



North Hertfordshire District Council

Anti-Fraud Report 2018/19

Recommendation

Members are recommended to:

- Review the Councils work to combat fraud in 2018/19
- Review the performance of SAFS in meeting its KPIs in 2018/19
- Review the progress delivering the Councils 2019/20 Anti-Fraud Plan

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1 Introduction and Background

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud as laid out in the Council's Anti-Fraud Action plan for 2018/2019. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and is 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 (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
- CIPFA's *Fraud and Corruption Tracker 2018* indicates that identified fraud had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk of fraud.
- The Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

Background

- 1.2 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the private sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 1.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice and best practice guidance 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 sufficient resources in counter fraud activities that deliver savings.

- 1.4 It is essential that 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.
- 1.5 North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud from deterrence & prevention to investigation & prosecution.

2. Delivery of the 2018/19 Anti-Fraud Plan & SAFS Activity 2018/2019

Staffing

- 2.1 The SAFS Team (in April 2018) is comprised of 18 accredited and trained counter fraud staff and is based at Hertfordshire County Councils offices in Stevenage.
- 2.2 Each SAFS Partner receives dedicated support by allocating some officers to work exclusively for each Partner whilst also allowing all officers within the service to work with different SAFS Partners from time to time. Providing the Service in this way allows officers to develop good working relationships with Council staff and also offers better resilience and flexibility across the Partnership. SAFS Officers have access to Council offices, officers and systems to conduct their enquiries.
- 2.3 In 2018/19 SAFS deployed 1 member of staff to work exclusively for the Council. This officer is supported by SAFS Management Team and the SAFS Intelligence Team based at Stevenage which now includes specialist data analytics and financial investigation expertise.

SAFS KPI for 2018/2019

KPI	Measure	2018/19 Target	Achieved in Year
1	Provide an Investigation Service	1 FTE on call for NHDC (Supported by SAFS Intel/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to NAFN for relevant NHDC Staff Fraud training events for staff/Members	1.5 FTE available and all other criteria met in full.
2	Identified value of fraud prevented/detected.	£150k (From fraud identified and savings/prevention)	£285k (£226k loss/ £59k prevented) And a further £155k in new Council Tax.
3	Allegations of fraud received from all sources.	100 Fraud referrals from all sources to SAFS	134
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	70% (19 cases from 27 investigated identified fraud) SAFS also provided advice on 6 cases that did not warrant full investigation
5	Conduct data-matching using the local data-hub, NFI and other data-matching/mining.	<ul style="list-style-type: none"> • Data-Hub for local data matching. • Access to NFI output. • County wide Council Tax Review Framework. 	NFI 2018 successfully completed upload on time and output now under review. The Council is party to the Council Tax Framework and the SAFS Data-Hub.

Fraud Awareness and Reported Fraud

- 2.4 One of the key aims for the Council is to create an 'Anti-Fraud' culture, that will deter fraud; encourage senior managers and members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on the Council, and report fraud where it is suspected.
- 2.5 The Council's website included pages on how fraud affects the Council and the impact on public money <https://www.north-herts.gov.uk/home/benefits/report-fraud>. The website includes links for the public to report fraud by email, telephone or using the SAFS online reporting tool.

- 2.6 SAFS delivered general fraud awareness training to staff as well as service specific training including: Document verification training delivered to customer service, benefits and housing staff, training for housing and debt collection teams in the making the best use of National Anti-Fraud Network (NAFN) licences.
- 2.7 Working with the Council's HR Team SAFS have delivered an e-training package for staff and Members which will be linked to the Councils policies, and fraud reporting tools to raise awareness of the risk of fraud & corruption, bribery and anti-money laundering.
- 2.8 Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS staff working at the Council or use a new on-line reporting tool for staff which feeds directly into the SAFS case management system.
- 2.9 During 2018/19 SAFS received 134 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported:

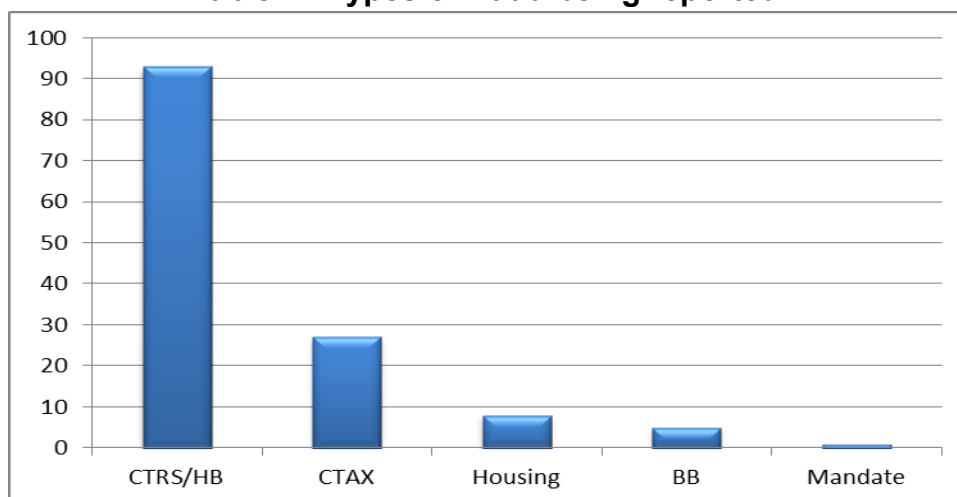
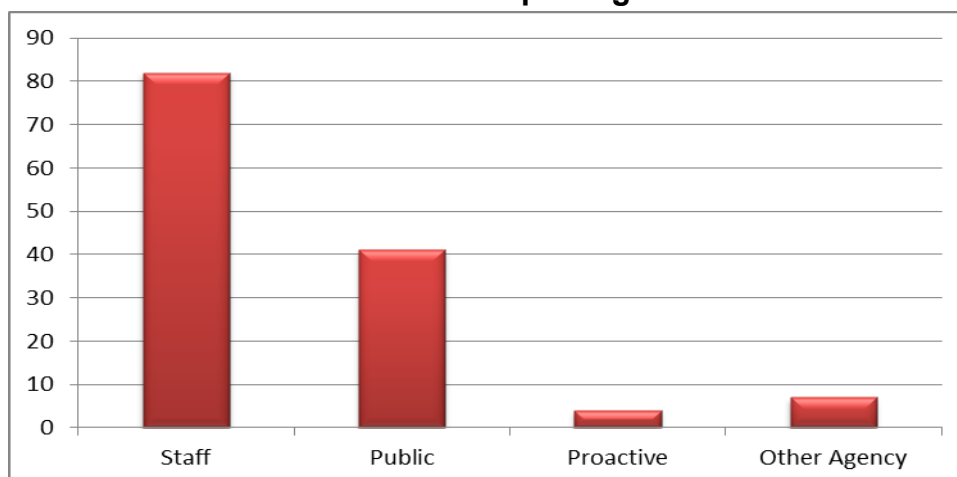


Table 2. Who is reporting Fraud:



- 2.10 The volume of cases reported continues fluctuate year on year and detailed breakdowns of reported fraud since 2015 can be found at **Appendix B**. In comparison to other SAFS Partners the volume of reported fraud is good and indicates that both staff and public alike understand that fraud against the Council is wrong and that they are able to report this.
- 2.11 At this time many cases raised for investigation are still in the early stages. However, of the 35 cases investigated and closed in the year fraud losses of £226,000 and fraud savings of £59,000 were identified. See **Appendix C** for a breakdown of cases where fraud has been reported. As well as those cases selected for investigation SAFS issued warning letters or provided advice to services on matters where a full investigation was not warranted on 6 occasions. In three of the most serious cases prosecutions were brought against individuals.

Case study 1:

In two investigated in partnership with the DWP Fraud and Error Service cases of fraud against North Hertfordshire District Council were heard at Stevenage Magistrates prosecuted by the CPS.

- 1. A Letchworth resident - claimed HB/CTRS/SPD totalling £14.5k between 2015 and 2017 whilst running a business and failing to declare this. 16 weeks custody- suspended+ costs*
- 2. A second Letchworth resident – claimed HB/IS/CTRS totalling £13k between 2016 and 2017 but failed to declared that their partner was resident and in work. Conditional Discharge + costs.*

In both cases the defendants pleaded guilty at first hearings and arrangements are in place to recover all the losses identified.

- 2.12 As well as the financial values identified SAFS has worked with the Revenues and Benefits Service to apply financial penalties as alternatives to prosecution, where fraud has been committed by people claiming Council Tax Discounts or Housing Benefit.

Case study 2:

In 2018 the Council made use of the Hertfordshire Council Tax Review Framework. This contract is with the County Council, is managed by SAFS, and allows district councils to use third party providers to undertake analytical reviews of data to check that council tax discounts awarded to residents are legitimate and up to date.

A review of 17,383 such discounts identified that 396 (2.4%) of claims were incorrect and removed. This work generated new council tax liability for collection in excess of £154,000 (note: this figures is not included in the SAFS stats but will be reported to CIPFA).

Case study 3:

In 2018 SAFS concluded an investigation into an alleged council tax discount fraud that had started in 2011.

The owner of an address in Letchworth had claimed the property had been solely occupied by a family member since 2011. As the reported occupier was the sole resident adult they were eligible for a discount and this was applied.

In 2018 following an investigation it was established that the property had been empty since 2011 and the occupier had only declared that it was occupied to avoid paying a council tax premium for an empty property/ second home.

As a result the owner had avoided paying council tax of £1,421. The council tax payer was billed for this sum and a fine of £490 was added to their liability.

