

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 16 July 2018
Report for: Information
Report of: Counter Fraud & Enforcement Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2017/18 Annual Report

Summary

The report:

- outlines the Councils' fraud prevention and detection performance and activities in 2017/18 and
- outlines the teams' plans for 2018/19

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Enforcement Manager

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Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 The council operates a Counter Fraud and Enforcement Team to ensure a continued commitment to the authorities' zero tolerance towards fraud

2.0 Counter Fraud and Enforcement Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is to investigate Revenues related matters such as Council Tax Support, Council tax discounts, Non Domestic rates liability avoidance and Social Care Fraud.
- 2.2 As the team has expanded its remit to investigating other areas of work than benefit fraud which it had previously concentrated on, it has been more proactive in generating referrals from working closely with other teams within the authority. An example of this has been the partnership developed with the Councils Direct Payments Audit team. An example of a successful conclusion to an investigation can be seen at **Case Study 1** below.
- 2.3. The team has also done a great deal of work to support the Non Domestic rates team. This is a particularly important area of work in view of the revenue generated in this area. It has been identified that there are a large number of companies who supporting businesses by assisting them to reduce their business rate liability by participating in rate mitigation schemes. The team has been playing an important role in ensuring that these schemes are being operated lawfully and in accordance with legislation. A high value example of where it was identified that this was not the case can be seen at **Case Study 2** below.
- 2.4 The team had also supported an NDR maximization review via a 3rd party company. The aim of the review was to identify commercial properties that were either not being billed correctly due to changes in their size or were not known to the authority. Once the results were received, the authority was able to amend or raise new NDR liability by issuing new or revised bills as appropriate. The review has, to date, raised £400k of additional NDR liability, with over ¾ of that already being recovered.

- 2.4 In addition to effectively investigating allegations of fraud, the teams remit is also to provide an effective service to support and enhance the enforcement of debts already owed to the Council as well as reduce Council expenditure and/or generate income within Exchequer Services. An example of this has been the work carried out to support other teams within Exchequer Services in cases where traditional debt recovery procedures had failed to provide a satisfactory response. This resulted in a number of accounts being either settled or the debt being significantly reduced following the teams intervention. Another particularly productive case relating to this area involved the identification of a case where a service users family had attempted to evade care charges by transferring funds into their name – **further details are shown below in Case Study 3**

Case Study 1

An investigation was set up in relation to a Direct Payments client who had been receiving monies that were intended to pay for care and support for her niece. An audit of her account revealed a number of payments being made to a person who had not been identified as a carer. When this was raised by the audit officer the woman admitted that she had used the monies for her own families use as they were experiencing financial difficulties. A subsequent interview with her confirmed this to be the case, as she stated that had hoped to have returned the money before the account was audited. It was identified that a total of £10,300 had been mis-spent by the client, with the decision subsequently taken that she be prosecuted. This resulted in a suspended custodial sentence of 26 weeks being imposed and an order that she carry out 200 hours of unpaid work. The Council is currently recovering the monies that were mis spent.

Case Study 2

An investigation was successfully concluded after it was established that a non domestic rates mitigation scheme being operated was not as it initially appeared to be. The company involved had been attempting to reduce their non-domestic rate liability by claiming that they had been leasing the building for short periods of time. This meant that they were then able to claim subsequent 3 month rate exemptions when the property became unoccupied. However an inspection arranged at short notice revealed that the building was not being occupied by a tenant as claimed, but was actually being renovated – which would mean that the property could not be classed as occupied. The Council subsequently withdrew the previously granted exemptions, a fact which was challenged by the company who changed their story somewhat surrounding the “renovation” claiming that it had actually been used for storage purposes. The matter was eventually referred for a court hearing requiring both parties to attend and provide witness evidence which found in the Councils’ favour. This resulted in the company being liable for £273k of Non Domestic Rates that they would otherwise not have had to pay if it hadn’t been for the team’s intervention. This amount has been recovered in full and as the Council were successful it’s Legal costs were also recovered in full

Case Study 3

A referral was made to the team relating to a case where a service user had initially been refused financial assistance towards her care charges on the basis that she held significant levels of capital. Her daughter had responded to this by claiming that the savings belonged to her, and in the meantime a debt of £27.5k had grown on her mother’s care charges account. However, the subsequent investigation identified that the service user had received a compensation award of £150k which had been transferred into her daughters account after she went into care, and that this had not been declared when her assessment for assistance towards her care charges was made. As a result of this, the service user was treated as having over the capital threshold for any financial assistance, and the outstanding debt was paid in full in one payment.

Table 5 below shows the amount of income generated by the team during the 2017/18 financial year:

Table 5 – Counter Fraud & Enforcement Team

| | Amount (£) |
|---|---------------|
| Council Tax Discount Cancellations | 73.6k |
| Council Tax Support/ Council Tax Benefit Overpayments | 68.2k |
| Council tax Liability Irregularities | 26.5k |
| Non-Domestic-Rate, Liability Irregularities (net) | 113.2k |
| Adult Social Care Enforcement | 113.1k |
| Employee Related Enforcement | 6.7k |
| | |
| Total | 401.5k |

5.0 Planned activity for 2018/19

5.1 Over the next 12 months it is anticipated that the Counter Fraud and Enforcement Team will continue to develop into other areas of investigation. In addition to this, the team has recently expanded to also cover the Civil Litigation arm of its debt recovery team. The main priorities for the team will be to:

- **Work closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Council, in particular in relation to Council Tax, Non Domestic Rates & Adult Social Care**
- **Take the lead role in an ongoing Council Tax Single Person discount review which has already resulted in a number of Single Person Discounts being removed & its first prosecutions for fraud against the authority being achieved.**
- **To progress cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority**