



AUDIT COMMITTEE

24 June 2015

Subject Heading:

Fraud Progress Report
1st January to 31st March 2015

CMT Lead

Deborah Hindson
Acting Managing Director oneSource

Report Author and contact details:

Vanessa Bateman: Internal Audit &
Corporate Risk Manager
Tel: 01708 433733
email: vanessa.bateman@oneSource.co.uk

Policy context:

To advise the Committee of the work and performance of the Council's anti fraud and corruption resources and update on recent developments with regards the resources.

Financial summary:

This report details information relating to fraud and special investigations. There are no direct financial implications arising from this report which is for information only.

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input type="checkbox"/>

SUMMARY

This report advises the Committee of the work of the Internal Audit Corporate Fraud Team and the Investigations Team from 1st January to 31st March 2015.

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of the officers where required, either with regards to the cases highlighted or the performance of the respective teams.

REPORT DETAILS

1. FRAUD RESOURCES UPDATE

1.1 Single Fraud Investigation Service

- 1.1.1 The transfer process for Havering employees to Department of Work and Pensions (DWP) was completed on 31st March 2015. Seven of the eight employees in scope were transferred. One Investigator has moved into the new oneSource Fraud Team.
- 1.1.2 At the end of March circa 100 live benefit fraud cases were transferred to the DWP.

1.2 OneSource Structure and Transfer

- 1.2.1 The restructure was completed and the new structure launched on 1st April.
- 1.2.2 Alongside the transfer of Housing Benefit Fraud to DWP the team coordinated the transfer of all other live cases including Housing Fraud, Proceeds of Crime and the Corporate Fraud and Special Investigations into the new oneSource team. There were also circa 10 Benefit Fraud cases where the legal process was too progressed to transfer to DWP so these cases were retained to be completed by the oneSource team and, once finalised, transferred. The DWP agreed to release ex-employees involved in these cases as required to attend court as witnesses.
- 1.2.3 As part of the implementation of the oneSource Fraud Structure there have been discussions and risk assessments regarding the new Fraud Strategy for Havering; this work will continue in April and the outputs will be presented to members for approval.

2. CORPORATE FRAUD TEAM: UPDATE JANUARY TO MARCH

2.1 Delivery of the Anti-Fraud and Corruption Strategy

- 2.1.1 Work has been delivered to further develop a fraud aware workforce through an ongoing programme of training. During quarter four, training was provided on the Prevention and Detection of Fraud as part of the corporate induction.
- 2.1.2 The Corporate Fraud Team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through advice and guidance to management on specific risk, control and compliance issues.

The number of requests for advice and assistance to Directors and Heads of Service in Quarter 4 was 57, of which 55 were completed at year end.

- 2.1.3 The Team also participates in the learning and sharing of best practice through the National Anti-Fraud Network and actively works with neighbouring boroughs to share learning and appropriate data.

2.2 Proactive Fraud Investigations

- 2.2.1 The Corporate Fraud Team's proactive fraud work comprises three elements:

- A programme of proactive fraud audit investigations;
- Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

- 2.2.2 The proactive work plan for 2014/15 is shown in the table in Appendix A. During quarter four progress was made on the plan with five proactive audits completed in the year.

2.3 Reactive Fraud Cases: JANUARY TO MARCH

- 2.3.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 4 2014/15						
Team	Cases at start of period	Referrals received	Referrals rejected/ overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	16	11	0	4	9	14

- 2.3.2 The table below provides information on the sources of fraud referrals to the Corporate Fraud Team.

Source of Referrals & Fraud Reports Quarter 4 2014/15	
Number of Referrals/ Type	IA Fraud Reports Qtr 4
Anonymous Whistleblower	2
External Organisations / Members of the Public	1
Internal Departments	8
Total	11

- 2.3.3 The table below shows the number and categories of potential Corporate Fraud cases at the end of the Quarter 4, compared to the quarter 3 totals.

