

To: Audit and Governance Committee

Date: 26^h June 2014

Item No:

Report of: Head of Finance

Title of Report: Investigation Team, Finance, Performance 2013/14

Summary and Recommendations

Purpose of report:

1. To report to Members the Investigation Team's performance for the period 2013/2014 and;
2. To report to Members on the risk of potential loss through fraud, the Audit Commissions Fraud Survey 2013/2014 and the Protecting the Public Purse Checklist

Key Decision: No

Executive Lead Member: Ed Turner

Scrutiny Responsibility: Value & Performance

Ward(s) affected: None

Policy Framework: Financial stability

Recommendation(s): Members are asked to note the report.

Appendices to report

Appendix 1 - Investigation Service Brochure

Appendix 2 - The Audit Commissions' 2013/2014 Fraud Survey

Appendix 3 - Protecting the Public Purse Checklist

To report to Members the Investigation Team performance for the period 2013/2014

1. The Investigation team endeavour to prevent, deter and reduce the level of fraud perpetrated against Oxford City Council. Protecting the public purse is a key objective and essential to the financial stability of the organisation. By minimising losses to fraud there is increased assurance that the Council's resources are used for the purpose for which they are intended.

Outcome of Benefit Investigations for the period 2013/2014:

2. The Investigation Team has several performance measures that are reported to the Department for Work and Pensions (DWP) on a quarterly basis. Two of these and two locally agreed measures are reported and recorded monthly on the Council's performance system CorVu. Performance for 2013/2014 was as follows:

Measure	Target	Achieved	Comment
BV076c – No. of investigations per 1000 benefit caseload.	62	55.65	The measure was affected by: <ul style="list-style-type: none"> • Backlog of HBMS referrals at the start of year • Lower no. of HBMS referrals than previous years • 1 Investigation post vacant between April and September • Some change of emphasis away from Benefit Investigations
BV076d – No. of sanctions per 1000 benefit caseload	5.54 (69 cases)	4.9 (60 cases)	<ul style="list-style-type: none"> • Lower no. of HBMS referrals than previous years • 1 Investigation post vacant between April and September • Some change of emphasis away from Benefit Investigations
FN022 – No. of cases per investigator at any given time	45	36	Achieved.
FN023 – No. of returned Social Housing dwellings through civil proceedings	28	19	The target was affected in Q4. 1 Officer left and also there was a delay in the statutory instrument under the Prevention of Housing Fraud Act coming into force effecting the ability to progress some cases

3. Work continues on a case of organised crime, where a person has submitted a number of claims in the names of others and benefit payments have been made to the individual's bank accounts. The case involves 19 benefit claims in Oxford as well as claims made in a number of London Boroughs. The full extent of the overpayments against the Local Authorities and the Department for Work and Pensions is not yet known. The case is now with the Crown Prosecution Service. The level of overpayment is predicted to be in the region of £80,000, £50,000 of this relates to claims made in Oxford.
4. The Housing Benefit overpayments realised on completion of investigations in year was £498,260.
5. The overpayments on other Welfare Benefits administered by the Department for Work and Pensions, investigated jointly with their Fraud Investigation Service totalled £102,565.

Outcome of Council Tax Reviews and Investigations as at 31st March 2014:

6. The Council's Revenue Team commissioned a review of Single Person Discounts awarded on Council Tax accounts for a second year. Capita conducted the review. To date this has resulted in 283 non responders; based on a band D Council Tax of £1,628.53, this indicates a potential saving of £115,218
7. In addition the level of Council Tax Relief Scheme overpayments realised in year on completed investigation was £121,698.

Outcome of Housing Tenancy Investigations as at the 31st March 2014

8. Housing Tenancy Investigations have continued to develop the working practices and procedures, have marketed their services to some Registered Providers. A total of 19 properties were returned as a result of investigation, (11 OCC properties and 8 Registered Provider properties) a saving of £342,000 in temporary accommodation costs.
9. 3 Right to Buy applications were also stopped with a saving of £225,000.

