



# AUDIT COMMITTEE

19 February 2014

**Subject Heading:**

Fraud Progress Report  
1<sup>st</sup> October to 31<sup>st</sup> December 2013

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**Policy context:**

To advise the Committee of the work and  
performance of the Council's anti fraud and  
corruption resources.

**Financial summary:**

This report details information relating to  
fraud and special investigations.

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

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

## SUMMARY

This report advises the Committee of the work of the Internal Audit Corporate Fraud Team and the Benefit Investigations Team from 1<sup>st</sup> October to 31<sup>st</sup> December 2013.

## 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. CORPORATE FRAUD TEAM: UPDATE OCTOBER TO DECEMBER 2013**

#### **1.1 Delivery of the Anti-Fraud and Corruption Strategy**

- 1.1.1 Work has been delivered to further develop a fraud aware workforce through an on-going programme of training. During Quarter 3, training was provided to Adult Services Commissioning Team staff. The training delivered related to direct payments and the importance of internal checks and controls.
- 1.1.2 The Corporate Fraud team have also put in place a fraud and corruption e.learning programme that is provided by Meritec. 16 employees from the Children, Adults and Housing, Public Health and Resources departments completed the fraud and corruption e.learning training programme during Quarter 3.
- 1.1.3 The corporate fraud team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.
- 1.1.4 The corporate fraud 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.

#### **1.2 Proactive Fraud Investigations**

- 1.2.1 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.
- 1.2.2 The proactive work plan for 2013/14 is shown in the table in Appendix A. During Quarter 3 progress was made in three proactive investigations: staff expenses, the reemployment of staff previously made redundant or dismissed, and grants made by the Authority.
- 1.2.3 The team's data matching work for the National Fraud Initiative (NFI) is on-going and it is anticipated that the results will be presented to the April 2014 Audit Committee.

### 1.3 Reactive Fraud Cases: October to December 2013

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

<b>Caseload Quarter 3 2013/14</b>						
<b>Team</b>	<b>Cases at start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Fraud not Proven Cases</b>	<b>Successful Cases</b>	<b>Cases at end of period</b>
Corporate	18	14	0	9	7	16

1.3.2 The table below provides information on the sources of fraud referrals to the Corporate Fraud team.

<b>Source of Referrals &amp; Fraud Reports Quarter 3 2013/14</b>	
<b>Number of Referrals/ Type</b>	<b>IA Fraud Reports Qtr 3</b>
Anonymous Whistleblower	3
External Organisations / Members of the Public	1
Internal Departments	10
<b>Total</b>	<b>14</b>

1.3.3 The table below shows the number and categories of potential Corporate Fraud cases reported in the Quarter 3 period and the number of cases open at the end of the period.

<b>Reports by Category</b>		
<b>Potential Fraud</b>	<b>New Cases Qtr 3</b>	<b>Current Cases end of Qtr 3</b>
PC – Misuse and Abuse	4	1
Breach of Code of Conduct	1	1
Breach of Council Procedures	8	6
Misuse of Council Time	1	1
Direct Payments	3	5
Safeguarding	1	0
Overpayment of Pension	0	0
Security	0	1
Theft	0	1
<b>Total</b>	<b>17</b>	<b>16</b>

1.3.4 The table below shows the case outcomes for the Internal Audit Corporate Fraud Team from October to December.

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 3</b>
Management Action Plan	6
Resigned	0
Disciplinary	1
Dismissed	1
No case to answer	8
<b>Total</b>	<b>16</b>

1.3.5 The forecast outturn for the team in 2013/14 is within the allocated budget.

## 1.4 Savings and Losses

1.4.1 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.

1.4.2 The table in Appendix B shows the savings and losses identified during 2013/14 up until the end of Quarter 3; 1 April to 31 December 2013.