- 2.13 SAFS works with Settle Housing, a social housing provider with stock across the district including former council stock, providing an anti-fraud service. Work has also been undertaken with the Councils Housing Team and Homelessness team to raise awareness of fraud and identify areas at risk.

Case study 4:

In 2018 SAFS conducted a very successful data analytics project with the housing team. Using data from the Councils housing register (families applying for social housing) and comparing this to data held about council tax liability a number of matches were identified where applications for housing had been made at addresses where the occupier claimed to be living at the address as the sole occupant (and claiming discounts/exemptions/benefits).

SAFS used third party data to review these matches and enquiries were made with the occupiers of the addresses concerned.

As a result of this work 43 housing applications removed from the housing register and several council tax discounts or exemptions are still under investigation.

Although nobody has been sanctioned or prosecuted for any offences at present this exercise has identified notional savings of around £770k.

(Note: these saving have not been included in NHDC fraud stats for 2018/2019 but will be reported to CIPFA)

- 2.14 SAFS has an excellent working relationship with the Councils legal team, working on criminal litigation and policy reviews. SAFS are working on a case involving Blue Badge abuse in Hertford, East Herts Council having requested that the councils legal team acts as agents in this matter. This is a great example of how the SAFS Partners are co-operating to combat fraud across the County at an operational level.

Case study 5:

Following changes to the government guidance on the 'Blue Badge Scheme' new instructions have been provided to enforcement authorities including North Hertfordshire District Council, and SAFS have worked with civil enforcement teams across the County to develop new training and a handbook to support officers where blue badge abuse is suspected in council operated parking areas (on-road or off-road).

- 2.18 The Council complied with the statutory requirement of the National Fraud Initiative (NFI) 2018 and the output from this in was received in February 2019 and is under review at present, 1441 data matches having been received. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.
- 2.19 A copy of the SAFS 2018-19 Annual Report can be found at **Appendix D**. This report covers all the work of the Service in the last financial year.

3. Progress - 2019/2020 Anti-Fraud Plan

- 3.1 The Council has in place an Anti-Fraud and Corruption Policy and this document includes advice to Members, senior officers and staff about reporting suspected fraud/corruption. This document was reviewed in 2018 and complies with best practice guidance from CIPFA.
- 3.2 A copy of the 2018/2019 Anti-Fraud Plan is attached at **Appendix c**. This Plan covers all areas recommended 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 the Council benefits from a positive return on its investment in the SAFS Partnership.
- 3.3 The KPIs for SAFS in 2019/2020 have been amended to reflect some changes to the way the service will be delivered, including the better use of data and access to the Hertfordshire Fraud Hub hosted by the Cabinet Office.
- 3.4 SAFS will provide reports to this Committee later in 2019 on the performance against the Anti-Fraud Plan but to date we can report that 85 live cases at the 31st March were carried into the current year. 13 new allegations had been received in the first quarter of 2019/20, this is low in comparison to previous years, and 57 cases remain live at the time of writing.
- 3.5 SAFS have focused on clearing some of the older cases brought forward from previous year in the first few months with 22 'low value' cases being cleared

from the backlog, identifying around £35,000 in fraud loss/savings and £3,500 in fines/penalties applied.

- 3.6 Following the roll out of national joint working with the Department for Work and Pensions (DWP) SAFS have been working with the DWP Fraud and Error Service teams based at Bedford and Stevenage to ensure that the Councils role in the administration of Housing Benefit is protected from fraud wherever possible.
- 3.7 SAFS are working with officers at present to enable the Council will join the Hertfordshire *FraudHub* in 2019 improving the use of data across the Council to prevent and identify fraud and error.

4. Transparency Code- Fraud Data

- 4.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
- 4.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf).

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

- 4.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for *North Hertfordshire District Council* for 2018/2019 is in **Bold**:

- 3 Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and use the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.

- 4 Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

1.5 FTE

- 5 Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

1.5 FTE

- 6 Total amount spent by the authority on the investigation and prosecution of fraud.

£80,000

- 7 Total number of fraud cases investigated.

37 Cases investigated and closed in year

- 4.4 In addition, the Code recommends that local authorities publish the following (*for North Hertfordshire District Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

See 7 above

- Total number of occasions on which a) fraud and b) irregularity was identified.

18 (85 cases remained under investigation at year end)

- Total monetary value of a) the fraud and b) the irregularity that was detected.

£226,000 of fraud losses & £59,000 of fraud savings identified in year.

Appendices

A. Anti-Fraud Plan 2018/19



NHDC Anti-Fraud
Plan

B. Fraud Comparison Statistics 2015-2019



NHDC Fraud Stats
Comparison

C. Anti-Fraud Statistics 2018/19



Fraud Stats 2018
2019

D. SAFS Annual Report 2018/19



SAFS Service Report
2018-2019

E. Anti-Fraud Plan 2019/20



NHDC Anti-Fraud
Plan