

## Report for Information

**Report to** Audit committee  
21 June 2011  
**Report of** Audit manager  
**Subject** Annual report on counter fraud activity 2010-11

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### Purpose

To inform members of the council's counter fraud activity during 2010-11.

### Recommendations

Members are asked to note the report.

### Financial Consequences

There are no direct financial consequences arising from this report.

### Risk Management

The work of the council's fraud team, together with other counter fraud initiatives involving other staff, helps to reduce the risk of fraud against the council.

### Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "One council:

- customer focus – putting customers at the heart of everything we do;
- continuous improvement of our services; and
- cost conscious – efficient and effective service delivery

### Contact Officers

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### Background Documents

# Report

## Background

1. The work of the council's fraud team, which previously concentrated solely on investigating benefits fraud, was developed during 2009-10 and 2010-11 to address other areas of corporate fraud.
2. This report summarises counter fraud activity in 2010-11 by the fraud team, plus in conjunction with other council staff and staff from other organisations.
3. Annex 1 also shows progress against the counter fraud plan 2010-11.

## Continuing counter fraud initiatives

4. In September 2009, the council obtained a grant to investigate unlawful sub-letting of social housing. The fraud team has been involved in investigating potential housing offences since that time. As part of this initiative, the team has mentored neighbourhood housing officers (NHO) and housing options staff in what to look for and how to gather information to assist an investigation. A dedicated pool of housing staff is being assigned to work as a direct liaison point between housing and the fraud team.
5. In addition to working with council staff, the fraud team leader has been involved in ongoing negotiations with registered social landlords (RSL) to jointly work to combat social housing fraud (initially two associations, but more recently an alliance that covers all the housing associations in Norwich).
6. The council also used a specialist data matching company to data-match 10% of our housing stock to look for indicators of possible sub-letting or single person discount (council tax) offences. This led to the team being involved in investigating offences relating to council tax in addition to benefits and housing.

## Liaison and joint-working

7. On a day-by-day basis, the team works in partnership with the fraud section of the Department for Work and Pensions (DWP) on cases where there is a similar interest. This contributes to about a third of the team's successful outcomes on an annual basis.
8. The team also works with other government departments to combat the threat of fraud, including the police, HM Revenue and Customs, UK Border Agency, Serious and Organised Crime Agency and the Security Industry Authority.

## Training

9. One member of the team is now an accredited financial investigator under the Proceeds of Crime Act 2002. The first cases are starting to go through the court process, resulting in repayment of benefit overpayments much sooner. We have also used the powers in the Act to reclaim assets obtained through the proceeds of criminal activity against the council, with good press coverage.

10. All team members are now trained in living together investigations, to enable them to fully understand the requirements of a decision-maker when questioning a customer or alleged partner.
11. The fraud team leader also continued to provide fraud awareness training to all new entrants to the revenues and benefits service. Fraud awareness training was also given to various sections of the authority dealing with front-line and back-of-house services, including Revenues and Benefits, Neighbourhood Housing and Arrears.

## **Performance**

12. Proven fraud (for benefit purposes) is measured by the number of sanctions and prosecutions achieved in a year. Sanctions are defined as simple cautions (a warning where an offence has occurred, but is less serious and court is not the first option) or an administrative penalty (similar to a simple caution, but the customer accepts a fine of 30% of the overpaid benefit).
13. There were 873 benefit referrals to the fraud team in 2010-11 (981 in 2009-10), of which 706 required further investigation (728 in 2009-10).
14. The team achieved 109 sanctions and prosecutions (168 in 2009-10), of which 71 were NCC led (126 in 2009-10) (the team was without one full time fraud officer for six months of the year, due to long term sickness). The council works with the local press to publicise successful prosecutions to act as a deterrent.
15. The total overpaid benefit (including admin penalties) identified for these cases was £257,525 (£376,552 in 2009-10), at an average of £2,362 per case (£2,241 in 2009-10).
16. NCC issued its first simple caution for an offence relating to council tax liability.
17. The team had direct input into the recovery of four NCC properties through investigation and assisted housing in the recovery of two more.

## **National fraud initiative (NFI)**

18. The council continued to investigate matches from the 2009 and 2010 data matching exercise carried out under the national fraud initiative run by the Audit Commission.
19. To date 2,750 of the 3,272 total matches have been cleared. To date one housing fraud has been identified, resulting in the recovery of a council property. In addition, 57 errors have been identified (either by claimant or council staff) totalling £113 (these mostly relate to erroneous NI numbers).
20. As a result of joint work with Norfolk County Council on the 2009 matches, council tax single person discount totalling £280,542 has been withdrawn

## **Audit Commission annual fraud and corruption survey 2010-11**

21. The council responded to the survey by the deadline. A report with the council's detailed response will be brought to a later meeting.