## 1.5 Key Performance Indicators

1.5.1 Recipients of audit reports are requested to complete a post-audit satisfaction survey on completion of an audit and the issue of a final report. The survey enables report recipients to score the following elements of the audit process using a score of 1, very poor, to 5, very good:

- Audit Planning
- Quality of draft report
- Quality of final report
- Communication
- The auditor.

1.5.2 Eight completed surveys for investigations carried out by the corporate fraud team were returned during the period October to December 2013. The results received (shown in the table below) indicate a high degree of satisfaction with the audit process.

Score Received (max 25)	No. of Audits
25	2
24	1
23	1
22	1
21	2
20	1

1.5.3 Officers completing satisfaction surveys are also able to record comments and we are pleased to report that during the period we received a number of positive responses including, 'the auditors was extremely helpful, efficient and thorough' and, 'helpful and very supportive at all times.'

## 2. BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE OCTOBER TO DECEMBER 2013

2.1.1 The Investigation Team were shortlisted for a national Fighting Fraud Award in December which recognises the efforts of those in the public sector who have done most to combat and prevent fraud. The team was among the final three in the Collaboration category for working with the police Safer Neighbourhoods Teams and uncovering benefit fraud in excess of £2million.

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

<b>Caseload Quarter 3 2013/14</b>						
<b>Team</b>	<b>Cases At start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Cases of Fraud not Proven</b>	<b>Successful Cases</b>	<b>Cases at end of period</b>
HB & CTS	442	181	50	71	31	471
HT	79	22	2	18	8	73
<b>TOTAL</b>	<b>521</b>	<b>203</b>	<b>52</b>	<b>89</b>	<b>39</b>	<b>544</b>

2.1.3 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.

<b>Source of Referrals &amp; Fraud Reports Quarter 3 2013/14</b>			
<b>Type and Number of Referrals</b>	<b>HB/CTS Referrals</b>	<b>HT Referrals</b>	<b>Total</b>
Anonymous	33	-	33
External Organisations / Members of the Public	5	6	11
Internal Departments / Whistleblowers	62	4	66
Social Landlords (inc HiH)	23	10	33
Data Matching / Proactive initiative	58	2	60
<b>Total</b>	<b>181</b>	<b>22</b>	<b>203</b>

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

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 3 13/14</b>
Capital	63
Income from Other Sources	10
Living Together	32
Non-Dependant	2
Non-Resident/vacated	19
Working	22
Non Commercial Tenancy	1
Contrived	5
Tenancy Fraud	9
Other	18
<b>Total</b>	<b>181</b>

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

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Qtr 3 13/14</b>
Subletting	7
Not main/principal home	12
Fraudulent RTB	-
Fraudulent Housing Register Application	-
Other	3
<b>Total</b>	<b>22</b>

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

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of December 2013</b>
Capital	73
Contrived Tenancy	13
Income from Other Sources	60
Living Together	134
Non-Dependant	17
Non-Resident/vacated	62
Other welfare benefits	1
Working	53
Non Commercial Tenancy	6
Other	3
Single Person Discount	8
Tenancy Fraud	41
<b>Total</b>	<b>471</b>

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

<b>Successful Outcomes</b>			
<b>Sanction/ Offence Type</b>	<b>Administrative Penalties</b>	<b>Cautions</b>	<b>Prosecutions</b>
Capital	1	-	-
Working & Claiming	-	-	1
Living Together	-	2	1
Non Residence	1	1	1
Contrived Tenancy	2	-	-
Other Income	4	12	-
<b>Total</b>	<b>8</b>	<b>15</b>	<b>3</b>

2.1.8 The case outcomes for the Housing investigations from October to December 2013 are detailed in table below.

<b>Successful Outcomes</b>	
(Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Qtr3 13-14</b>
Tenancy Relinquished voluntarily (keys handed in)	6
Property recovered via court action	2
RTB stopped	-
Housing Register application withdrawn	-
Prosecution	-
<b>Total</b>	<b>8</b>

## 2.2 Successful Benefit and Housing Cases

Details of three successful benefit prosecution cases are provided below.

