

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
14 June 2016

From: Head of Finance (s151 officer)

Subject: **ANNUAL REPORT ON COUNTER FRAUD AND ANTI-CORRUPTION 2015/16**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to inform Members of the work that has been undertaken on Counter Fraud and Anti-Corruption during 2015/16.
- 1.2 The Anti-Fraud and Corruption Policy outlines the council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. The Policy is designed to encourage prevention, promote detection and take effective action in respect of any attempted or actual fraudulent act affecting the council. The Policy also satisfies the legislative requirements of having effective arrangements for tackling fraud and conforms to professional guidance laid down in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.

2.0 WORK UNDERTAKEN:

- 2.1 The work undertaken by the Housing Benefit and Council Tax Section is detailed in Annex 'A'.
- 2.2 The work undertaken on behalf of the Council by Veritau North Yorkshire Limited – the Council's Internal Auditor - is of an unplanned or specific nature. During 2015/16 there were two items requiring investigation.
- fraudulent working patterns of an employee
 - loss of income.
- 2.3 Fraudulent Working patterns of an employee – a fraud investigation was launched against a member of staff around fraudulent time recording and overtime claimed. Prior to formal dismissal procedures being instigated the employee resigned. The financial value of the fraud was deemed to be of too low value to involve the police and the case is closed.
- 2.4 Loss of Income – there have been three major incidents of loss of cash in HDC during 2015/16. They occurred in November 2015, December 2015 and January 2016 from the same location at a total sum of £5,420. Veritau North Yorkshire Ltd investigated the initial theft. North Yorkshire Police have also been closely involved with the investigations. A comprehensive internal investigation has been carried out. The investigations have resulted in a range of changes to working practice, better segregation of duty and physical changes to locks and key controls. The investigation has also led to a disciplinary investigation which is still in process

3.0 RISK ANALYSIS:

3.1 There are no risks associated with considering this report.

4.0 RECOMMENDATION:

4.1 It is recommended that Members note the Counter Fraud and Anti-Corruption work that has been undertaken during the year to 31 March 2016.

LOUISE BRANFORD-WHITE

Background papers: None

Author ref: LBW

Contact: Louise Branford-White
Head of Finance (s151 officer)
Direct Line No: 01609 767024

Annual Report on Counter Fraud and Anti-Corruption 2015/16

Measures to Investigate and Prevent Fraud in Revenues and Benefits

Investigating Fraud

On 1 April 2015 responsibility for investigating fraud allegations for Housing Benefit transferred from Hambleton District Council (HDC) to the Department of Works and Pensions (DWP) under the Welfare Reform regulations. The four (3 FTE) Fraud Investigation Officers chose to transfer to the DWP.

The investigations and compliance section had a busy 2015/16 preparing cases for prosecution on investigations, which were completed prior to migration. Of these, 7 have been found guilty in court and another 2 are still being processed. We also gave 9 Administration Penalties and 1 Caution.

There were no cases during 2015/16 that involved Trading Standards to recover overpayments under the Proceeds of Crime Act. However, from the two cases in 2014/15, Case two resulted in the defendant being ordered to repay the Council a total overpayment for Housing and Council Tax Benefit of £4,802.35 within 12 months or face a custodial sentence. £1,280 has been received and the Council is now awaiting a date to return to court.

In relation to overpayment of housing benefit and council tax benefit, the DWP have provided the information in 2015/16 so a comparison can be made to 2014/15 when investigations were undertaken by HDC.

In 2014/15 Overpaid Housing benefit was £191,330 and overpaid council tax benefit £40,152.
In 2015/16 overpaid housing benefit was £66,936 and council tax benefit £12,574

Housing benefit overpayments are recovered from either ongoing benefit or direct from the customer via an arrangement. Reduction in council tax support is recovered via the council tax liability process through the demand notices. Should a customer default on any arrangement, further recovery action is taken, such as attachment to earnings or referral to enforcement agents.

Exploring Error

Work in relation to exploring errors within housing benefit claims and investigation into fraud and error in relation to council tax support, exemptions, discounts and avoidance of business rates etc. remains with HDC and Veritau Ltd has been appointed from September 2015 to conduct the investigations in relation to Council Tax and Business Rates.

In 2014/15 HDC Investigation Officers investigated 70 council tax reduction support cases, where 13 found fraud to be proven resulting in 13 sanctions being given.

