



'Working in partnership for a sustainable, high quality service'

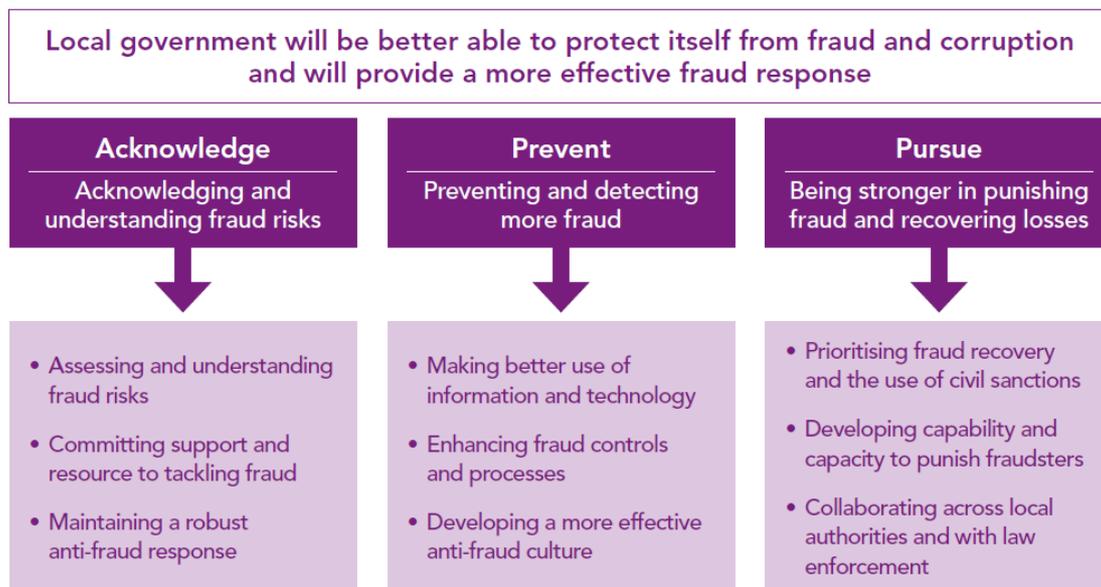


COUNTER FRAUD REPORT 2013-14
Cheltenham Borough Council

Counter Fraud Report 2013-14

1. Introduction

1.1 In 2011 the Local Government Fraud Strategy “Fighting Fraud Locally” was published that sets out the approach to fraud that is now expected of Local Government. The stated vision is that “*by 2015 Local Government will be better able to protect itself from fraud and have in place a more effective fraud response.*” It goes on to indicate three areas of focus as shown in the table below:



1.2 The Audit Commission published their document “Protecting the Public Purse 2012” which sets out a series of recommendations that Councils should inter alia “*maintain a capability to investigate non-housing benefit related fraud, proportionate to the risk*” and “*assess the potential benefits and cost savings of greater joint working with other Councils.*” This was reiterated in the Protecting the Public Purse 2013.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “*Delivering good governance in Local Government; Addendum, December 2012*”. In this paper there is a table of elements that

are recognised key in an authority's governance framework. One of these elements is:

“ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.”

1.4 This is the second annual Counter Fraud Report for this authority and the report sets out the counter-fraud and anti-corruption arrangements in this authority and the results of activity for 2013~14 set out in terms of:

- Acknowledgement,
- Prevent and
- Pursue.

1.5 Although the focus of these reports is on the criminal level fraud it is considered good practice to approach any possible 'fraud' investigation with the criminality element fully considered even if the final result is disciplinary only. Therefore the results of relevant non-criminal fraud action have also been included.

2. Acknowledgement

2.1 In the latter part of 2011/12 a fraud survey was completed by this Council for the Audit Commission. This outlined approximately 28 areas for the authority to consider in terms of types of fraud and tools required to address them. Although this authority was able to positively respond to the survey it was recognised by Internal Audit and the Benefit Fraud Team that more could be done. In 2013/14 this survey was coordinated and submitted by Audit Cotswolds and further proactive Counter Fraud actions were undertaken as set out below.

2.2 The report “Protecting the Public Purse 2012” (PPP12) has been considered by Audit Cotswolds in order to plan the proactive counter fraud work for 2013/14. Within the report there is an appendix checklist for counter fraud and this is being used by the Audit Cotswolds to assess the current counter fraud system.