Outcome to date of the Audit Commissions National Fraud Initiative (NFI) 2012/13

10. 3,037 matches were received in January 2013 from the NFI 2012/2013. All matches have been processed; 20 more serious cases remain under investigation. 1 alone involves an overpayment of benefit of £100,000. Savings to date are £168,024. £11,520 of this total is savings from Creditor matches for duplicated payments.

11. A further 1,034 Real Time NFI Matches cross-referencing Benefit claims to Student Loans and Council Tax to Registered Electors have also been received. These matches are currently being processed.

Procurement

12. There is an on-going investigation into an excessive charge for services. The supplier, when challenged, has stated that there has been an overcharge of £36,000; the true level of error is yet to be determined. .

Internal Investigations

13. There were 3 internal investigations. The officers are no longer employed by the Council. The loss in relation to these investigations is estimated to be £9,000 with additional direct savings of £3,000 per year.

Other Achievements in year

14. The Team were successful in being selected as finalists in the LGC 2014 Awards in the Tackling Fraud category.
15. In February 2014 the Team were honoured and proud to be awarded the Oxford City Council Team of the Year Award for their efforts in combatting fraud.
16. Throughout the year the Team conducted a customer survey asking for customers to comment on the service in order to identify any areas where improvements to the service could be made. The outcome of the 2013/2014 survey was 95% satisfaction. Examples of customer feedback are set out below;
 - I am sorry about what had happened in my case and I feel better that it has come out in the open
 - I was very nervous but the officer was courteous and polite and helped me to feel more comfortable
 - The officer made a very difficult situation very easy to understand and I'm very grateful for his patience.
17. Going forward; the team were successful in their corporate bid, securing funding in the budget for an identity verification system. This will be used across all service areas, scanning identity documents; e.g. worldwide passports, ID cards, Visa and Resident Permits, and British Driving Licences etc. The system will immediately identify discrepancies. The use of the system will strengthen the council's processes and procedures in relation to protecting the gateway into applications processing; for example, housing, council tax relief, housing benefit, grant applications and licencing applications. The system will be operational from 16th June 2014. 5 scanners are

available; 3 in St Aldates Chamber, 1 at Templars Square, Cowley Centre Customer Service Centre and 1 at Horspath Depot for Housing Tenancy sign ups.

18. The team's corporate bid for a data warehouse system was also agreed; to enable the develop matching of internal and 3rd party data; strengthening the gateway for housing, council tax and business rate discounts and reliefs. The system can be used for the data matching multiple data sets on a daily, weekly, monthly, annual and ad hoc basis dependant on the level of risk of fraud and error recognised or suspected. Examples of potential data matching reports are:

- the Housing waiting lists and applications to housing, housing benefit ,CTAX, Brates, Electoral Register, Grants, Planning, Licencing and across the Oxfordshire LA's and Registered Providers
- Social tenancies across the Oxfordshire LA's
- Business Rate discounts and Reliefs across the Oxfordshire LA's
- Business Rates to Commercial waste
- Council Tax reliefs, and discounts across the Oxfordshire LA's
- Licencing to Housing, Housing Benefit, CTAX, Electoral Register and across the Oxfordshire LA's
- Debt and Creditors to Housing Benefit, CTAX, BRATES, Electoral Register, Housing, Licencing, Planning, Payroll, Grants
- Register of Electors across the Oxfordshire LA's
- Payroll to Housing Benefit, CTAX, BRATES, Grants, Electoral Register

Any use of personal data will be subject to Data Protection requirements.

