. Options and Reasons for Recommendations

- 2.1 The purpose of this report is to inform Members of the work of the Fraud Section for 2017/18.

3. Policy/Budget Reference and Implications

- 3.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled the Anti Fraud and Corruption Strategy and was agreed on 10 July 2012(CL41/12).

4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

- 3.1 None specific.

5. Recommendation

- 5.1 That Members note the content of this report

Report prepared by: Garry Turner, Fraud Manager

Data Quality

Data sources:

Fraud management system

Data checked by: Garry Turner, Fraud Manager.

1	Poor	
2	Sufficient	✓
3	High	

Background Papers

Fighting Fraud Locally

APPENDICES / ATTACHMENTS

None