

Title: **Corporate Fraud update**

Wards Affected: **All Wards in Torbay**

To: **Audit Committee**

On: **25 July 2018**

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1. Key points and Summary

- 1.1 At the Audit Committee on 22 March 2017, Members considered the Internal Audit Plan within which reference was made to fraud prevention and detection. Members requested the Council's Fraud Officer present the Fraud Strategy and details of the priority work areas.
- 1.2 Fraud is estimated to cost the UK £20.3 billion a year, £2.1 billion per year, of that by Local Authorities according to The Chartered Institute Public Finance and Accountancy publication "The local Government counter fraud and corruption strategy 2016-2019."
- 1.3 The types of frauds that Torbay Council might be the victim of include Council Tax Support, Single person's discount, Council Tax Reduction, Business Rates avoidance schemes, Small Business Rates Relief, Blue Badge misuse, Insurance fraud, Procurement fraud, Housing waiting list, right to buy, right to acquire.

2. Introduction

- 2.1 A Corporate Fraud Policy was introduced in January 2017 to assist the council to deter, prevent, detect, investigate and pursue all types of fraud affecting the authority. An accompanying prosecution and sanctions policy has also been developed. Both policies are attached as appendix (i) and (ii).
- 2.2 A route to enable people to report potential frauds was introduced in January 2017. As at January 2017, 59 allegations of fraud had been received. From February 2017 to 31 March 2018 a further 128 allegations were received. These are broken down as follows 13 Blue Badge misuse, 6 Business Rates, 36 Council Tax Single Person Discounts, 36 Council Tax Support and 10 other types of referrals.
- 2.3 As previously reported, the Corporate Counter Fraud Officer has absorbed the role of Anti Money Laundering Officer. Training across the authority has been included with the Corporate Fraud mandatory i-learn course. The officer has ensured Torbay is meeting its obligations in line with regulations.

- 2.4 The majority of Council staff have completed the mandatory i-learn course introduced to raise awareness of frauds the council may experience and how to spot frauds or potential money laundering.
- 2.5 Work thus far has remained concentrated on the council's income to ensure the collection fund is maximised. This work has resulted in the review of single persons discount awarded to single occupants of properties. This included the appointment of an external company to identify potential fraudulent claims. This resulted in the removal of the discount on 790 accounts reflecting a £266k increase in the charge-base. This will also have provided a reduction in the Council Tax Support spend for which a figure is not available.
- 2.6 Investigations into allegations of fraud and review of open source intelligence has resulted in an increase in the council tax collection fund for 2017/18 of £22k. Investigations remain ongoing, this figure is set to increase.
- 2.7 Investigations into allegations of fraud has resulted in the withdrawal of £22k in Council Tax Support payments in addition to 2.6.
- 2.8 The fraud officer conducted an initial review of council tax properties which had been left without charge following the occupants passing away. The initial check found an additional £26k. On presentation of this information the office has introduced periodic checking in this area and has found a further £61.5k
- 2.9 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. The service area has now introduced a process to minimise the number of cases that go unlinked to a charge-payer.
- 2.10 An audit of accounts where students are in receipt of a discount or exemption is planned for September to October 2018.
- 2.12 Torbay's Counter Fraud Officer highlighted to the National Fraud Initiative strand of the Cabinet Office potential for their Initiative to identify business rates fraud. Working together, a pilot has been developed. Business Rates data will be matched with other data already held. Invites to participate in the pilot were invited nationally. Torbay will be participating in the pilot alongside the majority of the Devon local authorities.
- 2.14 Stringent checks have been introduced to prevent fraud and protect business rate income. Procedures now necessitate the provision of supporting documentation when a change of circumstances is reported. The supporting documentation consists of lease agreements together with evidence of rental transactions and utility bills. An online reporting form has been introduced to support the process.
- 2.15 Premises that have previously caused issue are automatically subject to more stringent checks, including a visit. Owners of properties are being asked to prove the legitimacy of tenancies. If unable to do so the landlords are pursued for the debt.
- 2.16 People/companies that have previously caused issue are automatically subject to more stringent checks including a visit and swifter recovery action.

- 2.17 It is anticipated a review of the business rates charge base will occur within the near future to ensure the valuation office assessments are up to date to maximise the charge-base.
- 2.18 The fraud officer is assisting the recovery team in ensuring full evidence is contained within case files to allow tougher recovery action. The Council is seeking to utilise the full strength of the recovery tools available to include confiscation orders, county court orders, charging orders, committals, insolvency, personal bankruptcy and the winding up of companies. There are currently 5 cases which are nearing committal and 6 cases where charging orders are being sought. Two confiscation orders have been enforced resulting in the removal of a vehicle and stock from a shop.
- 2.19 The business rates initiatives have so far included a match of the charge base against open source information which has producing approximately £223k in the financial year 2017/18.
- 2.20 The fraud officer has conducted investigations into prolific debtors which has enabled an informed enforcement. This has also enabled cross department working.
- 2.21 Blue badge fraud, although not a direct cost to the council, has potential to damage revenue. It also causes reputational damage. Work towards an anti-blue badge fraud campaign has commenced. The council's communications team is in the process to setting out a communications plan. Fraud resource to support the campaign has been identified. It is anticipated the campaign will begin roll out in the autumn.
- 2.22 Following the identification of a possible Fraud within payments the council makes to "Special Guardians" a full review of the case load is planned.
- 2.23 The payments arm of finance section identified and prevented an attempt to divert funds to a spoof payee. If successful the fraud would have amounted to £3 million.
- 2.24 The Corporate Fraud Officer continues to introduce officers to the possibility of a single view of customer, places and businesses.

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/ukxi/2017/692/made>