



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

23 July 2020

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Counter Fraud Annual Report 2019-20

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place and the activities that are being undertaken to mitigate those risks.

Report Author

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|----------------------------|-----------------------|------------------|
| Corporate Priority: | Decision type: | Wards: |
| Administrative | Administrative | All Wards |

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|-----------------------|--|--------------|
| Reviewed by: | Alison Hall-Wright, Head of Finance | 7 July 2020 |
| Approved by: | Richard Wyles, Interim Director of Finance | 8 July 2020 |
| Signed off by: | Councillor Adam Stokes, Cabinet Member for Finance and Resources | 10 July 2020 |

Recommendation to the decision maker

- The Governance and Audit Committee is asked to approve the contents of this report including the proposed workplan for 2020-21.**

1 The Background to the Report

- 1.1 In accordance with the terms of reference of the Committee it is a requirement to produce an annual report on the counter fraud arrangements in place and the activities undertaken. Counter fraud is fundamental to the Council's achievement of its strategic objectives. The report being presented covers the financial year 2019-20 and details the various aspects of work delivered during the course of the year.

2 Summary of position

- 2.1 The Council is committed to the highest standards of quality, probity, openness and accountability. As part of the Committee's terms of reference, counter fraud is one of the key areas of focus being an essential element of delivering good governance. In order to develop and promote greater awareness, and in line with best practice, a review of the Council's counter fraud arrangements has been undertaken, culminating in this Annual Report for 2019-20. This report sets out the key outcomes from the counter fraud work delivered during the year relating to both welfare/benefit fraud and non-welfare/benefit fraud.
- 2.2 Like any organisation South Kesteven District Council is inherently vulnerable to the risk of fraud and corruption. With reducing Government funding and the current economic position, it is vital that robust arrangements for the prevention and detection of fraud are maintained and best use of information and knowledge is made in order to ensure effective fraud prevention procedures are in place.

Lincolnshire Counter Fraud Partnership

- 2.3 With an emphasis on developing a 'first line of defence' in tackling fraud, the Partnership; which consists of all the councils within Lincolnshire, continues to improve fraud resilience across Lincolnshire by co-ordinating targeted fraud awareness campaigns; sharing fraud intelligence, best practice and expertise; delivering savings and making effective use of resources.
- 2.4 Extensive and varied communication channels have been used to promote fraud awareness across a wide audience and increased whistleblowing traffic is evidence that this is working well.
- 2.5 The Council continues to actively contribute to the work of the Partnership. The Partnership's key outcomes in 2019-20 include:
- Business case developed for an invest to save project which highlights scope to deliver Council Tax recoveries of £10.5m. Further information in respect of this can be found in 2.6
 - Supporting roll out of the Fraud Awareness elearning across Lincolnshire (licence extended to 2021)
 - Regular liaison and sharing of information on scams, alerts, fraud cases

Fraud elearning

- 2.6 Council officers were asked to complete fraud elearning during Autumn 2019 and will be asked to undertake the training again within 2020-21. This training is an integral element of the corporate training programme. Members, as part of their training programme, will also be asked to undertake the fraud elearning.

National Fraud Initiative

- 2.7 Since 1996 the National Fraud Initiative (NFI) every two years (every year for Council Tax Single Person Discount) undertake a compulsory national data exercise. The NFI data is provided by some 1,300 participating organisations from across both public and private sectors including The Department for Work and Pensions (DWP), Home Office, Companies House and many others. It consists of 23 different data sources containing over a third of a billion records. These include police authorities, local probation boards, fire and rescue authorities as well as local councils.
- 2.8 It is a tool that is helpful in assisting local authorities to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll, creditors and housing tenancy and since 1996 the programme has helped identify over £1 billion in fraud or error.
- 2.9 The Council Tax Single Person Discount matches were released in late February 2020 and identified 3,662 matches, which is an increase on the previous year. However, due to the impact of Covid and the inevitable pressure put on available resources, the investigation of the matches has been delayed. The Council is moving into the recovery phase and so resources will be made available in the coming weeks to undertake the investigation work.
- 2.10 The next full data matching exercise is due to be undertaken imminently with the data upload scheduled for October/November 2020. Resources will be allocated to support the investigations, as required.

Housing Benefit and Council Tax Support Fraud

- 2.11 Fraud cases are identified in numerous different ways with referrals coming from various sources. A primary channel is through joint working with the Department of Work and Pensions. The Council is currently undertaking joint working arrangements on several cases where there has been an allegation of fraud against a claimant within the district that is claiming Housing Benefit and/or Council Tax Discount. Fraud cases can also be referred from other departments within the Council. This could include, but is not limited to, the Income Recovery Team, Visiting Officers or Housing Officers. It is also possible for referrals to come from other authorities. Whistleblowing from members of the public also plays a crucial part in combatting fraud within the Housing Benefit system. Referrals can be made online, via email and via the phone.

Summary of Housing Benefit Overpayments for 2019-20:

| Number of invoices raised | Amount of debt | Amount recovered |
|---------------------------|----------------|------------------|
| 490 | £561,765 | £377,135 |

Single Person Discount (SPD)

- 2.12 For Council tax purposes residents can apply for Single Person Discount (SPD) should they be the sole occupier of a property. Residents who wish to apply for SPD are asked to complete a declaration confirming that they are the only adult resident in the property and that they are eligible to claim the discount.
- 2.13 The Council's primary approach for checking SPD entitlement is to participate biennially in a county wide counter fraud review alongside all Lincolnshire authorities. The process for this includes taking a data extract from the Council Tax records of accounts in receipt of SPD. This data is then put through a screening process to identify accounts which may be

claiming SPD, where they are not entitled to, highlighting accounts where contact is needed. The next review was due to start in April 2020 but unfortunately, due to the impact of Coronavirus, it has been delayed and is now likely to start in April 2021.

