

**HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** REVIEW OF FRAUD INVESTIGATION ACTIVITY

**Meeting/Date:** Corporate Governance Panel – Jan 2014

**Executive Portfolio:** Barry Chapman (BC)

**Report by:** Corporate Fraud Manager (NDJ)

**Ward(s) affected:** All

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**Executive Summary:**

Recent central government reports estimate the risk of loss, from fraud, across local government could be in the region of £2.2bn. These estimates use levels of loss generally accepted as accurate in both the public and private financial sectors. Using the same calculations estimates of the risk of loss to HDC might be as high as £2.5m per annum. This level is an indicator only and does not represent actual loss.

This report provides an overview of the activity of the Councils Corporate Fraud Team for 2012/2013.

In 2012/2013 the Team investigated 297 allegations of fraud with a total value of £276k and delivered future savings of £476k. Collected £180k of 'hard to collect' debt. Recovered 12 social properties that were being unlawfully used. Brought prosecutions in 23 of the most serious cases.

The Fraud Team received subsidy and grants from the DWP (HB Admin Grant) for the work undertaken around benefit fraud and received further income from awards of costs and financial penalties totalling £202k.

Assuming that all funds, that were found to be fraudulent, are recovered a further £110K subsidy, pro-rata, will be received from DWP ensuring the Fraud Team provide a cost neutral service.

**Recommendation(s):**

It is recommended that the Panel;

- Reviews the work undertaken by the Fraud Team against its targets for performance in 2012/2013.

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## 1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report provides a summary of the activity of the Councils Corporate Fraud Team in 2012/2013 including the number of investigations undertaken, types of investigations, the value of fraud identified and the cost to undertake this work.

## 2. BACKGROUND

- 2.1 The current estimate of fraud affecting local government exceeds £2.2bn across England and Wales. Based on the same estimates the risk of loss, to fraud, for HDC has been put at around £2.5m per annum. See appendix A- Fraud Risk- Corporate Governance Report 2012/2013.
- 2.2 Understanding the potential risk of fraud and the cost to investigate this loss will help to inform the Council when it considers how to mitigate those risks. This report will show how the Council does this through deterrence, prevention and investigation.

## 3. ANALYSIS OF FRAUD

- 3.1 Analysis of potential fraud loss has been undertaken by various Government and Private Sector bodies, between 2011 & 2012 including the Audit Commission, Cabinet Office, Department for Communities and Local Government (DCLG), Department for Work and Pension (DWP), Deloitte and Price Waterhouse Coopers.
- 3.2 HDC has had in place an effective Fraud Team for some years tasked, in the main, with the investigation of housing benefit fraud and working in close partnership with the DWP.
- 3.3 Analysis of investigations undertaken in 2011/2012 and 2012/2013 show the value and length of fraud that was identified from various investigations where fraud was identified.

	<b>Ave No. Cases</b>	<b>Ave Length of fraud</b>	<b>Ave Cost of fraud</b>	<b>Predicted Annual loss</b>
<b>Housing Benefit Fraud</b>	132	12 Mths	£2,109	£ 278,388
<b>Council Tax Benefit Fraud</b>	124	12 Mths	£504	£ 64,496
<b>Council Tax Discounts &amp; Exemptions</b>	14	28 Mths	£535	£ 3,209
<b>Total</b>				£ 346,093

- 3.4 The options to combat fraud loss across the whole of the Council fall into various categories.

<b>Deterrence</b>	Making the option to defraud the council unattractive.
<b>Prevention</b>	Making it difficult to commit fraud against Council services.
<b>Investigation</b>	Catching those people who are alleged to commit fraud.
<b>Prosecution</b>	Punishing those people caught committing fraud.
<b>Recovery</b>	Recovering the financial loss/cost of fraud.

#### 4. KEY IMPACTS/RISKS?

4.1 HDC administers and pays housing benefit (HB) and council tax benefit (CTB) as an agent of the DWP. The Council has a statutory duty to prevent homelessness and works in close partnership with a number of housing providers. The Council collects council tax and awards discounts and exemptions in prescribed circumstances. Annual fraud loss in each of these areas, for HDC, is estimated at around £350k housing benefit, £1.8m Housing/Homelessness, £400k council tax discounts/exemptions.