Reports by Category		
Potential Fraud	Previous Cases Qtr 3	Current Cases end of Qtr 4
PC – Misuse and Abuse	2	0

Breach of Code of Conduct	4	4
Breach of Council Procedures	3	5
Misuse of Council Time	1	0
Direct Payments	4	0
Theft	1	0
Disabled Facility Grant	1	0
Money Laundering	0	2
Total	16	11

2.3.4 The table below shows the case outcomes for the Internal Audit Corporate Fraud Team from January to March 2015.

Case Outcomes	
Outcome	Qtr 4
Management Action Plan	3
Resigned	4
Disciplinary	1
No case to answer	4
Withdrawn Application	1
Total	13

2.4 Savings and Losses

2.4.1 The investigations carried out by the Corporate Fraud team provide the Council with value for money through:

- The identification of monies lost through fraud and the recovery of all or part of these sums; and
- The identification of potential losses through fraud in cases where the loss was prevented.

2.4.2 The table in Appendix B shows the savings and losses identified during 2014/15.

2.5 Fraud Cases Completed

2.5.1 The table below shows the number of cases at the start and end of the year, cases completed each quarter and the outcomes.

Reactive Workload Completed			
	Cases	Not Proven	Successful
2013/14 C/F	13		
Q1	13	3	4
Q2	25	11	12
Q3	11	7	9
Q4	11	4	9
	73		
2014/15 C/F	14		
	59	25	34

15 of the reactive workload cases are as a result of whistle-blowers.

2.5 Outcomes from reactive cases

2.5.1 The table below communicates the outcome of the cases completed in 2014/15.

Reactive Workload Outcomes	
Management Action Plan	11
Resigned	6
Disciplinary	9
Dismissal	2
No Case To Answer	25
Withdrawn Application	4
Reduced Direct Payment	1
Prosecution	1
Total	59

2.6 Schedule of completed proactive audits

2.6.1 The table below communicates the proactive audits that were completed in the year and what quarter they were finalised.

Proactive Workload Completed	
Q1	Expenses
Q1	Home Ownership
Q1	Dismissed/Redundant/Agency
Q4	LD Residential Care
Q4	Blue Badges

2.7 Advice and Assistance

2.7.1 The table below details the requests for advice and assistance that have been received by the team in 2014/15 and the source of the request.

Advice & Assistance		
	Cases	C/F
Directors	57	2
Local Authority	17	0
Fraud Hotline	32	4
	106	6

2.7.2 The team have completed 59 Reactive Cases, five Proactive Audits, 55 Advice and Assistance to Directors, 17 Advice and Assistance to Local Authorities including the Police and 28 Fraud Hotline reports.

126 recommendations have been made to services of which 118 have been implemented and eight are not due until later in the year.

3.1 BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JANUARY TO MARCH 2015

- 3.1.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 4 2014/15						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases of Fraud not Proven	Success -ful Cases	Cases at end of period
HB & CTS	246	120	91	103	44	128
HT	74	17	-	40	11	40
TOTAL	320	137	91	143	55	168

- 3.1.2 The table below provides information on the sources of fraud referrals made to the Housing Benefit, Council Tax and Housing Tenancy fraud sections during the period.

Source of Referrals & Fraud Reports Quarter 4 2014/15			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	52	7	59
External Organisations / Members of the Public	8	2	10
Internal Departments / Whistleblowers	25	3	28
Social Landlords (inc HiH)	10	5	15
Data Matching / Proactive initiative	25	-	25
Total	120	17	137

- 3.1.3 The table below shows the categories of the potential Housing Benefit and Council Tax Benefit fraud referrals in the period.

Referrals by Category	
Potential Fraud	Quarter 4 14/15
Capital	6
Income from Other Sources	7
Living Together	37
Non-Dependant	3
Non-Resident/vacated	10
Working	8
Contrived	7
Tenancy Fraud	14
Other	28
Total	120

3.1.4 The table below shows the categories of the potential Housing Fraud referrals in the period.

Referrals by Category	
Potential Fraud	Qtr4 14/15
Subletting	6
Not main/principal home	8
Fraudulent RTB	1
Fraudulent Housing Register Application	2
Total	17

3.1.5 The table below shows the current benefit caseload by category.

Current Cases by Category	
Potential Fraud	As at end of March 2015
Capital	17
Contrived Tenancy	2
Income from Other Sources	7
Living Together	37
Non-Dependant	1
Non-Resident/vacated	19
Working	5
Non Commercial Tenancy	1
Other	9
Tenancy Fraud	28
Financial Investigation	2
Total	128

3.1.6 The table below summarises the number and types of successful outcomes for cases completed by the benefits fraud team during the period.