- 2.14 Partnership resource is progressing the business case proposals for alternative approaches to the current bi-annual SPD bulk review. This is driven by opportunity for further reductions in the levels of Council Tax revenue, lost to fraud or error, when SPDs are incorrectly granted or not cancelled following a change in household circumstances. This proposed new approach was placed on hold due to the impact of Coronavirus – the tender was due to go out Summer 2020 but will now be deferred until Summer 2021. Moving to a continuous rolling review is expected to increase revenue collection by reducing the time between loss of entitlement to SPD and detection date of the fraud or error, ensuring incorrect SPDs are removed sooner, and this will be strongly recommended.
- 2.15 Under current arrangements, and with a rolling review, intelligence and experience of other local authorities, shows that some of the SPD removals will continue to be paid, or be subsequently re-instated, following contact from claimants where it was shown they had deliberately lied, upon review, in order to maintain their discount.
- 2.16 In addition to the proposed continuous review, the business proposal will include cost/benefit analysis of further options to use a fraud referrals service to identify historic cases for revenue collection and options to pursue sanctions, including prosecution. Use of such a fraud referrals service provides all the information needed to demonstrate strong grounds to challenge those claimants who appear to have deliberately lied to maintain their discount or exemption. Local Authority information it holds about claimants is cross-matched with other data sources – highlighting anomalies (such as evidence of other adults living at the property) and pinpointing cases to be investigated further. Whilst this could increase collection rates, and sanctions would act as a future fraud deterrent, pursuing such cases does have the potential to cause reputational damage and prosecution success is not guaranteed.

Whistleblowing investigations

- 2.17 Lincolnshire County Council manages the Confidential Reporting Line on behalf of the fraud Partnership and acts as a central point of contact. An analysis of district related referrals made to the Reporting Line during 2019-20 identified that 125 referrals were received (102 in 2018/19).
- 2.18 The main type of referrals in 2019-20 relate to council tax and housing tenancy fraud - whistleblowing traffic is an indicator that fraud awareness is reaching a wider audience. Of the 125 referrals received by Assurance Lincolnshire, 41 were for this Council. All 41 whistleblowing allegations have been investigated and action taken where appropriate. This is an increase on previous years as shown below:

| Year | Number of allegations |
|---------|-----------------------|
| 2017-18 | 19 |
| 2018-19 | 35 |
| 2019-20 | 41 |

Summary of whistleblowing allegations received 2019-20:

| Type of allegation | No. | Outcome |
|--------------------------|-----|--|
| Benefits/Council Tax | 12 | No further action and/or referred to DWP |
| Tenancy/Property | 16 | No further action required and/or monitoring |
| Licensing | 2 | No further action required and/or monitoring |
| Other | 4 | No further action required and/or monitoring |
| Staffing related matters | 7 | Investigated under the appropriate policy – see note below |

2.19 Sometimes the Council receives whistleblowing allegations from either staff (usually anonymous), or from members of the public, in respect of staff. Of the seven allegations reported above, all were investigated outside of the Whistleblowing Policy under the relevant HR policy or procedure. Four were investigated under the Grievance Policy; one was moved to the Complaints process; one was actioned under the Disciplinary Policy and one was found to be an unfounded allegation.

Action Plan for 2020-21

| Action | By when | Owner |
|--|----------------------|--|
| 1) Counter Fraud Strategy Review of the Counter Fraud Strategy including the Whistleblowing Policy and the Anti Money Laundering Policy and Guidance | March 2021 | Governance & Risk Officer |
| 2) Fraud Awareness including elearning Continue to raise awareness amongst staff, stakeholders and partners about the risk of fraud in all areas of the Council's business Fraud elearning to be monitored to ensure completion | December 2020 | Governance & Risk Officer |
| 3) National Fraud Initiative (NFI) Continuing the commitment to the NFI data matching exercises | October 2020 onwards | Governance & Risk Officer Heads of Service |
| 4) Lincolnshire Counter Fraud Partnership Contributing to the work of the Partnership by supporting the delivery of their action plan including keeping abreast of national developments in counter fraud work | 2020-21 | Governance & Risk Officer Revenues & Benefits Manager |
| 5) Housing Benefit Investigations Continue to support DWP Housing Benefit investigations | 2020-21 | Revenues & Benefits Manager |

3 Consultation and Feedback Received, Including Overview and Scrutiny

3.1 None

4 Reasons for the Recommendation

- 4.1 Governance and Audit Committee, as part of its terms of reference; 11.5.4(iv) To approve the Counter Fraud, Bribery and Corruption Framework, including Whistleblowing Policy and Anti-Money Laundering Policy, should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.

5 Next Steps – Communication and Implementation of the Decision

- 5.1 None

6 Financial Implications

- 6.1 These are contained within the report where appropriate.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

7 Legal and Governance Implications

- 7.1 The report, including the action plan for 2020/21 within the report, are to be welcomed from a governance and legal perspective, as they represent effective ways of identifying and dealing with counter fraud. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee

Legal Implications reviewed by: Shelley Hardy, Legal Services

8 Equality and Safeguarding Implications

- 8.1 None

9 Risk and Mitigation

- 9.1 None

10 Community Safety Implications

- 10.1 None

11 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

- 11.1 The recommendation will have a neutral effect of the Council's declaration of a climate emergency.

12 Other Implications (where significant)

- 12.1 None

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|-------------------------|---|----------------|
| Report Timeline: | Date of Publication on Forward Plan (if required) | Not required |
| | Previously Considered by | Not applicable |
| | Final Decision date | 23 July 2020 |