2.2.1 A referral was received stating that Mr J was no longer resident at the property where he was claiming Housing and Council Tax Benefit. Enquiries established that Mr J had vacated the property and continued to claim benefit in excess of £7,000. Letters were sent to Mr J's current address but he failed to respond to requests to attend interview. A prosecution file was prepared and Mr J was duly summoned to Court. He then made contact with the Investigating Officer and an interview took place. Mr J stated that he had been in the property the whole time and claimed that the Letting Agents were dishonest.

At court Mr J pleaded not guilty but we were able to use evidence from a Council Planning Officer who had visited the property on occasions during Mr J's residency who could confirm that the property had been undergoing renovation and was empty. Mr J was found guilty and was ordered to carry out 60 hours of unpaid work and pay £300 costs.

2.2.2 An investigation established that Miss B, claiming benefit as a lone parent, was living with her partner, the father of her children. The partner had provided his former employers with Miss B's claim address and named her as his next of kin. However, his current employer held his mother's address. A warrant was obtained to search Miss B's property and Investigation Officers attended this with the Police. It was apparent at the search that the partner had now left the property and the couple had split. Both parties were interviewed and denied the allegation. However the strength of the evidence verified that the couple had been living together for a lengthy retrospective period and the matter was prosecuted. Miss B pleaded guilty to the offence at Court and received a suspended 25 week custodial sentence and ordered to carry out 150 hours unpaid work.

2.2.3 Mrs H was in receipt of disability benefit and Housing Benefits. An anonymous referral stated that she was working and also had a lodger. An investigation established that she was working in a solicitor's office.

Mrs H was interviewed and stated that she thought that she was allowed to carry out the work. She also denied having the lodger. Although the DWP allowed the work as far as her disability benefit was concerned, Mrs H had failed to declare her true situation to the Local Authority, which resulted in a substantial overpayment of Housing and Council Tax benefit of £19,700. The offence was prosecuted and Mrs H pleaded guilty. She received a suspended 12 weeks custodial sentence and a 3 month curfew. She was also ordered to pay £840 costs with an £80 surcharge.

Details of three successful housing tenancy cases are detailed below.

- 2.2.4 Following an anonymous allegation of non-residence, an investigation established that tenant Mrs K was not living in her Council flat but had resided in Ireland since 2007. During this time Mrs K has continued to claim Housing and Council Tax benefit and Income Support. A Notice To Quit and invitations to attend interview were sent to her address in Ireland. Key fobs to her Council flat were checked and shown to be in use occasionally and photographs of the users obtained. The identity of one of the users was obtained from a relative of the tenant. This person was interviewed and admitted collecting mail on the tenant's behalf. In the meantime, the property had to be forcibly opened because of a water leak into the flat below. The property was evidently empty and the locks changed. A prosecution file is being prepared for the benefit fraud which will date back to 2007.
- 2.2.5 Information was received that Mr H did not reside at his Council property. Preliminary checks indicated that other family members were residing at the address. Mr H advised that he was still resident and that his son did move in temporarily. Enquiries continued and credit checks linked Mr H to other properties and a possible partner, Mrs M. Relatives of Mrs M also appeared to be linked to the Council property. Further investigations established that Mr H had purchased another property with his partner using a different name. Mr H was invited to attend an interview under caution and eventually attended. He denied that he lived with his partner and after the interview officers went back to the Council property with Mr H to inspect it. The property was decorated in a very feminine style and there were very little items belonging to Mr H although he still maintained that he lived there. Investigators left and waited outside. They saw Mr H leave the property shortly afterwards. Mr H was served with a Notice To Quit and he handed back the keys voluntarily.
- 2.2.6 On 26 November two Council properties, one in Atherton House and the other in Petersfield Close, were repossessed following possession orders obtained from the Court. These investigations were two of the original cases opened when the team began investigating tenancy fraud two years previously. The properties were historically problematic. Neighbours had complained that the properties were not occupied by the legal residents whilst the tenants insisted at preliminary hearings that they did live in the properties. Protracted enquiries took place that included visits to both properties and neighbours, taking photographs and liaison with police and tenancy officers. Both tenants failed to contest the repossession orders and both properties were repossessed.



