

<b>SUBJECT:</b>	<i>Annual Fraud Report</i>
<b>REPORT OF:</b>	<i>Customer Services - Councillor Fred Wilson</i>
<b>RESPONSIBLE OFFICER</b>	<i>Nicola Ellis Head of Customer Services</i>
<b>REPORT AUTHOR</b>	<i>Alistair Webb, 01494 732227, awebb@chiltern.gov.uk</i>
<b>WARD/S AFFECTED</b>	<i>All</i>

### 1. Purpose of Report

This report is to advise the Audit Committee of the Anti- Fraud and Error reduction activity undertaken in 2016/17 and an action plan for 2017/18.

### RECOMMENDATION

**Members are asked to note and comment on the outcomes and future activity.**

### 2. Reasons for Recommendations

The report is for information only and no action is required.

### 3. Report

3.1 This report details the anti-fraud and error reduction activity completed during the 2016/17 financial year and the outcomes where appropriate. It also includes an action plan for areas of work to be reviewed in the year 2017/18, with the intention of identifying risk areas and taking proactive work to prevent and deter fraud and error.

3.2 The Revenues Fraud and Error Reduction Team is responsible for carrying out anti-fraud activity in relation to Housing Benefit and Local Council Tax Support. It also provides assistance to Internal Audit, providing the main resource for fraud and irregularity matters as well as carrying out a planned fraud review of high risk fraud areas.

3.3 Since May 2016 the Anti-Fraud team is part of a shared revenues service with South Bucks District Council. In relation to fraud matters the councils have been working in partnership since 2009.

### Background

3.4 In 2016/17 Chiltern District Council awarded a total of £18,851,123 in Housing Benefit and £3,522,341 in Local Council Tax Support.

3.5 The Revenues Team carry out fraud prevention while making the schemes as accessible and customer friendly as possible. From October 2016 the Council operates a risk based verification process with cases risked scored at the outset to identify cases require further checking of circumstances while allowing the more straightforward, lower risk cases to be processed without the burden of verification.

- 3.6 In support of the risk based approach from October 2016 the council has introduced an online claim form, as part of the claim process once the claim is submitted instant background checks are carried out and this generates a list of verification requirements to be provided by the customer to support the application.
- 3.7 For on-going benefit and reduction claims the Fraud and Error Team target cases based on known risk factors or as a result of information received from third parties, including HMRC, DWP and the general public to ensure claims are accurate and identify errors at the earliest opportunity.
- 3.8 As part of the review of procedures, the team have introduced an online review form enabling the claimant to view the claim details held and declare relevant changes. This is partially automated feeding directly into the benefit system. The adoption of this review module is intended to develop further into an online “change of circumstances” that will allow further automation.

#### 4 Housing Benefit Fraud and Error

- 4.1 The Fraud Team provide support to the DWP’s Single Fraud Investigation Service. The SFIS teams have no direct access to Housing Benefit records. The Fraud Team act as the main contact point, providing documentation, statements and decisions on benefit overpayments and agreements on the offer of Administrative Penalties.
- 4.2 A total of 9 cases were referred for investigation by CDC staff. Resulting in one prosecution. SFIS requested support on 18 cases with one case referred to Crown Prosecution Service awaiting decision on further action.
- 4.3 The fraud team also act as the main contact for the DWP’s annual audit of Housing Benefit (Housing Benefit Review). Of the ten cases selected one identified an official error due to a system error on applying the benefit cap. No other issues identified.
- 4.4 The table below identifies the total “fraud” overpayments identified by Chiltern District Council in 2016/17 and the recovery position at the time of this report. The totals include Housing and Council Tax Benefit and Local Council Tax Reductions:

Total fraud overpayments raised 2016/17	Total recovered to date
£38,584	£38,584

- 4.5 Chiltern District Council takes part in a DWP incentive scheme FERIS (Fraud and Error Reduction Scheme) designed to encourage LA’s to identify fraud and error. If an LA exceeds a quarterly benefit reduction target this generates a financial reward. Chiltern received a total of £18,960 in reward payments for the first three quarters of 2016/17.

The table below demonstrates results notified to date as identified by DWP.

*Baseline figure = DWP'S estimate of expected reductions based on previous year's activity.*

*Actual reductions = the achieved reductions.*

*% of baseline achieved.*

*Lower threshold to achieve a reward = baseline + 10%.*

	QTR 1	QTR 2	QTR3	Total Rewards
Baseline F&E Reduction	£30,975	£31,837	£25,362	£18,960
Total F&E Reduction	£37,729	£36,546	£32,311	
% of Baseline	122.00%	114.70%	127.30%	
Lower Threshold (Baseline + 10%)	£35,524	£33,429	£26,630	
Reward Payment	£7,406	£4,148	£7,406	

4.6 DWP have at the time of this report not confirmed the final quarters FERIS rewards but indications are it will be between 2k/4k making the annual payments in excess of £20k. DWP have confirmed that from April 2017 the scheme has been radically altered removing all thresholds and providing a one off upfront payment of £17,358 to be used exclusively for dealing with HMRC/RTI data matches.

4.7 In addition to these results the Fraud and Error team identified 21 cases that, although not suitable for a sanction, resulted in reduction or removal of benefit entitlement with a weekly value of £2,328 and overpayments totalling £31,123. This includes claims referred before award where the claim is clearly based on false declarations and action by the Fraud Team has prevented an incorrect award. Unfortunately SFIS has a national policy of only considering sanctions on cases where there is a Fraud overpayment in excess of £2,000, with Local authorities tasked with fraud prevention.

4.8 To assist in identifying fraud and error the DWP provide referrals based on real time income details (RTI) provided to HMRC. The team have concentrated on these cases clearing both mandatory referrals and extra optional referrals made available from June 2016. The table below demonstrates the value of these cases with a comparison with 2015/16 results. From April 2017 Chiltern has signed up to the DWP's continuing RTI optional referrals receiving £17k in funding to target these cases.

RTI results 2015/16				
Total referrals	Total HB overpayments	No of cases	Total Council Tax Overpayments	No of Cases
318	<b>£163,388</b>	<b>195</b>	<b>46,313</b>	<b>159</b>
	Total HB underpayments	No of cases	Total Council Tax Underpayments	No of cases
	<b>£1,459</b>	<b>23</b>	<b>£2,257</b>	<b>45</b>
RTI results 2016/17				
Total referrals	Total HB overpayments	No of cases	Total Council Tax Overpayments	No of Cases
1032	<b>£136,500</b>	<b>295</b>	<b>18,401</b>	<b>204</b>
	Total HB underpayments	No of cases	Total Council Tax Underpayments	No of cases
	<b>£2,414</b>	<b>15</b>	<b>£1,827</b>	<b>28</b>

## 5. Council Tax and Housing Fraud Investigations.

5.1 Fraud Admin penalties were considered appropriate for 6 cases of fraud against the Council Tax Support scheme and benefits totalling £7,670 in excess awards. In addition to the penalties, all outstanding council tax was recovered. In general these related to a failure to declare a change of circumstances rather than a deliberate false statement. Penalties are offered but if not accepted the council would normally proceed for prosecution. Therefore the cases must be of court ready standard and satisfy both evidential and the public interest test to proceed further. No cases were deemed suitable for immediate prosecution.

Details	Reason	Penalty
Mr S Holmer Green	Undeclared savings	£1,000
Ms S Chalfont St Peter	Undeclared savings	£419
Ms S Amersham	Undeclared Income	£336
Ms M Chalfont St Peter	undeclared savings	£166
Mr R Chesham	undeclared income	£750
Mr R Chesham	undeclared savings	£2,350
		<b>£5,021</b>

- 5.2 The Fraud Team maintains close links with Paradigm Housing Association and have provided assistance with housing tenancy fraud issues and as a result Paradigm were able to recover three tenancies and two further tenancies were regularised with the tenant returning. The value of recovered tenancies is estimated as £2,786, this is based on the average cost of Bed and Breakfast placement. The council has preferred rights to nominate to the recovered tenancies.
- 5.3 Chiltern continues to take part in the bi-annual National Fraud Initiative and annual council tax Single Persons Discount data matching. The latest release is currently being worked on targeting the recommended cases.

NFI Single Persons Discount results to date:

No of cases where discount withdrawn	Value of withdrawn discount
26	£7,133

### **Corporate Anti- Fraud Activity**

- 5.4 Two whistleblowing reports raised- investigated and no fraud issues identified. Procedural recommendations to be addressed by new recruitment procedures.
- 5.5 Internal investigations concerning potential data breach- no evidence of any breach. Recommendations over security training and suppression of access to relevant accounts.

### **6. Options.**

- 6.1 The Council has a duty to protect the local public purse and the Revenues Fraud and Error Team provide a resource for prevention, detection and recovery of fraud and irregularity.

### **6. Corporate Implications**

- 7.1 The Fraud and Error Team are an integral part of the Revenues Service but provide a fraud investigation service across the Council.
- 7.2 For legal implications the Fraud and Error Team have external links with experienced criminal lawyers and will liaise and consult with our own legal services as and when required.

## **8. Links to Council Policy Objectives**

8.1 This report links to the following objectives of the Council:

- Cost effective customer focused services - ensuring correct benefit entitlement minimises losses to the Council;
- Safer and healthier communities - benefit fraud is a crime and the prevention and detection of fraud reduces crime in the community.

## **9. Next Steps**

9.1 To consider and agree the 2017/18 action plan.

*Background Papers: None*

---

**Appendix 1:  
Corporate Fraud Audit Plan 2017/18**

Area of work	Action to be taken	Timetable
Introduce Fraud Penalties on Council Tax irregularities	Introduce Civica Penalty module. Review sanction strategy	31/03/2018
Review of Single Person Discounts	Full review to be carried out.	30/12/2017
Review Business Rate exemptions	Sample of exemptions to be fully audited.	30/12/2017

**Appendix 2: Evidence to Support Meeting the Requirement to Identify Principal Risks to Achievement of Objectives (Step 2)**

Please see Item 14 on the Agenda

**Appendix 3: Evidence to Support Meeting the Requirement to Identify and Evaluate Key Controls to Manage Principal risks (Step 3)**

Please see Item 14 on the Agenda

**Appendix 4: Annual Governance Statement 2016/17**

Please see Item 14 on the Agenda