

# **Report of the Finance Director to the meeting of the Governance & Audit Committee to be held on 24<sup>th</sup> July 2015**

---

**J**

**Subject:**

**Corporate Fraud Unit – annual performance information.**

**Summary statement:**

The purpose of this report is to:

- Present the annual fraud performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

Stuart McKinnon-Evans  
Director of Finance

**Portfolio:**  
**Leader of the Council & Strategic  
Regeneration**

Report Contact: Tracey Banfield  
Phone: (01274) 434794  
E-mail: [tracey.banfield@bradford.gov.uk](mailto:tracey.banfield@bradford.gov.uk)

**Overview & Scrutiny Area:**  
**Corporate**

## 1. SUMMARY

The purpose of this report is to:

- Present the annual fraud performance information, as requested by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

## 2. BACKGROUND

- 2.1 On 5<sup>th</sup> October 2012, following the introduction of the new Corporate Fraud Unit, the Committee requested that the Corporate Fraud Unit report regularly on counter fraud performance. A report was therefore brought before the Committee on 28<sup>th</sup> June 2013 reporting the performance for the financial year ending 31<sup>st</sup> March 2013 and on the 25<sup>th</sup> April 2014 reporting the performance for the financial year ending 31<sup>st</sup> March 2014.

The information at Appendix A represents the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

## 3. OTHER CONSIDERATIONS

- 3.1 The full breakdown of performance is shown in Appendix A and summarised below:

		Total for Financial year ending 31 <sup>st</sup> March 2015	Total for Financial year ending 31 <sup>st</sup> March 2014
<b>Investigations</b>		<b>877</b>	<b>920</b>
<b>Investigations uncovering fraud / theft and /or irregularity</b>		<b>589</b>	<b>590</b>
	<b>Including;-</b>		
	<b>Prosecutions</b> <i>(as a % of total investigations uncovering fraud/theft and/or irregularity)</i>	<b>63</b> <i>(11%)</i>	<b>73</b> <i>(13%)</i>
	<b>Other sanctions</b> <i>(as a % of total investigations uncovering fraud/theft and/or irregularity)</i>	<b>214</b> <i>(36%)</i>	<b>192</b> <i>(33%)</i>
	<b>Dismissals</b> <i>(as a % of total investigations uncovering fraud/theft and/or irregularity)</i>	<b>19</b> <i>(3%)</i>	<b>6</b> <i>(1%)</i>

- 3.2** The number of investigations carried out by the Corporate Fraud Unit in 2013/14 and 2014/15 has remained static as has the number of investigations where fraud, theft and/or irregularity has been uncovered, however, the percentage of prosecutions, sanctions and dismissals, from all investigations where fraud, theft and/or irregularity were uncovered, has increased by 3% compared to the previous year.
- 3.3** As the table at 3.1 demonstrates, 2014/15 has seen a slight decrease in the number of prosecutions compared with 2013/14 however, the number of “other sanctions”, which the Committee will recall refers to cautions, written warnings and administrative fines, has increased in 2014/15 and this is largely due to the regular “action days” carried out by the Corporate Fraud Unit, in conjunction with the Council’s Parking Services, to combat the misuse and abuse of Disabled Persons Parking (Blue Badge) permits, work which continues to receive plaudits by the local mobility groups and the media.
- 3.4** The number of employee dismissals, as a direct result of investigations carried out by the Corporate Fraud Unit, remains small in number; however this has increased in 2014/15. 51 investigations into alleged offences of employee fraud theft and/or irregularity were carried out by the CFU in 2014/15, compared with 28 in 2013/14. This increase is likely to be as a direct result of some targeted fraud awareness training for HR advisors, some Departmental Managers and staff in Schools, which has increased the number of referrals relating to employees. Of the 52 investigations carried out in 2014/15, 19 employees were dismissed or resigned prior to the disciplinary hearing. No obvious trends or patterns have emerged and the investigations in question were spread evenly across 6 of the Council’s Departments.
- 3.5** In previous reports to Committee, the CFU highlighted some of the new frauds it had started to investigate and an update is provided as follows:-
- 3.6 Social Housing Tenancy Fraud**  
The CFU continues to be a member of the Yorkshire and Humber Tenancy Fraud Forum and works in collaboration with 8 Registered Social Landlords in the Bradford District, including Incommunities and Manningham Housing Association
- 3.6.1** 80 investigations into alleged tenancy fraud have been carried out in 2014/15 and 17 properties have been recovered, compared with 2 in 2013/14. The National Fraud Authority (NFA) suggests that the national average loss to the public purse for each property subject to tenancy fraud is £18,000. This is the estimated annual cost of temporary accommodation for homeless families and the 17 recovered properties in 2014/15 therefore represents a total saving to the Council of £306,000.
- 3.7 Social Care (including Direct Payments) Fraud**  
In 2014/15 2 complex investigations into direct payments fraud, relating to Adult Social Care, have been carried out. Whilst both cases are yet to be concluded if proven, they both represent misappropriation of funds and could result in convictions in the Criminal Courts and as they are both subject to financial

