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**FRAUD ACTIVITY REPORT**

Committee: Corporate Governance & Finance Committee

Date: 4<sup>th</sup> December 2014

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1.0 **ISSUE**

- 1.1 To inform the Finance & Governance Committee on the work of both Internal Audit and the Anglia Revenues Partnership (ARP) in relation to counter fraud activity.

2.0 **RECOMMENDATION(S)**

- 2.1 That the Committee note the results of counter fraud activity undertaken by both Internal Audit and ARP.

3.0 **BACKGROUND/OPTIONS**

- 3.1 The report provides a summary of the counter fraud work undertaken by both Internal Audit and ARP during the current financial year. The report is split into the following areas:-

- Housing Benefit & Council Tax Reduction fraud,
- The National Fraud Initiative; and,
- Work relating to the Cambridgeshire Fraud Hub
- Emerging issues

4.0 **ARGUMENTS/CONCLUSIONS**

- 4.1 The report particularly highlights the successes in terms of both Housing Benefit and Council Tax Discount fraud and the continuing work on developing the Cambridgeshire Fraud Hub, which demonstrates commitment to responding to the requirements of the Local Government Fraud Strategy published by the National Fraud Authority.

5.0 **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

- 5.1 There are no additional financial implications arising from this report. However, there are ongoing savings arising for example from participating in the National Fraud Initiative and collaborative work across local authorities.
- 5.2 Equality Impact Assessment (INRA) not required.

## 6.0 APPENDICES

### 6.1 Appendix 1 – Fraud Activity Report

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<b><u>Background Documents</u></b>	<b><u>Location</u></b>	<b><u>Contact Officer</u></b>
None	Room 207 The Grange, Ely	Trevor Bowd Principal Auditor (01353) 665555 E-mail: <a href="mailto:trevor.bowd@eastcambs.gov.uk">trevor.bowd@eastcambs.gov.uk</a>

**EAST CAMBRIDGESHIRE DISTRICT COUNCIL – INTERNAL AUDIT**

**FRAUD ACTIVITY REPORT**

**1. INTRODUCTION**

- 1.1 In common with all other public bodies, East Cambridgeshire District Council has an ongoing duty to protect the public purse. The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen during the last year. The report also highlights the ongoing work to develop the Cambridgeshire Fraud Hub and other emerging issues that impact directly upon future counter fraud work.
- 1.2 The report covers the following areas:-
- Housing Benefit & Council Tax Reduction fraud
  - The National Fraud Initiative
  - Work relating to the Cambridgeshire Fraud Hub
  - Emerging issues

**2. HOUSING BENEFIT & COUNCIL TAX DISCOUNT FRAUD**

- 2.1 The Anglia Revenues Partnership's (ARP) Fraud & Visits Team is responsible for undertaking investigations into allegations of Housing Benefit & Council Tax Reduction fraud. The predominant sources of referrals are from:-
- Housing Benefit and Council Tax assessment officers
  - Data matching
  - Joint working
  - Whistle blowing
  - Fraud Hotline referrals
- 2.2 Where appropriate, suspected offenders are dealt with in accordance with the ARP Prosecutions Policy which results in one of three sanctions being applied, a Caution, Administrative Penalty or Prosecution.
- 2.3 During the financial year 2013/14 the ARP Fraud & Visits Team conducted over 400 investigations across all of the ARP partners and identified losses to the public purse amounting to £880,000.
- 2.4 For East Cambridgeshire District Council, a total of 29 sanctions were applied after completion of investigations, with 9 cases offered a formal caution, 8 cases receiving an administrative penalty and 12 twelve cases being successfully prosecuted. Losses arising from our completed investigations amounted to £201,925 or 23% of the total losses identified across the Partnership.

**3. THE NATIONAL FRAUD INITIATIVE**

- 3.1 The National Fraud Initiative (NFI) is a sophisticated data matching exercise that matches electronic data within and between public sector bodies to prevent and

detect fraud. The exercise is undertaken every two years and historically has been successful in identifying fraud and error across the UK. The last completed exercise (NFI 2012) processed nearly 8,000 datasets from 1,300 organisations which produced 4.7 million data matches. Reported outcomes from the investigations of matches was £229 million.

