

Subject:	Corporate Fraud Update and Risks		
Date of Meeting:	23 September 2014		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Acting Head of Internal Audit	Tel: 29-1314
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of this report is to update the Audit and Standards Committee on the proposed role and resourcing of the Corporate Fraud Team following the transfer of staff to the Department of Work and Pensions (DWP) under the Single Fraud Investigation Service (SFIS) programme
- 1.2 This report also details service priorities for the remainder of 2014/15.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the revised service arrangements and revised service priorities.

3. SFIS PROGRAMME UPDATE

- 3.1 As previously reported to this Committee in June, the DWP announced the timetable for the transfer of local authority housing benefit investigators to the DWP in May this year. Within this timetable, the council was given a transfer date of the 1st October 2014.
- 3.2 Council officers have been working with DWP staff to facilitate the transfer and ensure that both the human resource and operational aspects of the transfer are properly managed.
- 3.3 The project is on track with the transfer expected to take place on the 1st October as planned. It is expected that this will result in three members of staff transferring to the DWP. Four staff will be retained by the Council as part of a scaled down Corporate Fraud Team. Another member of the team has recently left the Council to take up an appointment with another local authority.
- 3.4 The residual team will be composed of:

- 1 x Corporate Fraud Manager
- 2 x Corporate Investigators
- 1 x Administrator primarily to support DWP requirements

3.5 The officers appointed to this team are all from the pre-existing service.

4. **RESIDUAL CORPORATE FRAUD TEAM –SERVICE PRIORITIES**

4.1 The short timetable of the SFIS transfer has meant that prompt decisions have been necessary to ensure that the Council retains an effective counter fraud capability. Specifically it was recognised that although the Council's capacity to review and investigate allegations of fraud and irregularities is being reduced the *range* of allegations will not reduce.

4.2 Substantial fraud risks remaining with the Council include:-

- Housing Tenancy Fraud*
- Procurement Fraud*
- Council Tax Reduction Fraud*
- Council Tax SPD Fraud*
- Housing allocations*
- Right to Buy*
- Blue Badges*
- Concessionary Bus Passes
- Grant Awards*
- Theft of money and valuable assets*
- Bank Mandate frauds i.e. false requests to change bank account details.*
- Payroll Frauds

4.3 The council has received allegations and undertaken investigations into all those areas marked with an asterisk* in the past two years and it is expected that these areas will remain priorities for the team.

4.4 Communications with the DWP have also highlighted that whilst Council officers will no longer investigate housing benefit fraud, they will have a role in channelling housing benefit fraud referrals to the DWP and dealing with queries on an ongoing basis. This support will be delivered under a Service Level Agreement with the DWP and it is expected that this task will initially take up the majority of the time of the Administrative Officer in the team.

4.5 Commitments to corporate fraud work have been made in the Internal Audit Strategy and Plan and agreed by the Audit and Standards Committee. These include to:

- Develop fraud awareness throughout the Council through training and other initiatives.
- Revise, draft and communicate corporate policies including the Counter Fraud Strategy, Fraud Response Plan, the Bribery Act Policy and Money Laundering

- Carry out proactive work using data analytics to identify transactions indicating high fraud risk.
- To action intelligence obtained from the National Fraud Initiative data matching exercise.