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	4	-	2
Working & Claiming	3	-	1
Living Together	2	2	5
Non Residence	-	1	-
Contrived Tenancy	1	-	2
Other Income	-	-	-
Non Dependants	-	1	-
Total	10	4	10

- 3.1.7 The case outcomes for the Housing investigations from January to March 2015 are detailed in table below.

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Qtr4 14/15
Tenancy Relinquished voluntarily (keys handed in)	5
Property recovered via court action	-
Right to Buy stopped	3
Housing Register application withdrawn	2
Homeless application stopped	1
Total	11

3.2 Successful Benefit and Housing Fraud Cases.

Details of three successful benefit prosecution cases are provided below.

- 3.2.1 The success of the “living together” prosecutions has been a result of joint working with the police and obtaining warrants to search the premises of the fraudsters involved. During the course of the investigations, enquiries had established that these claimants, who were in receipt of benefits as lone parents, were actually residing with an undisclosed partner. However, this type of case can be extremely difficult to prove in Court beyond reasonable doubt. In four of the cases this quarter, Council Investigators were able to gain access to the homes of the claimants and obtain crucial evidence leading to guilty pleas, subsequently avoiding the cost of a trial. The joint overpayment of benefits in all five cases totalled £257,106.77 and sentences awarded were suspended custodial and unpaid work.

One of these defendants, Ms X, had accrued a total overpayment of £98,737.50 and was facing a prison sentence. The judge in this case made the unusual decision to defer sentencing pending the repayment of 50% of the overpaid benefit. When she returned to Court, Ms X had been able to raise £25,000 which repaid the Housing Benefit element of the overpayment. She also received a 15 month custodial sentence suspended for two years and 100 hours unpaid work.

- 3.2.2 In November 2012 prosecution proceedings began against Mr X and Ms Y whereby Ms Y had claimed benefit as a lone parent while residing with Mr X, the father of her children. Furthermore, Mr X owned the property where Ms claimed Housing Benefit stating that he was her landlord. The couple maintained throughout the investigation that there was no relationship but in-depth enquiries revealed that the couple had applied together to be foster carers. When summonsed to appear at the Magistrates’ Court, only Ms Y appeared. She pleaded guilty at Crown Court to defrauding LBH and the DWP of £131,000 and received a suspended custodial sentence of 18 months with 200 hours unpaid work and a six month curfew. A warrant was issued for Mr X’s arrest who had sold his house and disappeared with the proceeds. The team were then notified in September 2014 that Mr X had been found and taken into custody. In February 2015, Mr X pleaded guilty to

his part in the deception and received an immediate custodial sentence of 27 months.

- 3.2.3 A former member of LBH staff was prosecuted for their part in a contrived tenancy fraud. Mrs X owned a property in the borough but claimed to be the landlord in order that her husband could rent it from her and claim Housing Benefit. This continued for five years when she advised Council Tax that she had moved into the property. Her husband then advised the Benefit Department that he had moved to another address in the borough where he claimed benefit. In reality, he continued to live with his wife and their children and sublet the rented property. Mr X was a known criminal who was (and still is) wanted by the Metropolitan Police.

