

Title: **Corporate Fraud update**

Wards Affected: **All Wards in Torbay**

To: **Audit Committee** On: **25 September 2019**

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## **1. Key points and Summary**

- 1.1 Fraud is an ever-more complex and continuously evolving crime that poses a serious threat to the public sector presenting a major drain on the public purse. Therefore, it is imperative that all public-sector staff work to prevent fraud activity and understand the threats and risks involved to the economy of the Country and the economy of Torbay. The 2017 Annual Fraud Indicator from the National Crime Agency provides a figure of more than £40 billion to be lost to tax and benefit fraud each year.
- 1.2 Within the Council's constitution, the terms of reference for the Audit Committee is "to monitor policies on raising concerns" this includes the Anti-Fraud and Corruption Strategy.
- 1.3 The Anti-Fraud and Corruption Strategy is supported by the following policies.
  - a) The Counter Fraud and Corruption Policy sets out the expectations of Torbay Council, and describes what is meant by fraud, bribery and corruption and outlines the responsibilities of the Senior Management Team, operational managers, officers and elected members attached as appendix (i)
  - b) The Counter Fraud and Corruption Policy is supported by a Corporate Sanction and Prosecution Policy attached as appendix (ii)
- 1.4 This report is an annual update to the Audit Committee and provides a summary of actions taken by Torbay Council and the Corporate Counter fraud Team.

## **2. Introduction**

- 2.1. Torbay Council will not tolerate fraud, bribery and corruption. The Council has in place policies and procedures for minimising the risk of fraud as well as processes for identifying potentially fraudulent activity and the ability to investigate fraud using appropriate legal powers.
- 2.2. Any business whether in the private or public sector can lose revenue to Fraud. Prevention, not detection or punishment is the most efficient and cost effective way to reduce fraud loss. Prevention requires embracing data analytics and utilising them .i.e. prevent fraud at the application stage for grants and services.
- 2.3. We are also determined to reduce error, ensuing we make correct payments and

collect only what is owed.

- 2.4. The Corporate Counter Fraud Team is committed to working with partner agencies and is regularly liaising and investigating alongside its partners.
- 2.5. The Fraud Team works with colleagues across the council to identify, investigate and prevent fraudulent activity.
- 2.6. As in previous years, work has remained concentrated on the council's income to ensure the collection fund and charge-base is maximised and accurate with an emphasis on prevention.
- 2.7. The Corporate Counter Fraud Team act proactively to identify changes in the Council Tax and Business Rates charge-base that go unreported to the Council, preventing opportunity for fraudulent activity.
- 2.8. Assurance is provided by this report to the Audit Committee that Torbay Council is compliant with its obligations in respect of Anti-Money Laundering.
- 2.9. Training across the authority is included within the Corporate Fraud mandatory i-learn course. All staff complete the mandatory course which provides awareness of frauds the council may experience and how to spot frauds or potential money laundering. The course is repeated bi-annually.
- 2.10. To assist in investigations and to ensure Torbay Council can continue to work with departments to build resilience in processes, and tackle all frauds identified against it and its partners, a further officer was recruited.
- 2.11. Council Tax reviews are ongoing. A match of the charge base against open source information continues. The Council Tax department now has processes in place to prevent and challenge against the possibility of evasion.
- 2.12. Business rates reviews are ongoing. A match of the charge base against open source information continues. The Business Rates department now has processes in place to prevent and challenge against the possibility of evasion.
- 2.13. As reported in July 2018 the fraud officer had conducted investigations into prolific debtors. Cross department working is continuing to build momentum and the revenues section now has an Enforcement Support Officer, working alongside Corporate Fraud, to maximise collection.
- 2.14. Government legislation transferred the ability to prosecute those who committed Fraud in the Housing Benefit system to the Department of Works and Pensions (DWP). The Council Still has a role to play in this and in January 2019 legislation changed to allow the council and the DWP to embark on Joint Investigations
- 2.15. Blue badge fraud, although not a direct cost to the council, has potential to damage revenue. It also causes reputational damage.
- 2.16. The cost of housing people in temporary accommodation is increasing year on year. Ensuring the right people are acquiring properties can help in this area. Torbay Council remains committed to attend in the Devon Tenancy Fraud Forum and will investigate any reports of tenancy fraud alongside or on behalf of housing

association partners.

- 2.17. The Housing Team have removed or prevented entry onto the waiting list as a result of their heightened fraud awareness.
- 2.18. The Corporate Fraud Officer continues to introduce officers to the possibility of a single view of customer, places and businesses.
- 2.19. Devon Audit Partnership also employ fraud staff with historic emphasis on prosecution, the council will use this resource as and if appropriate.

### **3. 2018/19 Fraud Review**

The Corporate Fraud team receives reports of potential frauds through a fraud reporting form available on its internet and intranet sites. Instances of Fraud are also identified by using data-matching and other proactive initiatives.

For the financial year 2018/19, 77 allegations of fraud were received

#### **3.1 Council Tax & Business Rates**

- 3.1.1 Council Tax and Business Rates remain the highest area of risk from fraud for Torbay Council. The impact can be financially substantial.
- 3.1.2 A total of 28 allegations of fraud in relation to Business Rates, Council Tax Single Person Discounts and Council Tax Support were received.
- 3.1.3 Proactive Work by the Corporate Fraud Team identified 175 unreported changes during financial year 2018/19 resulting in a change to the tax bases by £359k.
- 3.1.4 Investigations into allegations of fraud and review of open source intelligence has resulted in an increase in the council tax charge base for 2018/19 of £22k. Investigations remain ongoing, this figure is set to increase.
- 3.1.5 A further review of council tax properties which had been left without charge following the occupants passing away. The initial check found an additional £26k.
- 3.1.6 The council tax charge base had 70 properties which had no charge-payer linked to them. A review of those 70 cases reduced the number to 3 and produced £69.8k in previously unallocated charges.
- 3.1.7 A review of accounts carrying a student exemption or disregard conducted in October 2018 identified a saving of £42k.
- 3.1.8 As previously reported, Torbay's Counter Fraud Officer highlighted to the National Fraud Initiative strand of the Cabinet Office potential for the Initiative to identify business rates fraud. A pilot, led by Torbay Council in partnership with the Cabinet Office has occurred in which six Local Authorities in the South West region participated. The pilot matched Business Rates data against Alcohol Licenses, Food Registrations, Creditors Standing Data, Residential Care homes and the Business Rates charge bases of other Local Authorities. The pilot concluded in March 2019 and successfully identified over £304,000 in small business rates fraud. The initiative is now being offered nationally.