investigation, under the Proceeds of Crime Act, could be ordered to pay significant amounts of compensation to the Council.

### **3.8 Transfer of Housing Benefit Fraud investigation to the Single Fraud Investigation Service (SFIS)**

On 1<sup>st</sup> April 2015 the Council, in accordance with agreed protocols established by the Department for Work and Pensions (DWP), transferred responsibility for Housing Benefit Fraud investigation to the Single Fraud Investigation Service (SFIS). This involved the transfer of 79 live Housing Benefit investigations and the transfer of 1 Investigator, as 3 other members of staff, designated to transfer to SFIS, found other employment in the Council prior to transfer.

The Council retained 46 Housing Benefit investigations, which have been concluded, but are currently in the process of being sanctioned i.e. prosecuted or a caution or administrative penalty applied.

**3.8.1** Housing Benefit investigations carried out in 2014/15 are included in the performance information covered by this report and account for 39% of the investigations concluded and 35% of investigations uncovering fraud, theft and/or irregularity.

### **3.9 Working in Partnership with Wakefield Metropolitan District Council**

In February 2015, following the launch of the Internal Audit pilot to trial sharing Audit resources across Bradford and Wakefield Councils, the Corporate Fraud Unit were asked to look at a similar pilot to deliver fraud investigation services. As the approach to delivering such services is vastly different in both Councils, a temporary Corporate Fraud Business Co-ordinator was sourced to work on behalf of both Councils to look at the different approaches and produce an options appraisal by December 2015 which can be used to inform the Business Case to be developed for both Internal Audit and Fraud investigation services. The Committee will be updated as to how this progresses.

## **4. OPTIONS**

**4.1** Members may wish to request further action or investigation into any performance areas.

## **5. FINANCIAL & RESOURCE APPRAISAL**

**5.1** At the beginning of 2014/15 the Corporate Fraud Unit consisted of 18 staff - 1 manager, 2 supervisors, 10 investigators and 5 support staff, however due to the impending transfer of Housing Benefit fraud investigation to SFIS, as outlined in para 3.8, this number reduced over the course of the 2014/15 financial year and the Corporate Fraud Unit now consists of 11 staff - 1 manager, 1 supervisor, 7 investigators and 3 support staff.

**5.2** The cost of the unit in 2014/15 was £653,000, the majority of this being funded through the grants provided by the Department for Work and Pensions for the administration of Housing Benefit, however, the Council is now aware that this funding will reduce in 2016/17, following the Council's transfer of Housing Benefit fraud investigation earlier this year and expects the amount of the reduction to be confirmed in the Autumn.

