



North Herts District Council  
Shared Anti-Fraud Service  
Report  
September 2016

Recommendation

Members are recommended to:

Note the progress of the Shared Anti-Fraud Service in delivering the Council Anti-Fraud Action Plan 2016/2017.

Note the anti-fraud activity undertaken to protect the Council

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## 1. Introduction

This is the first report for the Councils Finance Audit & Risk Committee providing progress against the Council's published Anti-Fraud Action plan adopted by this Committee in March 2016. The Committee are asked to note and comment on the progress against Plan for 2016/2017.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is both: aware of its own fraud risks; and finding ways to mitigate or manage these effectively wherever possible.

These reports include:

*Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new Strategy estimates annual fraud losses in local government at around £2.1bn.

*UK Annual Fraud Indicator* produced by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in local taxation or care services).

## 2 Background

- 2.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), Cabinet Office, and the Private Sector fraud loss across local government in England exceeds £2.billion each year with some reports indicating levels considerably above this .
- 2.2 The Cabinet Office, Department for Communities and Local Government, NAO, and CIPFA have also issued guidance, advice, and best practice to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.
- 2.3 It is essential that, to support this service, the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 2.4 North Herts District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members received a detailed report in September 2015 about the creation of SAFS and how this service would work closely with the Shared Internal Audit Service (SIAS) in a two year pilot. SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution working with staff at all levels.

### 3. Year End Position (Financials) 2015/2016

3.1 The following data breaks down the financial benefits to NHDC of the SAFS activity in 2015/16 and details the types of savings associated with the work of the Service and the related amounts:

a) Fraud Loss

This is the actual value of identified fraud that NHDC could invoice for, if it chose to; It includes:

- Housing Benefit
- Council Tax Reduction Scheme
- Single Person Discount cases where invoices are automatically issued
- Tenancy Fraud

For 2015/2016 fraud loss totalled **£43k** and is broken down as follows:

Housing Benefit	Council Tax Support	Council Tax Discounts	NNDR	Tenancy Fraud	Total Loss
£13.5k	£9k	£10k	£.5K	£10k	<b>£43k</b>

*Note: for tenancy fraud – This relates to costs of false housing applications.*

b) Cashable Savings

This is the sum of money not paid out as a result of investigations or it represents 'future revenue' in the case of re-billing for Council Tax.

For 2015/2016 cashable savings were **£33.5k** broken down as follows

Housing Benefit	Council Tax Support	Council Tax Discounts	NNDR	Total Savings/ Revenue
£26k	£1.5k	£5.5k	£.5K	<b>£33.5k</b>

c) Non-Cashable Savings

This is the sum of 'notional' loss resulting from prevented 'Tenancy' Frauds

For 2015/2016 non-cashable savings was estimated at **£36k** resulting from two fraudulent housing applications being refused by NHDC Housing Team

3.2 NHDC is now able to make use of Civil Penalties for Council Tax and Council Tax Reduction Scheme fraud matters.

3.3 NHDC also benefitted from a County wide provision to identify fraud and error in Council Tax discounts in 2015/2016 through the use of data-matching tools. In all 649 discounts were removed from local residents who were no longer entitled to them and additional revenue of £217k raised through re-billing of which NHDC share was approx. **£42k**.

3.4 In 2015/2016 NHDC contribution to SAFS was **£60k** and this investment delivered:

- £76.5k direct cashable income/savings/revenue
- A further £36k in notional savings/
- £42k Council Tax raised through removals of discounts

#### **4 SAFS Activity To date 2016/2017**

##### Staffing

- 4.1 The SAFS team is composed of nine staff based at the County Council offices in Stevenage.
- 4.2 Each SAFS Partner receives dedicated support and response from the Team. At present the most effective way to do this is by allocating one officer to work exclusively with each Partner. This officer acts as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.
- 4.3 For North Herts District Council, Tracy Reeves is the SAFS Senior Counter Fraud Officer (SCFO) working with the Council. Tracy is a fully accredited criminal investigator with more than 20 years' experience working in the public sector. Tracy is supported by intelligence officers working for SAFS, a financial investigator working for Trading Standards, service specialists working for the Council, and legal staff from both North Herts District Council and the County Council.