In 2015/16 for the last 6 months of the year Veritau Ltd investigated 40 council tax reduction cases and as yet no cases have been found where fraud has been proven.

It is early in the process with Veritau understanding the way in which HDC operates and it is expected in 2016/17 that results will be more in line with what has been seen in previous years.

In addition, Veritau Ltd is also leading on an Information / Data Sharing project which is an exercise into council tax fraud and error where data will be matched across the local authority and also cross boundary with neighbouring North Yorkshire Councils. This will look at incorrect claims for discounts, exemptions and support with council tax as well as for small business rate relief for non domestic rates.

National Fraud Initiative (NFI)

The NFI is conducted every two years and is a national data matching exercise by the Cabinet Office across the public sector which includes local authorities, police, fire, pension funds, NHS and student loans. The data from local authorities includes housing benefit claims, Council Tax Reduction claims, market traders, creditors, licences and Taxi Licences.

The data for the 2016 exercise is in the process of being collated at HDC and will be sent to the Cabinet Officer for processing on 3 October 2016.

The exercise that occurred in 2014 is now complete which identified 470 matches to be checked against our systems for fraud and error in the area of housing benefit. One case is still under review which may be fraudulent.

Other Initiatives to Identify Fraud and Error:

Fraud & Error Reduction Incentive Scheme (FERIS) – The DWP supports local authorities to tackle Fraud and Error in Housing Benefit. The scheme, launched in November 2014, aims to encourage local authorities to find more changes of circumstances which reduce housing benefit entitlement.

The objectives of FERIS are to:

- find and correct an increased number of incorrect and fraudulent housing benefit claims
- get claimants to come forward with their changes in a timely manner
- reduce the Monetary Value of Fraud & Error in 2014/15 and beyond

The Council is looking into methods for giving a strong message to customers on the importance of informing of changes in their circumstances on time and of providing correct information at point of claim or review. Increased information is to be provided on the website, ability to text customers is being reviewed and leaflets are being prepared to raise awareness.

Compliance are also conducting targeted reviews into claims which have a higher risk of being incorrect. Information continues to be received from Her Majesty's Revenues and Customs (HMRC) via the Right Time Information process which provides the most recent pay for customers; this is checked against their claim and any corrections or investigations taken where necessary.

Real Time Information (RTI) – This process was introduced in October 2014 which involves files being transferred from HMRC. These files contain up to date information on claimant's wages which all require individual assessment by HDC Benefit Assessors. This process is to help cut down fraud and error and reduces overpayments as changes are made to claims earlier.

Housing Benefit Matching Service - The Council's data is matched on a monthly basis with data from the DWP and HMRC. This identifies where there are inconsistencies between the data. These matches are checked by HDC's compliance section where either enquires are made to correct the data or an investigation will be opened.

In 2015/16 188 matches were received (5 are still outstanding) which has resulted in £72,296 in housing benefit overpayment and £5,166 in council tax benefit overpayments being identified. Also £7,820 excess council tax reductions being identified (not included in any of the above figures).

Risk Based Verification – This process was introduced in May 2014 which targets high risk claims where verification from claimants is requested from HDC Benefit Assessors to support the claim and identifies low risk claims so reduces requests for information. This has assisted in processing claims more efficiently and makes the process of assessing new claims quicker.

- April 2014 the number of days to process all new claims was 34.90
- April 2015 the number of days to process all new claims was 19.07
- April 2016 the number of days to process all new claims was 20.30

Discretionary Housing Benefit – this benefit is available at the discretion of each individual Local Authority and is available to assist claimants with difficulties. Throughout the year HDC Welfare Team have assessed claims for people that fall within the criteria for applying for a Discretionary Housing Payments (DHP). The main reasons for these applications were in relation to a shortfall in their rent charged and benefit entitlement. The total number of awards that were made:

- In 2014/15 240 at £82,550
- In 2015/15 273 at £73,425

Introduction of Universal Credit – Universal Credit is to provide all benefit from one organisation – DWP – which will assist in the reduction of fraud and error. In February 2015 Universal Credit (UC) for single newly unemployed people only was introduced in the Hambleton District area. Although administered by Department of Works and Pension (DWP) the HDC Benefit Team provide personal budgeting support and general UC Service Centre support. In one month in 2014/15 3 UC cases were processed and in 2015/16 166 cases. Further development of UC is to occur in October 2016.