5. **JOINT WORKING OPPORTUNITIES AND FUNDING ARRANGEMENTS**

- 5.1 To be successful it is essential that the team works closely with services across the Council, as well as other local authorities, public bodies and the police.
- 5.2 The team is already working closely with the Housing Department on both fraud awareness and investigations, particularly in relation to tenancy fraud. Although the team were successful in helping to secure the return of 10 properties in 2013/14, statistics produced by the Audit Commission in 2013 indicate that 2% of council tenancies outside of London may be fraudulent. If this is true it would apply to 240 tenancies in Brighton & Hove. Tenancy fraud will therefore remain a priority for the team, and the Housing Department are contributing to the cost of this element of the Corporate Fraud Service.
- 5.3 A bid for grant funding from the DCLG Counter Fraud Fund is being prepared. This is a joint proposal between Brighton & Hove, East Sussex and Sussex Police for funding to tackle Blue Badge misuse, free up spaces for the genuinely disabled and to manage offenders in a proportionate and cost effective way. The bid aims to educate the public about the correct use of Badges, the consequences of misuse through Police participation in high profile operations and other publicity.
- 5.4 A Council Tax Single Person discount exercise has already been planned by Revenues and Benefits for 2014/15. Meetings have recently taken place to identify additional opportunities for council services and the Corporate Fraud Team to prevent and detect this type of fraud.
- 5.5 The Corporate Fraud Team will work with Internal Audit, Legal Services and Human Resources to ensure that those genuine concerns about frauds and irregularities are raised through whistleblowing arrangements and fraud hotlines. It is expected that these mechanisms will continue to provide referrals in relation to procurement issues, housing allocations and other types of fraud.
- 5.6 The service is currently co-ordinating the preparation of data files for submission to the residual Audit Commission as part of the 2014/15 National Fraud Initiative Data matching exercise. The data sets requested include:-
- Payroll and Pensions
 - Creditors
 - Housing
 - Housing benefits and Council tax
 - Electoral register
 - Transport passes and permits (including residents' parking, blue badges and concessionary travel)

- Licences
- Personal budgets (direct payments).

6. EMERGING FRAUD RISKS

6.1 There are a number of areas where nationally fraud risks have been identified but this Council has not yet identified any losses or received significant allegations. These include:-

- Personal Budgets (Direct Payments) Fraud - Abuse of this system can occur as an overstatement of needs, by multiple claims across authorities and from third party abuse, for example posthumously - where the service user has died and payments continue to be fraudulently collected. Counter fraud arrangements in this area are particularly important as this type of fraud may directly impact on vulnerable members of the community. The Council's budget for direct payments for 2013/14 was £5.6m.
- Business Rates - This area has been identified as an emerging risk but the Corporate Fraud Team have received no referrals of this nature so far. Business Rate retention arrangements mean that any fraud losses now have a direct impact on this Council's finances.
- Right to Buy - The Right to Buy discount was increased to £75,000 from 1st April 2012 creating a significant financial incentive to purchase a council property. The Corporate Fraud Team have received a number of referrals of this nature since it was set up but none have led to the reclaiming of a property or the repayment of discount awarded.
- Schools – Individual schools may have multi-million pound budgets and a great deal of local autonomy. Although most schools have good financial governance nationally some schools have suffered losses running into hundreds of thousands of pounds.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 Funding for the residual Corporate Fraud Team will come from a number of different sources. This includes the current provision for the Corporate Fraud Manager (within the Internal Audit budget), a contribution from the Housing Department and residual Housing Benefit Subsidy Grant. External Funding is also being sought from the DCLG Counter Fraud Fund for a specific project associated with Blue Badge misuse.

7.2 The Corporate Fraud Team will provide services associated with the prevention of fraud within the Council's functions identified under paragraph 4.2 above. These areas potentially present the risk of significant financial loss to the Council

and the introduction of the Corporate Fraud Team will mitigate the risk of financial losses.

Finance Officer Consulted: Rob Allen

Date: 10/09/14

Legal Implications:

- 7.3 The council will, where appropriate and where permitted under specific legislation, continue to prosecute persons suspected of committing certain types of fraud. In other cases, allegations of fraud will be referred to the police or the relevant investigatory and prosecution authority.

Lawyer Consulted: Oliver Dixon

Date: 08/09/14

Equalities Implications:

- 7.4 There are no direct equalities implications arising directly from this report

Sustainability Implications:

- 7.5 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 7.6 There no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 7.7 Counter fraud arrangements are a key part of the Council's risk management process. Fraud risks can have a substantial impact on resources, customer confidence and the reputation of the Council.

Corporate / Citywide Implications:

- 7.8 Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

Documents in Members' Rooms

Background Documents