- 5.3** In 2014/15 the Corporate Fraud Unit identified £2.3m losses from the public purse. £1.16m of this was actual financial overpayments obtained through fraud, corruption and/or theft, an estimated £0.8m in future Housing Benefit payments had investigators not intervened to stop on-going fraud and an estimated £0.4m from recovering properties, subject to tenancy fraud, as outlined in para 3.6 and preventing the misuse and abuse of Disabled Persons Parking (Blue Badge) permits.
- 5.4** Of the total £2.3m identified losses, £1.2m relates directly to the Council.
- 5.5** The Committee will recall that last years report highlighted a complex investigation into Housing Benefit and mortgage fraud. As significant assets were identified, confiscation orders were served, under the Proceeds of Crime Act 2002 and at Bradford Crown Court on 26th February 2014, 1 defendant received a suspended committal and 1 was sentenced to 16 months in prison. At the Proceeds of Crime hearing in September 2014 one of the defendants was ordered to pay £7,500 and the hearing against other defendants is yet to be scheduled.
- 5.6** The CFU has 2 other Proceeds of Crime cases ongoing involving 4 people and significant sums of money which are to be concluded in the coming months.

## **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 6.1** Counter fraud performance will continue to be reported to this Committee.
- 6.2** As previously mentioned in paragraph 5.2 funding for the CFU is largely covered by a Government grant relating to Housing Benefit administration, which will be reduced from April 2016, following the Council's transfer of Housing Benefit fraud investigation earlier this year. The amount of the reduction is to be confirmed in the autumn but it is understood that this will be in the region of £300,000. Once the amount of reduction is confirmed then the Council will need to make a decision on the future of counter fraud activity.

## **7. LEGAL APPRAISAL**

The Council has power to bring any criminal proceedings before the Court "in the interests of the inhabitants of its district" under section 222 Local Government Act 1972.

The Council Legal Service will continue to be a key partner in the Council's counter fraud approach as it provides specialist advice, support and services and ensure compliance with all relevant legislation pertaining to the prevention, detection and investigation of fraud, corruption and theft, (for example the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Regulation of Investigatory Powers Act 2000, Data Protection Act 1998 etc)

## **8. OTHER IMPLICATIONS**

### **8.1 EQUALITY & DIVERSITY**

Some high level profiling is used to inform a risk based approach to investigation and to ensure the effective allocation of resources. However, all decisions on investigations are made on the facts of the case only.

### **8.2 SUSTAINABILITY IMPLICATIONS**

None

### **8.3 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **8.4 COMMUNITY SAFETY IMPLICATIONS**

The reduction of all crime, including fraud, corruption and /or theft, contributes to improving community safety.

### **8.5 HUMAN RIGHTS ACT**

The Council's current counter fraud approach complies with the Human Rights Act, in particular in relation to surveillance and the right to privacy. All surveillance operations are formally approved in compliance with the Regulation of Investigatory Powers Act and Council protocols.

### **8.6 TRADE UNION**

None.

### **8.7 WARD IMPLICATIONS**

Counter fraud information is available by ward area if required.

### **8.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

None

## **9. NOT FOR PUBLICATION DOCUMENTS**

None

## **10. RECOMMENDATIONS**

### **10.1 That the Committee notes the key performance information at Appendix A**

**11. APPENDICES**

Appendix A - Key performance information from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015

**12. BACKGROUND DOCUMENTS**

None

**Appendix A - Key Counter Fraud performance information**

<b>Counter Fraud Performance Information 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015</b>				<b>Total for the financial year ending 31<sup>st</sup> March 2014</b>	
	<b>Employee</b>	<b>Citizen</b>	<b>Total</b>		
<b>Investigations</b> Concluded in the period	51	826	<b>877</b>	<b>920</b>	
<b>Investigations where fraud / corruption theft or irregularity uncovered including:-</b>	42	547	<b>589</b>	<b>590</b>	
	<b>Prosecutions</b> Concluded in the period	1	62	63	73
	<b>Other sanctions</b> Cautions, fines, warnings concluded in the period	5	209	214	192
	<b>Dismissals</b> Including resignations prior to hearing concluded in the period	19	n/a	19	6