4.2 For 2012 and 2013 the Fraud Team were set the following targets, these focused mainly on housing benefit/council tax benefit fraud as the Team is funded from the Housing Benefit Admin Grant.

Area of Work	Strand	Target set
<b>Publicity</b>	Deterrence	To publicise prosecutions and activity of Fraud Team.
<b>Use of WestMAP</b> (In-house data-matching system)	Prevention	Increased use of data-matching
<b>Weakness in Systems</b> (This might include any Council service, staffing, IT system or procedure)	Prevention	When investigations revealed weakness in control- report to Service Manager
<b>Fraud Awareness Training.</b>	Prevention	To deliver training to Staff and Members
<b>30 Investigations per 1,000 Benefit caseload</b> (as at 31.3.2012)	Investigation	300
<b>Number of days to 'Sift' reported matters.</b>	Investigation	5 days
<b>Investigation success</b> (A successful outcome is one where a fraud/theft/misappropriation is identified regardless of the value)	Investigation	60%
<b>Sanction cases</b> (Cases where a penalty, caution, fine or prosecution results from an investigation)	Prosecution	60 / 30
<b>Percentage of successful prosecutions</b>	Prosecution	95%
<b>HB Debt Reduction</b>	Recovery	Maintain recovery rate of 32% and see reduction in the balance of overpayments (OP) outstanding
<b>Regulation of Investigatory Powers Provision</b> (Managing the Councils use of surveillance and Interception Communications)	Recovery	Team remain cost neutral to HDC

## 5. WORK UNDERTAKEN

5.1 In 2012/2013 The Fraud Team delivered the following against its targets

Area of Work	Achievements
<b>Publicity</b>	Over 20 press releases were issued through the Councils News Team.
<b>Use of WestMAP</b> (In-house data-matching system)	The Team now has access 30 data-sets across HDC, and a number externally, which has allowed improved data-matching.
<b>Weakness in Systems</b> (This might include any Council service including its staffing, IT systems or procedures)	Matters continue to be reported to the Service Managers. The E-forms project has also been supported by the Fraud Manager as has the implementation of Risk Based Verification.
<b>Fraud Awareness Training.</b>	Fraud awareness training has been delivered to all new starters in the Benefit Section and Customer Services. Additional training has been provided to Benefit Section as a whole, Members and some parts of the Housing and Local Taxation Teams.
<b>30 Investigations per 1,000 Benefit caseload</b> (as at 31.3.2012)	297 Investigations were concluded. This is slightly lower than previous years due to staff sickness and vacancies.
<b>Number of days to 'Sift' reported matters.</b>	9 days. Again this figure was higher than previous years due to a vacancy on the team and a growing number of reported frauds and the diversity of these.
<b>Investigation success</b> (A successful outcome is one where a fraud/theft/misappropriation is identified regardless of the value)	50%- This equated to 135 cases where a fraud was identified (the value of these frauds totalled £276k loss and ongoing saving of £260k per annum). 135 cases were closed as 'not proved' and a further 27 were withdrawn as not requiring investigation. The Fraud Team also assisted in recovering 12 social homes that were being unlawfully used delivering further savings of £216k.
<b>Sanction cases</b> (Cases where a penalty, caution, fine or prosecution results from an investigation)	13 / 23 Again these figures are lower than previous years due to staff absence. The lower figures also indicate a trend towards fraud being identified sooner and the resulting loss being smaller.
<b>Percentage of successful prosecutions</b>	100% Every case taken to court in 2012/2013 had resulted in a guilty verdict.
<b>HB Debt Reduction</b>	The HB recovery rate achieved was 35%. In real terms (for the debt dealt with by the Fraud Team dealing with 'hard to collect debt') this work generated £10k per month income from ongoing arrangements and cash payments or settlements totalling <b>£180k</b> from a debt of £720k.
<b>Regulation of Investigatory Powers Provision</b> (Managing the Councils use of surveillance and Interception Communications)	HDC was inspected in March 2012 and received a very positive review from the Office of the Interception of Communications Commissioner (IOCCO- Home Office).