## **Conclusion**

22. The council's counter fraud activity continued to develop in 2010-11 and achieved good results in terms of benefits and housing fraud. Counter fraud activity in all areas is reported periodically to audit committee.
23. The government has indicated that it intends to introduce universal credit, possibly in two years time, which would result in the cessation of housing and council tax benefits. The Dept for Work and Pensions has said that it will be taking on local authority fraud investigation officers to work as part of a new Single Investigation Service, tackling credit fraud. A fuller report on this proposal will be presented to a later meeting.

## **Reference documents**

Anti-Fraud and Corruption Strategy

Housing and Council Tax Benefit Anti-Fraud Strategy

Whistleblowing Policy

## Internal Audit and Fraud

### Counter Fraud Plan 2010-11

| Area                                  | Comments  | Resourcing  | Progress in 2010-11  |
|---------------------------------------|---|---|--|
| Housing – unlawful subletting         | <p>Highlighted as a risk in 'Protecting the Public Purse'.</p> <p>This risk is the subject of a national initiative – the council received a grant for participating. Pilot data matching already carried out, results currently being evaluated. Depending on results, may extend data matching in 2010/11.</p> <p>We also receive potential tenancy matches from NFI results, and these will be investigated.</p> | Fraud team in conjunction with housing staff  | <p>The fraud team has been solely responsible for recovering four properties by way of investigation (three of which came from the hotline and were given rewards).</p> <p>The team also had significant input into the recovery of two more.</p> <p>Three neighbourhood housing officers have been given training on housing fraud investigations. Also, the benefit service is training all housing officers on how to look at benefit systems to cross-match data and reduce fraud and error.</p> <p>A housing manager has been nominated to investigate the 267 tenancy matches from NFI.</p>  |
| Council tax – single person discounts | <p>Highlighted as a risk in 'Protecting the Public Purse'.</p> <p>We also receive potential matches from NFI results, and these will be investigated.</p> <p>Joint funding to help with the resourcing of investigations will be explored.</p>  | Fraud team and council tax staff.<br>Possibility of joint funding for extra resources | <p>The result of our joint work was picked up by the Audit Commission and included on its case study website:</p> <p><i>"Norwich City carried out a joint working initiative with Norfolk County Council to investigate their NFI council tax to electoral register matches.</i></p> <p><i>The Councils investigated over 1500 matches and identified nearly 850 households who were wrongly claiming the 25 per cent single person discount on their council tax bills. As a result the city council is recovering a total of £280,542, as well as preventing further losses being incurred had those erroneous discounts continued."</i></p> |

## Annex 1

|  |   |                |   |
|--|---|----------------|---|
| Council tax – missing addresses                | <b>Not in original counter fraud plan.</b> The council was approached by a specialist data matching company to participate in an exercise to look for properties that were not on the council tax and Valuation Office databases.   | Fraud team     | To date 35 properties across various bands have been added to council tax records, total additional revenue of £100,287. (May also result in New Homes Bonus.)  |
| Recruitment                                    | Highlighted as a risk in 'Protecting the Public Purse'.<br>Included in draft internal audit plan for 2010/11.   | Internal audit | Currently in progress   |
| Housing and council tax benefit                | Highlighted as a risk in 'Protecting the Public Purse'.<br>Experience shows that this continues to be an area with a high risk of fraud, and is the main target for the work of the fraud team.<br>We also receive potential matches from NFI results, and these will be investigated.  | Fraud team     | Ongoing work.<br>To date 109 people have had further action taken against them (50 cautions, 23 admin penalties and 36 prosecuted) in benefit cases, with overpayments identified of £257,525 for these cases.<br>Within the NFI matches there are 1,867 cases related to benefits and to date 1,535 (82%) have been cleared. |
| Procurement                                    | Highlighted as a risk in 'Protecting the Public Purse'.<br>Included in draft internal audit plan for 2010/11.   | Internal audit | Audit of Oracle purchasing module currently in progress   |
| Insurance claims                               | Highlighted as a risk in 'Protecting the Public Purse'.<br>Our insurance arrangements were included in the internal audit plan for 2009/10, and a final report was issued which gave adequate assurance. The report findings will be followed up in 2011/12.<br>We also receive potential matches from NFI results, and these will be investigated. | Internal audit | 10 matches from NFI investigated – no evidence of fraud found.  |
| Purchase cards                                 | Potential for over £1m. spend annually, with further roll out possible  | Internal audit | Final report issued with several recommendations to improve control. No evidence of fraud found   |
| Private sector leasing – payments to landlords | Large number of landlords paid on a regular basis, many of whom are individuals   | Internal audit | In progress   |