Mrs X's property and the rented property were raided simultaneously by Council Investigators and the Police. Mr X was not found at either property, although his belongings were found at the home of his wife. In the rented flat, the bedroom door was locked and inside personal effects were discovered belonging to a third party, evidence that Mr X was subletting this property. Following her arrest, Mrs X was subject to a disciplinary and dismissed from LBH. Both Mr & Mrs X were summonsed for their respective parts in the contrivance, but Mr X has never appeared. The case against Mrs X was eventually concluded and she received a 12 month community service order including 100 hours unpaid work. A warrant for the arrest of Mr X remains outstanding

Details of three successful housing tenancy cases are detailed below

- 3.2.4 Information was received that Miss Z was not residing at her high rise council flat. Fob usage was infrequent and security photos showed a male using the key. Whenever the property was visited there was no reply and cards were not responded to. A check of Miss Z's accounts showed that most transactions were taking place in East Ham. From details regarding the tenant on the system, Miss Z appeared to be a vulnerable person and, in order to make contact with Miss Z, the investigator contacted her family who claimed to be estranged from her but were able to provide details of her partner. Further investigations into the whereabouts of the partner revealed an address in East Ham. Council officers visited the property and found Miss Z residing there. Initially Miss Z claimed to be staying with her partner over the Christmas period but after talking to the couple it was established that Miss Z was residing in East Ham on a permanent basis and using her Council flat for storage purposes. Having received assurances that she would be given time to collect her property, Miss Z agreed to relinquish her tenancy and handed back her keys four weeks later.
- 3.2.5 Information was received from the Police that, upon issuing an arrest warrant, they had found a male, Mr X, resident at the property who was not the legal tenant. During the initial period of the investigation, although Mr X was in custody, the property appeared to be used but visits from Council Officers did not receive a response. An early morning visit was carried out and the door was opened by a female who initially claimed to be the tenant's mother. The female eventually advised officers of her true identity and address. She stated that she had been asked by the tenant's mother to pop

in and keep an eye on the flat. Officers were allowed access and found men's clothing inside the property and documentation belonging to the male who the Police had originally found there. Further information was received from the Police that the tenant had been released and bailed to another address. Mr X was found at the address stating that he was staying between his mother's and girlfriend's addresses. He was called in for interview and, after questioning, admitted that he had not been living at his Council property for a while. He had intended to carry out the Right to Buy (RTB) but it was pointed out that he would not be eligible to carry out the RTB as he had not been residing there. He could either surrender his tenancy or be given a Notice to Quit & Notice of Seeking Possession in respect of the non-residency. Mr X decided to surrender his tenancy and handed back the keys three weeks later.

3.2.6 Two offers of housing were retracted following referrals from the public.

Mr X had been offered a two bedroom property on the basis that he was residing with his partner and their child. Enquiries established that the partner had moved to a women's refuge with their child. Following liaison with the Housing Needs Team, Mr X was contacted and advised that his partner had returned. Further enquiries confirmed that the partner was in fact still residing at the refuge and the offer was subsequently withdrawn.

Mrs Y had been offered a property on the basis that she lived with her children. The referral stated that Mrs Y was not staying with a family member but residing in another borough and that her children had been made subjects of a special guardianship order. Enquiries with the other borough failed to provide an address for Mrs Y but checks through Social Services confirmed that the children were no longer residing with her and on this basis the offer of the three bedroom property was withdrawn.

3.3 HB/CTB/CTS Fraud Overpayments

3.3.1 The value of fraudulent housing benefit overpayments generated by the team for the fourth quarter of 2014/15 and the year to date are contained in table below.

Fraudulent Overpayment		
Type	Qtr 4	To date
Rent Rebate	£162,321.72	£611,772.02
Rent Allowance	£173,060.09	£637,904.18
Council Tax Support	£66,164.57	£229,764.40
Total	£401,546.38	£1,479,440.60

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications or risks arising directly from this report which is for information only.

However, fraud and corruption will often lead to financial loss to the Authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. The work of the Benefit Investigation Team regularly identifies benefits to which claimants are not entitled to, which are to be recovered by the Council. It should be noted that both the transfer to SFIS and the outcome of the oneSource service review will have financial implications. These will be separately assessed and raised through the appropriate channels as required.

Legal implications and risks:

There are no Legal implications from noting the contents of this Report.

Human Resources implications and risks:

There are no HR implications from noting the contents of this Report.

Equalities implications and risks:

There are no Equalities implications from noting the contents of this Report.