- 2.3 The first task was to align the policies of counter fraud across the partners and agree the approach with Corporate Management. The new Counter Fraud Policy has now been approved across the Audit Cotswolds partners.
- 2.4 A dedicated resource (the Senior Investigating Officer) from Cheltenham has been working with the Head of Audit Cotswolds to assess the feasibility of a dedicated Counter Fraud Unit or Hub. The report (PPP12) provides a focus on social housing fraud / tenancy fraud and therefore part of the feasibility study included engagement with the Gloucestershire Tenancy Fraud Forum to aid in the recovery of properties, recognising that Cheltenham Borough Homes Ltd is part of this forum. Results of this engagement are show below.
- 2.5 In terms of recognising the risks of fraud the internal audit plan for 2013/14 included an allocation of days for investigation and participation in such schemes as the National Fraud Initiative (NFI). One of the Senior Auditors in Audit Cotswolds is designated as the key contact for NFI across the partnership.
- 2.6 Moreover, Audit Cotswolds conducted an awareness week in September 2013 at Cheltenham Borough Council, coordinated with Cheltenham Borough Homes Ltd and their Tenancy Fraud awareness week. This activity included, a display and walk-in workshop in the Municipal Offices, intranet prompts and posters across the offices. For 2014/15 further awareness work is planned, including a full training programme.
- 2.7 Audit Cotswolds is continuing to review the possibility of a dedicated Counter Fraud Unit or Hub. This is reinforced by the continuation of the Department of Work and Pensions Single Fraud Investigation Service (DWPSFIS) plans to partially takeover the investigation of some aspects of the benefit fraud teams' work. It has been seen that the DWPSFIS is not going to cover all aspects of their work and indeed there is an understood deminimus level to which they will investigate i.e. £2000 or more. The expectation is that some, if not all, benefit fraud staff could transfer to DWPSFIS, thus taking valuable skills away from the Council's control. Therefore a business case for a dedicated Counter Fraud Unit or hub is now underway.

3. Prevent

- 3.1 Audit Cotswolds acts as the key contact for NFI, which is a data matching exercise that matches data from multiple sources that may indicate possible fraudulent activity. For example, payroll to benefit data can be matched to indicate if someone is fraudulently claiming benefits. This activity continued through 2013/14.
- 3.2 The key element arising from the PPP12 was the general breadth of fraud issues. Although there are counter measures in place at this authority there is always a potential for fraud to occur and the Head of Audit Cotswolds in conjunction with the Senior Investigations Officer has been reviewing the list of potential areas. These are then being risk assessed based on known factors at this authority e.g. when the last Single Person Discount review was undertaken for Council Tax, etc.
- 3.3 In March 2013 the internal audit plan was approved and it included time to help promote an anti-fraud culture and proactively check systems where risks of fraud have been stated in the above reports, for example, Payroll, Transparency Agenda, ICT Security, Benefits, Council Tax and NNDR.
- 3.4 One of the tools kept under review for fraud investigations is the Regulation of Investigatory Powers Act. This covers surveillance and communications data. This authority did not use these powers in 2013/14, instead using alternative tools. However, training was undertaken by key officers in January 2013 that may require this tool.
- 3.5 In 2013/14 links with Cheltenham Borough Homes Ltd and housing associations in the area were enhanced to identify routes to investigate tenancy fraud.
- 3.6 Basic tools have been used through the year to raise awareness, such as, leaflets for new employees and general awareness for Members. However, this will be built on through 2014/15 to include more awareness training for managers and staff.

4. Pursue

4.1 The focus of 2013/14 activity has been to resource and deliver a more proactive approach to counter fraud activity. This has included early liaison with Legal Services with the aim to be prepared that if more proactive work triggers more reporting of possible frauds then the relevant services are able to pursue.

4.2 In terms of pursuing fraud for 2013/14 from the benefit fraud team (see table 1).

A number of joint investigations with the Department of Work Pensions helped with overpayments. This is from two investigation officers. These officers have identified that there is an increase in cases involving capital (other houses as well as undeclared funds) and also more forged documents, and expect this trend to continue

Table 1

Benefit Fraud	
Prosecutions:	20
Adpens:	23
Cautions:	31
Monetary Value:	£157,817.79
Non sanction value:	£72,463.68
If a case is sanctioned then this protects the debt should the person then go bankrupt.	

4.3 Once benefit fraud work goes to DWPSFIS, we as a local authority, can still offer a caution for offences or take to court. This will be useful in other investigations such as NNDR/CT as well as procurement fraud.