- 3.1.9 Stringent checks introduced to prevent fraud and protect the income in Council Tax and Business Rates area remain. Procedures now necessitate the provision of supporting documentation when a change of circumstances is reported late or there is reason for doubt.
- 3.1.10 Premises that have previously caused issue, continue as the subject of more stringent checks, including a visit. Owners of properties are being asked to prove the legitimacy of tenancies/leases. If unable to do so the landlords are pursued for the debt. This has resulted in the rebilling to landlords. A figure is not available to attribute to the amount of Fraud this action has prevented as is now business as usual.
- 3.1.11 A review of the business rates charge base has commenced to ensure the valuation office assessments are up to date and changes at premises are detected in order to maintain an accurate charge-base.
- 3.1.12 The fraud officer continues to support the recovery team in ensuring full evidence is contained within case files to allow tougher recovery action. The Council is now utilising the full strength of recovery tools available which include confiscation orders, county court orders, charging orders, committals, insolvency, personal bankruptcy and the winding up of companies.
- 3.1.13 Alongside the above initiatives which increased the charge-base, the Revenues departments achieved an increase of 0.7% in the Council tax collection rate and 0.2% in the business rates collection rate during the 2018/19 financial year.

## **3.2 Other Frauds**

- 3.2.1 Councils play a key role in identifying Housing Benefit frauds and ensuring that referrals are made to the Single Fraud Investigation Service (SFIS) within the DWP. During the period 1 April 2018 and 31 March 2019 the Revenue and Benefits section referred 76 allegations to the DWP and the Corporate Fraud Officer referred 9 cases.
- 3.2.2 16 allegations of fraud in relation to other council services were received. This included, but not limited to, concessionary fares, Housing Waiting list.
- 3.2.3 Work towards an anti-blue badge fraud campaign commenced in 2018/19, but was halted due to the moratorium. However, 33 allegations of Blue Badge misuse were reported and investigated. Where the investigations identified misuse, reminders of the correct usage were issued to the badge holders and the Parking Enforcement Officers targeted the allegations with appropriate enforcement action.
- 3.2.4 Concessionary Fare Fraud has been an emerging risk during the 2018/19 financial year. A full investigation was conducted and recovery of costs occurred.
- 3.2.5 Housing waiting list fraud has also been an emerging risk during the 2018/19 financial year. The allegations were investigated and resulted in the downgrading of an application and removal of a further person from the waiting list. Enabling two deserving families to obtain a home sooner than anticipated.

## **4 Forward Plan (Corporate)**

- 4.1 To maintain a corporate awareness of responsibilities in the fight against Fraud in Torbay
- 4.2 Corporate Training commencing with talks to members followed by the managers' forum (external company talks)
- 4.3 The bi-annual re-visit by all staff to the Mandatory i-learn course.
- 4.4 Procure a system which allows the Corporate Fraud Team to identify and pursue cases of fraud from the Councils own data-bases.
- 4.5 Investigate any instance of fraud which is reported ensuring monies are re-couped and action is taken where it is in the public interest to do so.

## **5 Forward Plan (Departmental)**

### **5.1 Council Tax and Business Rates**

- 5.1.1 As in previous years, proactive work will continue to monitor and improve both charge-bases taking advantage of opportunities as they arise.
- 5.1.2 A single person's discount review took place in 2017/18. This resulted in the removal of the discount on 790 accounts reflecting a £266k increase in the charge-base. This exercise is to be repeated during financial year 2019/20
- 5.1.3 Following the 2017/18 single persons discount review it was reported this value could be improved upon with the purchase of records from a data-matching company which, they believed, the customer had returned a false statement which would require investigation on a case by case basis. This may be pursued following the 2019/20 review depending on demands.

### **5.2 Blue Badges**

Recommence the project placed on hold, due to a moratorium during 2018/19

### **5.3 Concessionary fares**

As a result of the issues encountered the service area is conducting robust audit checks.

### **5.4 Caravan Parks**

As a result of issues experienced on a national level a review of all caravan parks will occur in partnership with the Councils Licensing Team and Devon Trading Standards

### **5.5 Housing**

Continue to attend Devon Tenancy Fraud Forum group to encourage our Housing Associations to work alongside the team to prevent and investigate instances of fraud.

**5.6 Other** Following the identification of potential Fraud within payments the council makes to “Special Guardians” a full review of the case load is imminent. To include Special Guardians Allowance, Adoption Allowance and Residency Orders and Child Arrangement Orders for which Torbay Council makes payments totalling £1.36 million per annum.

**Rachel Worsley**  
**Corporate Counter Fraud Officer**

**Appendices**

Appendix I Counter fraud and Corruption Policy

Appendix ii Corporate Sanction and Prosecution Policy

**Background Papers:**

The following documents/files were used to compile this report:

CIPFA - Local Government counter fraud and corruption strategy 2016 – 2019

Money laundering regulations - <http://www.legislation.gov.uk/uksi/2017/692/made>