<p><b>To make the Team Cost Effective.</b> (cost neutral requirement based on Spend v Fraud &amp; Ongoing Savings)</p>	<p>The Teams costs for 2012/2013 totalled <b>£174k</b> in salaries and direct on-costs. The Fraud Team received DWP subsidy of <b>£189k</b> (HB Admin Grant). Identified fraud in HB totalling £276k - realising subsidy of <b>£110k</b>. In addition the Fraud Team raised income from penalties and court costs of <b>£13k</b>. As well as delivering an ongoing annual savings of £260k HB, £216k from Tenancy Fraud and recovering around £180k of HB bad-debt.</p>
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Comparison with previous years performance in key areas of detection and outcomes.

Year	Cases Investigated	Success Rate	Value of Fraud (incl non-HB)	People Cautioned/ Fined	People Prosecuted
2008/2009	354	68%	£628k	70	50
2009/2010	358	62%	£519k	51	35
2010/2011	463	63%	£504k	64	30
2011/2012	384	66%	£694k	35	48
2012/2013	297	50%	£276k	13	23

## 6. RESOURCE IMPLICATIONS

- 6.1 The Teams salary costs for 2012/2013 totalled **£174k**. The Fraud Team received DWP grants of **£189k** (This is taken from the HB Admin Grant). Realised subsidy of **£110k** from identified HB fraud. In addition the Fraud Team raised income from penalties and court costs of **£13k**.

## 7. OTHER IMPLICATIONS

- 7.1 In early 2013 the Fraud Team was successful in bidding for funding from the Local Government Associations (£27.5k) and DCLG (£341k) to create a Tenancy Fraud Hub across Cambridgeshire to expand on its work dealing with Tenancy Fraud. This funding will be used by partner agencies (CCC, SCDC, FDC, ECDC, PCC) to build data-warehouses, to identify fraud, similar to that at HDC and employ fraud investigators at those councils.
- 7.2 In 2011, as part of the Governments welfare reform programme, the DWP announced that it would be launching the 'Single Fraud Investigation Service' (SFIS). This body will take over all welfare fraud investigations by 2015 and see some investigation functions, and staff, move from local authorities (including HDC) to the DWP.
- 7.3 Due to the success of the work of the Fraud Team HDC have been approached by a number of neighbouring authorities to create a shared service for fraud. The viability of such a service is being reviewed at present.
- 7.4 In December 20113 the Fraud Team won an award from the Cabinet Office in the 'Innovation' category of its *Fighting Fraud Awards 2013*. The Audit Commission have also used HDC as an example of 'Good Practice' in its annual report- *Protecting the Public Purse 2013*- for the work the Fraud Team undertake around tenancy fraud and data-matching.

## **8 REASONS FOR THE RECOMMENDED DECISIONS**

- 8.1 The activity of the Fraud Team in 2012/2013 has shown that if the Council invests sufficient finance and resources the activity of the Team delivers value for money.
- 8.2. Reports from DCLG, Cabinet Office and private sector have all been scrutinised by HDC's Fraud and Audit Teams. As a result a 'Fraud Working Group' composed of Elected Members and Officers has been established and this group reviews new threats and risks as they emerge and determines the focus of the Fraud Teams work.
- 8.3 The work of the Fraud Team should continue until the DWP announce the date for SFIS to go live. In the interim other areas of fraud loss be examined and evaluated to see what future investment HDC will need to make, if any, to mitigate/combat this.

## **9. LIST OF APPENDICES INCLUDED**

Appendix 1 - Fraud Risk- Corporate Governance Report 2012/2013.

### **BACKGROUND INFORMATION**

Protecting The Public Purse- Audit Commission Report 2011 & 2012  
The Local Government Fraud Strategy- Fighting Fraud Locally Board 2011  
Tackling Fraud and Error in Government 2012- Report of the Fraud, Error and Debt Taskforce (Cabinet Office)  
Social Housing Fraud Consultation 2011. DCLG  
Eliminating Public Sector Fraud 2012- National Fraud Authority.  
Fraud Team Business Plan 2012/2013  
Fraud Team Annual Report 2012/2013 (full report)  
HDC: Anti-Fraud and Corruption Strategy

### **CONTACT OFFICER**

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