- 3.2 The Principal Auditor is the Council's Key Contact for NFI. Although the outcome of the investigations into our own matches was relatively small at around £13,000, this is six times the fee that we pay to the Audit Commission for taking part in the exercise.
- 3.3 The latest exercise (NFI 2014) has been launched and the Council has complied with the requirement to submit a number of datasets to the Audit Commission by 6<sup>th</sup> October 2014, with the first matches being released for investigation from the end of January 2015.

#### **4. THE CAMBRIDGESHIRE FRAUD HUB**

- 4.1 The development of the Cambridgeshire Fraud Hub is seen as a key priority and will enable us to demonstrate our commitment to tackling fraud locally and therefore comply with the requirements of the Local Government Fraud Strategy.
- 4.2 The first stage in the development of the Hub is to install the software and initially match data only within the Council. Ultimately it is the aim of the Hub to enable data matching to be undertaken across Cambridgeshire authorities.
- 4.3 Through the Cambridgeshire Tenancy Fraud Forum which forms part of the overall Hub, work is in progress across the County to engage with housing providers and housing teams to identify tenancy fraud. It is estimated that the cost of tenancy related fraud within Cambridgeshire is in the region of £10 million per year.
- 4.4 The Prevention of Social Housing Fraud Act 2013 which came into force in January 2014 criminalises tenancy fraud and gives local authorities the powers to investigate and prosecute tenancy fraud on behalf of housing providers. Across Cambridgeshire there are currently 13 local authorities and housing providers who have signed up to participate in detecting tenancy fraud and the ongoing aim is to increase the membership.

#### **5. EMERGING ISSUES**

- 5.1 The Government's strategy for tackling welfare fraud and error published in October 2010, set out a commitment to create a Single Fraud Investigation Service (SFIS) to investigate benefit and tax credit fraud which would be part of the Department for Work and Pensions (DWP).
- 5.2 The commitment will be achieved by bringing together investigation staff from local authorities, the DWP and Her Majesty's Revenues and Customs. For the ARP partners, the investigation of welfare benefit fraud will transfer to the centralised SFIS with effect from 1<sup>st</sup> September 2015, which will result in a transfer of some ARP fraud investigators over to the DWP, leaving a reduced resource within ARP to undertake fraud prevention and detection work that will remain the responsibility of local authorities including fraud in areas such as Council Tax Reduction, NNDR, procurement fraud and others.

- 5.3 All partners within ARP must identify the areas within their organisations that are vulnerable to fraud and how the remaining ARP fraud team can work with partners to identify, prevent and detect fraud to meet the obligation to protect the public purse. It is intended to undertake a fraud risk assessment by the end of the financial year which will then lead to the development of a Fraud Response Plan commensurate to the level of risk identified.

## **6 CONCLUSION**

- 6.1 Our own Anti-Fraud and Corruption Strategy states that the Council must demonstrate that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators both from inside and outside the Council.
- 6.2 Awareness of fraud within the public sector has been raised through national reports such as Protecting the Public Purse which is produced annually by the Audit Commission and focuses on areas where fraud is committed based on data submitted by public sector organisations. The Council must therefore ensure that it uses the scarce resources available to tackle fraud in areas where there is the greatest risk.

Trevor Bowd  
Principal Auditor  
December 2014

## Appendix A

### Sanction Definitions

Term	Definition
Sanction	Formal outcome of a successful investigation resulting in one of the conclusions set out below.
Caution	A warning, given in certain circumstances, as an alternative to prosecution, to a person who has committed an offence (NOT a Police caution). The caution is recorded on the records of both the local authority and the DWP for five years. A check would be conducted in the event of a similar investigation. A second Caution would not be offered and it would be more likely that a prosecution would be instigated for a second benefit fraud offence where there was a previous Caution recorded within the last five years.
Administrative Penalty	An Administrative Penalty (Ad-Pen) is a financial penalty which can be offered as an alternative to prosecution where there has been no previous sanction of any form, for example, Caution, Ad-Pen or prosecution. The Ad-Pen is administered on behalf of the Secretary of State and is set at 30% of the total of overpaid benefit in the case. The Ad-Pen is recorded on the records of both the local authority and DWP for 5 years. A check would be conducted in the event of a similar investigation. A second Ad-Pen would not be offered and it would be more likely that a prosecution would be instigated for a second benefit fraud offence where there was a previous Caution or Ad-Pen recorded within the last five years.
Prosecution	Prosecution of an offender within the Criminal Justice System for an alleged offence.