## 2.3 HB/CTB/CTS Fraud Overpayments

2.3.1 The value of fraudulent housing benefit overpayments generated by the team for the third quarter of 2013/14 and the year to date are contained in table below.

Fraudulent Overpayment		
Type	Qtr 3	Year to date
Rent Rebate	£55,843	£347,067
Rent Allowance	£73,649	£364,694
Council Tax Support	£16,273	£106,743
<b>Total</b>	<b>£145,765</b>	<b>£818,504</b>

## 2.4 Financial Investigations

On the 26 November 2013, Mrs B was ordered to pay Havering Council £180,359 following a Proceeds of Crime hearing at Chelmsford Crown Court. Mrs B had been found guilty of two counts of benefit fraud in July 2011 arising from failing to declare her income, capital and relationship to her landlord. She defrauded the Council of £37,307.42. The case was passed over for a Proceeds of Crime investigation after the officer identified cash in excess of £400,000 going through Mrs B's numerous accounts. The amount that Mrs B has been ordered to pay is the estimated value of a property that she owns. She has six months to pay the Council or faces two years in prison.

On 18 December the Financial Investigator gave a presentation on Proceeds of Crime to the PASC frontline service to provide awareness of this relatively new area of investigation. The presentation was well received by the staff who attended and feedback provided demonstrates that attendees found the training interesting and informative.

Members of the Investigation team will be attending a Financial Intelligence Officer course in January 2014, having passed the initial exam. This accreditation will allow them to make further in-depth financial enquiries in their everyday role.

### IMPLICATIONS AND RISKS

#### Financial implications and risks:

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. There are however, no direct financial implications or risks arising directly from this report.

**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 2013/14**

Description	Risks	Plan days	Qtr 3 Status
Expenses	This includes, but is not limited to: false declarations of mileage; false documentation to support allowances; breaches of authorisation and payment procedures	30	Draft Report Issued
Redundancy - Agency - reemployment	Dual analysis will be undertaken to ensure that the Council has complied with its current redundancy policy and to ensure that the Council's reputation is not at risk via re-employment with Beeline of officers previously dismissed.	0	In progress
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
Home Ownership	Review entitlement to Right To Buy and records completed as per procedures	10	Began Oct 2013
Direct payments	Personalised budgets for the purchase of care; failing to declare capital and assets; care provision by contractors or a non-governmental organisation which are not for the benefit of the person being cared for.	10	Draft Report issued
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	Scheduled for January 2014
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Scheduled for Jan/Feb 2014
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	Scheduled for March 2014
	<b>TOTAL</b>	<b>120</b>	

## **Appendix B: Savings, Losses and Potential Recoveries 2013/14**

<b>Case details</b>	<b>Qtr reported</b>	<b>Savings Identified</b>	<b>Losses Identified</b>	<b>Management to recover</b>	<b>Details</b>
Theft from Council premises	Qtr 2		£1,272		Reported to Police. Risk assessment completed and procedures revised.
Mismanagement of contracts	Qtr 1		£2,250		Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	Qtr 1			£59,173	Final invoice overcharge.
Mismanagement of contracts	Qtr 1		£13,800		HIH asbestos removal contracts. Unable to verify asbestos removal. Company now in administration.
NFI 2010/11	Qtr 1			£11,801	SPD to over 18s recovery
NFI 2010/11	Qtr 1			£94,461	SPD to Electoral Roll recovery
<b>TOTAL</b>		<b>£0</b>	<b>£3,522</b>	<b>£179,235</b>	

### **Key:**

**Savings:** Refer 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.

**Management to recover:** These are the actual sums of money potentially lost through fraud which management can take action to recover.

**NFI:** National Fraud Initiative

**SPD:** Single Person Discount