BACKGROUND PAPERS

None.

Appendix A: Corporate Fraud Proactive Audit Plan 2014/15

Description	Risks	Plan days	Qtr 4 Status
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	In progress
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	In progress
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Final Report
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	In progress
Blue Badge	Identification of procedures to ensure records retained and maintained and badges are recovered following death. That badges are used in accordance with the legislation.	10	Final Report
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in system particularly with Charities and 'Pop Up Shops'	20	Delayed due to Restructure of service team
Direct Payment Assessments	This to include the assessment and payment calculations and follow ups with the Care Assessors to establish processes and evaluate controls.	15	Planned
Employee Applications	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false	20	Planned

Description	Risks	Plan days	Qtr 4 Status
	qualifications; or false CVs.		
Procurement of Services	False payments to contractors for house modifications, either by internal or external persons or companies including, but not limited to: violation of procedures; manipulation of accounts; records or methods of payment; failure to supply; failure to supply to contractual standard.	15	Planned
Debt Avoidance	This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities (do not include SPD from question 4.1); rent arrears; false declarations; false instruments of payment or documentation.	15	Planned
Payroll	This includes, but is not limited to: the creation of non-existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.	30	Planned
NFI	The match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already or approaching 18 years of age. This may or will make the SPD invalid.	30	Planned
	TOTAL	215	

Appendix B: Savings, Losses and Potential Recoveries 2014/15

Case details	Quarter reported	Savings Identified	Losses Identified	Details
Application for Disabled Facility Grant	Qtr 1	£9,895		Applicant submitted a quote from what appeared to be a bogus contractor. When challenged to provide evidence of the contractor applicant withdrew the Disabled Facilities Grant Application.
False Declaration for Disabled Facility Grant	Qtr 1	£30,000		Applicant declared not to have any assets or other income. Investigation proved owns another property and has rental income. Court sentence applied.
PCN's paid for on Purchase Card	Qtr 1	£110		Employee's work related parking fines paid via the Council's Purchase Card.
Possible Theft - RS	Qtr 1	£25.00		Employee falsified a receipt and a medical letter to obtain an additional £25.00 expense claim.
Direct Payment Fraud - Mrs R	Qtr 1	£11,090	£24,170	Mrs R did not maintain a dedicated bank account or timesheets and double handed care did not correspond with carer's invoices. Reassessment of care reduced to single handed care package of 2:25 hours per day annual saving to the Council of £11,090.
Application for Disabled Facility Grant	Qtr 2	£700		Council's prosecution costs following court sentence.
7 Blue Badges	Qtr 2	£7,000		7 Blue Badges - estimated savings by Audit Commission minimum £1k each.
Care Home	Qtr 3	£8,314.56		Internal Audit advice to Directors recovered outstanding sums owed to the Council

Case details	Qtr reported	Savings Identified	Losses Identified	Details
Direct Payments	Qtr 3	£8,388		Payments made to an ironing company. Care plan cancelled.
Fairkytes	Qtr4	£641.00		Unpaid debts by a dance group
Duplicates	Qtr4	£2,293		Duplicate Retrospective Orders and Payments to an adult care company not identified
Car Home	Qtr4	£1,341.86		Internal Audit advice to Directors additional recovery of outstanding sums owed to the Council
Duplicates	Qtr4	£20,241.50		Partnership duplicate payments
Duplicates	Qtr4	£3,490.20		Duplicate Retrospective Orders and Payments to and adult care company not identified
Duplicates	Qtr4	£2,055.00		Duplicate Retrospective payment to a mini cab company recovered.
Disabled Facility Grant	Qtr4	£26,500		Reassessed and presenting with different needs and reduction to DFG.
Total		£130,030.12	£24,170	£24,170 loss cannot be recovered by the Council.

Key:

Savings: Refers to the amounts of money that the detection of the fraud has prevented being lost. A prime example of this would be the discount on a right to buy. If we prevent the sale then we prevent the discount being given and thereby we save the Council money.

Losses: These are the sums of money that the audit determined have been lost or stolen.