19. The team, are providing a 0.8 FTE resource to the Vale of the White Horse and South Oxfordshire District Councils from January 2014 to September 2014. They also provide a service to Registered Providers of Social Housing and have produced an Investigation Service brochure marketing the service to secure income post the transfer of the Housing Benefit investigation work and investigation posts to the Department for Work and Pensions Single Fraud Investigation Service in February 2015. See Appendix 1

To report to Members on the risk of potential loss through fraud, the Audit Commissions Fraud Survey 2013/2014 and the Protecting the Public Purse Checklist

20. Whilst the level of fraud may be debated at length, it is highly probable that there is some element of fraud (on the balance of probabilities) in the business at any one time. The Audit Commission, Protection the Public Purse publication (PPP) issues an annual report on fraud and corruption in local government; it gives details on amounts of detected fraud, warns of emerging fraud risks and promotes best practice. The 2013 publication states the following;

Housing

- 2% of social housing stock outside of London is typically subject to some form of tenancy fraud
- The average loss to the public purse of £18,000 per property, which is based on the annual cost for a unit of temporary accommodation
- The cost of building a social housing unit from new is £150,000
- Right to Buy fraud cases rose by 168% in 2012/13

Council Tax

- 4-6% of single person discount claims are fraudulent
- Most Council's do not treat single person discount fraud as a criminal offence
- Student discount fraud is growing

Business Rates

- The total value of Business Rate fraud detected in 2012/13 is £7.2 million, one case involved a fraud of £5million
- There is now a financial incentive for council's to be proactive, as they are able to keep some of the income generated, the areas most at risk are in relation to charitable relief and empty property relief.

Insurance

- Fraudulent insurance claims rose by £1 million to £3million.

Procurement

- Procurement fraud is the single largest area of financial loss to local government. £1.9 million involved internal fraud, i.e. collusion between staff and bidders

Employment

- Generally just over 1% of all detected fraud is in relation to staff committing fraud; this includes payroll, pensions, expenses and theft

Grants

- Grant frauds are reported to be lower in numbers across local authorities; the average value per case is £36,000.

21. The Oxford City Council estimated potential risk of loss through fraud at 1% for 2013/2014 is;

Potential risk of loss through fraud 2013/2104	
	£000's
CTAX Reliefs, Disc/Exemptions	289
B Rates, Reliefs/Exemptions	225
Housing (Temp Acc.)	40
Discretionary Housing payments	4
Procurement	182
Grants (paid)	29

Employer	490
Commercial waste Income	22
Commercial lease Income	68
Creditors	393
Planning Income	8
Licencing Income	14
Insurance Claims paid	1
Total @1%	1765
Total @5%	8825

22. The Local Authority Investigation Officers Group (LAIOG) has done some work in relation to the level of potential risk of fraud and the % of estimated fraud across service areas. The findings are very similar to the Audit Commission's findings of between 1 and 5%. The table below shows the area at greatest potential risk of loss to fraud as Blue Badges at 20%. An area that would impact on the car parking revenue of both the District and the County Councils.

LAIOG Potential Loss Table	
Service Area	Estimated Fraud Loss %
Housing Allocations	2
Homelessness	2
Business Rates	1
Council Tax	4
Insurance	6
Recruitment	6
Direct Payment	3
Procurement	1
Blue Badge	20

23. Much of the information for the Audit Commission's Protecting the Public Purse publication comes from an annual survey. The Audit Commission survey 2013/2014 was submitted in May 2014. See Appendix 2 The Audit Commissions' Checklist for Councillors and others responsible for governance has been completed. See Appendix 3
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Legal Implications – The continuing work done by the Investigation Service coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle blowing and Money Laundering Policies and procedures give assurance that

the Authority is compliant to the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.

Financial Implications - Applying Audit Commission predictions for 2013/2014 indicates a potential loss in key risk areas of between £1.7 million and £8.8 million. The Investigation Team have identified losses totalling £1.6 million in 2013/2014.

2013/2014 Identified Losses	
	£'s
Housing Benefit	498,105
Council Tax Relief Scheme	121,191
Other Welfare Benefits	102,565
Recovered Properties (x Ccost of Temo Acc @ 18,000 pa)	342,000
Stopped Right to Buys	375,000
National Fraud Initiative	127,327
Procurement	36,000
Internal Investigations	9,050
TOTAL	1,611,238

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