##### Fraud Awareness and Reported Fraud

- 4.4 One of the key elements of a successful anti-fraud deterrent is to ensure that fraud can be reported by both staff and the public. The Council's website and intranet both have options for the public and staff to report suspected fraud and these link to the SAFS webpage.
- 4.5 The SAFS webpage – [www.hertsdirect.org/reportfraud](http://www.hertsdirect.org/reportfraud) includes an online reporting tool and is being further developed as part of the County Council's new website. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – [fraud.team@hertscgcsx.gov.uk](mailto:fraud.team@hertscgcsx.gov.uk). These contact details have been added to North Herts District Council's own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures.
- 4.6 Between April & August 2016, SAFS received 36 allegations of fraud relating to North Herts District Council. The service also carried forward 93 live cases from 2015/2016. The details of reported fraud at North Herts District Council are shown in the tables below.

**Table 1. Types of fraud being reported (in year):**

Council Tax Discount Fraud	Council Tax Support Fraud	Housing Fraud*	Other Fraud	Total
4	28	2	2 **	36

\* For North Herts District Council 'Housing Fraud' relates to housing application fraud

\*\* Both these reports related to payment/email scams received by NHDC Officers.

**Table 2. Who is reporting Fraud (*in Year*)?**

Fraud Reported by Staff	Reports from Public	DWP Pilot joint Working	Other	Total
7	20	9	0	36

**Table 3. Outcomes of cases closed (*includes cases carried fwd from 15/16*):**

Closed No Action Required	Referred to Another Agency	Closed Fraud Proved/ Advice Provided	Closed Fraud Not Proved	Total
25	2	9	4	40

**Table 4. Status of cases still under investigation (*includes cases carried fwd*):**

Pre-Investigation Checks	Pending Investigation	Live Investigations	Pending Decision	Total Live Cases
8	7	61	13	89

- 4.7 The number of cases closed as 'No Action' is high at present as SAFS are working with Council staff to ensure the quality of referrals passed for investigation results in high value matters being prioritised.
- 4.8 The thirteen cases pending decisions include 4 cases conducted jointly with the DWP and are likely proceed to prosecution stage.
- 4.9 In the first quarter of 2016/2017 SAFS recorded fraud loss & savings across the Partnership of £605k. For North Herts District Council fraud losses of £23k and savings resulting from prevention totalling £25k were identified against a combined target, for the year, of £100k.

Pilot Projects

- 4.10 SAFS have worked with the Council's local taxation team to identify potential fraud around discounts and exemptions. The Council is now able to level civil and financial penalties for false claims for discounts and exemptions and has started to do so where appropriate and in line with the Prosecution and Sanctions Policy.
- 4.11 SAFS have arranged specialist free training events for staff, in areas including Anti-Money Laundering, Business Rates Avoidance and Housing Fraud. SAFS also now deliver fraud awareness training to all new staff as part of their induction to the Council.
- 4.12 SAFS are leading on the procurement of a county-wide data matching exercise to identify fraud in Council Tax, particularly around fraudulent discounts and exemptions, empty homes, and council tax support schemes. This will be introduced in the late summer of 2016 for all districts, and will be funded by HCC and all participating districts.
- 4.13 SAFS are working with NHDC on the National Fraud Initiative and this year will assist with the output from this work which will be produced in February 2017.

- 4.14 NHDC continues to be one of the national pilot sites (6 in total) for joint working with the DWP investigating national state benefits that are linked to council tax fraud against NHDC. This work is being undertaken by SAFS with DWP *Fraud and Error Service* teams based in Bedford and Stevenage.

## **5 Progress against the 2016/2017 Anti-Fraud Action Plan**

- 5.1 The Council has in place an Anti-Fraud and Corruption Policy, This strategy lays out the Council's position, and includes advice to Members, senior officers and staff about how to deal with identified fraud. This document pre-dates SAFS and will be reviewed in 2016 but at present it meets the best practice guidance from CIPFA.
- 5.2 A copy of the 2016/2017 Anti-Fraud Action Plan, approved by this Committee in May 2016, is attached at **Appendix 1**. The Action Plan covers all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its own responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. The Plan also includes assurance that it benefits from a positive return on its investment from the SAFS Partnership.
- 5.3 A copy of progress against the plan is shown at **Appendix 2**. At present all milestones and/or targets are being met or on course for delivery and there are no significant issues outstanding.
- 5.4 SAFS will provide a final report to this Committee in March 2017 on the performance against the Anti-Fraud Action Plan for 2016/2017 and a proposed Action Plan for 2017/2018. This will then form a rolling programme from 2017 onwards.

### **Appendices.**

Appendix 1 - SAFS/NHDC Anti-Fraud Action Plan 2016/2017.

Appendix 2 - Summary of Progress against Plan 2016/2017.