4.4 We have worked with Cheltenham Borough Homes Ltd and helped in the recovery of approx 20 properties – the value of these is £18,000 each property according to the Audit Commission. This is based on the cost of emergency housing for a family. We have two cases coming to court in July 2014 for fraudulent applications and we interviewed another for Cheltenham Borough Homes Ltd and currently have another one we are just starting.

- 4.5 We are the only authority attending the Gloucestershire Tenancy Fraud Forum which has been set up by local social landlords and is seen as one of the most successful in the country. The new Prevention of Social Housing Fraud Act 2013 came in last year and allows local authorities to work on behalf of housing associations in this field. The new powers also allow landlords to recover money through the civil courts from tenants who illegally sublet their properties. We are currently assisting a Housing Association in an investigation and have taken actions which will assist in the recovery of a property.
- 4.6 With regards to the DWPSFIS threshold of £2000 we are looking at how best to tackle this to ensure costs to the authority are kept to a minimum and the overpayment is recovered. It is understood that when Universal Credit comes in Housing Benefit will be a low priority debt therefore it is in our best interests to prevent as many as we can.
- 4.7 From our use of the Council Tax system there are landlords who still don't pay their Council Tax, sometimes they own more than one property. The law allows us to put a charging order on a property and force a sale, a course of action that could be publicised (you don't have to name names) which would 'encourage' others to pay. This is also being considered as part of the overall business case and possible remit of the Counter Fraud Unit.
- 4.8 We are also waiting for further information from colleagues in Bristol concerning their work on student discounts and CT – one example they gave was the non-existent places of education. We are considering this risk when reviewing our systems in 2014/15. This is information that could be made use of by others should an investment be made in some type of data warehousing system, again something being considered for a Counter Fraud Unit.
- 4.9 Currently we assist the police with their data protection requests. Not only does this assist the police in their enquiries it has given us a number of leads for investigations, such as non residents, non dependents, living together etc. The police are feeding back information to us following a search which is proving very useful. We also assist other local authorities, as they assist us,

in investigations from making an interview room available to actually conducting the interview (we charge for this service).

4.10 Right To Buy – this is believed to be an area of risk. The value of prevention is deemed to be the maximum discount being claimed, although in real terms such a loss is the cost of building a similar property. It can give people a step onto the housing ladder. We do assist One Legal with some checks, and have picked up some cases by identifying people who allege they live at the house. We did identify one case last year where someone wished to join in the RTB but they had not actually lived at the address.

4.11 A lot of the work recommended by the Audit Commission will be preventative i.e. saving the council money rather than try to claw it back. It is believed that there is a substantial benefit to be found in policing the NNDR and CT systems; with the anticipated result of payment rates improving if the worse offenders faced criminal proceedings and this was publicised. Non payment of NNDR has been stated in many cases to be much more deliberate and more complex, thus more of an investigation would be required. However again there could be more scope for recovery in terms of assets and a huge benefit to be gained from positive publicity.

4.12 Table 2 below shows a case that was publicised in 2013/14:

Table 2

Council Tax review helps to find £36,000 benefit fraud

A Cheltenham claimant has been given a suspended jail term following her conviction for benefit fraud. Sylvia Halford claimed that she lived alone in her flat and claimed income support, housing benefit and council tax benefit as she didn't work.

She was caught following a review of single person discount claims in 2012. A 25% discount can be claimed off council tax bills if a person is the sole adult occupier of a property. The situation is regularly checked to pick up changes.

The review in 2012 highlighted another name at the address and the subsequent investigation resulted in Ms Halford admitting that she had dishonestly claimed benefits from Cheltenham Borough Council and the Department for Work & Pensions totalling in excess of £36,000. She was given two suspended sentences of 3 months each, and ordered to carry out 150 hours of unpaid work as well as paying the Council's costs.

Mark Sheldon, Director of Resources said "Fraudulently claiming benefits is a criminal offence. We have vigorous systems in place to make sure that people are claiming fairly and honestly; as in this case, we will take action against those who break the law"

The council tax review for 2013 is currently underway – if you have any queries about your eligibility please ring the council tax helpline on 01242 264161. It is a criminal offence to claim a discount to which you are not entitled.

To report benefit fraud please ring 01242 264215. This is a 24 hour number on which you can leave details regarding any alleged fraud.



5. Conclusion

- 5.1 This is the second of these reports and this will be reviewed for inclusion of any further information, frequency and format over the next 12 months.
- 5.2 There is a proactive anti-fraud culture being developed across the Audit Cotswolds partnership working with the Benefit Fraud Teams and other services.

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working with

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