

AUDIT COMMITTEE

25 June 2014

Subject Heading:

Fraud Progress Report
1st January to 31st March 2014

Report Author and contact details:

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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 1st January to 31st March 2014.

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 JANUARY TO MARCH 2014

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 4, training was provided on data protection and money laundering.
- 1.1.2 The Corporate Fraud Team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.
- 1.1.3 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 4 progress was made on the plan, anything not completed will be moved to the 2014/15 plan and added to the new risk areas for review.
- 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 December 2014 Audit Committee.

1.3 Reactive Fraud Cases: JANUARY to MARCH 2014

- 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.

Caseload Quarter 4 2013/14						
Team	Cases at start of period	Referrals received	Referrals rejected/ overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	16	6	0	3	6	13

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

Source of Referrals & Fraud Reports Quarter 4 2013/14	
Number of Referrals/ Type	IA Fraud Reports Qtr 4
Anonymous Whistleblower	0
External Organisations / Members of the Public	1
Internal Departments	5
Total	6

- 1.3.3 The table below shows the number and categories of potential Corporate Fraud cases reported in the Quarter 4 period and the number of cases open at the end of the period.

Reports by Category		
Potential Fraud	Previous Cases Qtr 3	Current Cases end of Qtr 4
PC – Misuse and Abuse	1	1
Breach of Code of Conduct	1	1
Breach of Council Procedures	6	2
Misuse of Council Time	1	1
Direct Payments	5	4
Safeguarding	0	0
Overpayment of Pension	0	0
Security	1	1
Theft	1	1
Disabled Facility Grant	0	2
Total	16	13

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

Case Outcomes	
Outcome	Qtr 4
Management Action Plan	4
Resigned	1
Disciplinary	0
Dismissed	1
No case to answer	3
Total	9

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 March 2014.

2. BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JANUARY TO MARCH 2014

2.1.1 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 2013/14						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases of Fraud not Proven	Successful Cases	Cases at end of period
HB & CTS	471	112	66	78	43	396
HT	73	13	-	25	5	56
TOTAL	544	125	66	103	48	452

2.1.2 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 2013/14			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	40	-	40
External Organisations / Members of the Public	15	1	16
Internal Departments / Whistleblowers	43	1	44
Social Landlords (inc HiH)	11	11	22
Data Matching / Proactive initiative	3	-	3
Total	112	13	125

2.1.3 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 13/14
Capital	6
Income from Other Sources	11
Living Together	33
Non-Dependant	6
Non-Resident/vacated	16
Working	21
Non Commercial Tenancy	-
Contrived	4
Tenancy Fraud	10
Other	5
Total	112

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

Referrals by Category	
Potential Fraud	Qtr 4 14/15
Subletting	5
Not main/principal home	5
Fraudulent RTB	1
Fraudulent Housing Register Application	1
Fraudulent succession	1
Total	13

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

Current Cases by Category	
Potential Fraud	As at end of March 2014
Capital	51
Contrived Tenancy	13
Income from Other Sources	37
Living Together	122
Non-Dependant	18
Non-Resident/vacated	54
Other welfare benefits	-
Working	48
Non Commercial Tenancy	4
Other	7
Single Person Discount	7
Tenancy Fraud	35
Total	396

2.1.6 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	1	3	1
Working & Claiming	1	2	2
Living Together	-	-	3
Non Residence	-	-	1
Contrived Tenancy	-	-	-
Other Income	2	5	-
Non Dependents	1	2	-
Total	5	12	7

2.1.7 The case outcomes for the Housing investigations from January to March 2014 are detailed in table below.

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Qtr4 13/14
Tenancy Relinquished voluntarily (keys handed in)	2
Property recovered via court action	1
Indefinite Suspended Order	1
Housing Register application withdrawn	1
Prosecution	-
Total	5

2.2 Successful Benefit and Housing Cases

Details of three successful benefit prosecution cases are provided below.

- 2.2.1 A couple who admitted in their interviews under caution that they had been living together, were both prosecuted after incurring a total overpayment of Housing & Council Tax benefit and Income Support of £92,493.00. An investigation was initiated following a data match referral which showed that a second person, Mr P, was residing at an address where Miss L was in receipt of a Single Residency Discount and benefits as a lone parent. The couple have 5 children together and, although Mr P had used his parents address for a lot of his documentation, information provided by the school and financial links were considerable. The Judge stated that he was prepared to suspend a custodial sentence of twelve months for eighteen months with a requirement of 200 hours unpaid work to enable her to continue with her college course and take care of the five children. Mr P also received twelve weeks custody suspended for eighteen months and was electronically tagged and placed under curfew between 20.00hrs and 05.00hrs.
- 2.2.2 An investigation into Mrs E began following a data match referral which stated that she was in receipt of a joint account and other accounts opened in her maiden name. She stated that the joint owner of the account was her uncle and that the contents belonged to him. Further checks of the other accounts revealed that Mrs E had obtained loans. In her applications for these loans Mrs E claimed to be employed by a cleaning company. This company did not recognise Mrs E as working for them although there were regular credits from it into Mrs E's account. However, the company did employ someone who was registered to Mrs E's former address. Mrs E was arrested and at interview admitted that she did work for this company and had provided them with the name and national insurance number of a friend who had emigrated to Spain. As a result of her deception Mrs E obtained a total of £30,205.86 in Housing & Council Tax benefit and Income Support which she was not entitled to. She was sentenced to 4 months imprisonment suspended for 18months and ordered to carry out 150 hours of unpaid work.
- 2.2.3 The prosecution of Mrs S began as a non-residency tenancy referral. Mrs S had moved to Clacton but failed to advise Homes & Housing of this and remained in receipt of benefit. Mrs S failed to attend an interview under caution but handed back the keys to her council property. It was established that Mrs S had incurred an overpayment of £3,850.00 and decided that she should be offered an administrative penalty as an alternative to prosecution. Mrs S ignored all the letters in respect of the administrative penalty and was consequently summonsed to Court. Mrs S initially failed to attend court and was subsequently arrested. At Court she pleaded not guilty and claimed that she used to travel back and forth each day from Clacton. She was found guilty and received a 12 month conditional discharge and ordered to pay £300 costs.

Details of three successful housing tenancy cases are detailed below.

- 2.2.4 An extensive investigation into this non-residency referral became protracted and difficult due to the tenant returning on occasions. Mr L had a daughter and a son but left his daughter at the property with other people while he returned to Uganda. When the property was visited by Police, Immigration and Council Officers other persons were found there looking after Mr L's daughter. Checks with Pupil Services revealed that Mr L's daughter was attending school locally but there was no record of Mr L's son. Mr L returned to the property occasionally when he was made aware that his tenancy was being investigated. He would sign on for Jobseekers in an attempt to get Housing Benefit reinstated and he also bought his son back for a period of time. The Investigation Officer kept a close eye on this situation and obtained details of bank accounts where it was apparent that Mr L was spending the majority of his time in Uganda. Benefit was not put into payment for the periods of time that Mr L was not in the country and he accrued substantial rent arrears. As a result the Council obtained a repossession order and the property was returned.
- 2.2.5 A referral was received that an elderly Council tenant had not been seen at his property for a while but the flat appeared to be occupied by a younger male. Contact was made with the neighbours who confirmed that young men were seen coming and going from the property. The Investigation Officer visited the property on regular occasions early in the morning. Although there was never a response, dogs could be heard barking which indicated that someone was residing there. Following no response to cards left by the Investigation Officer, it was recommended that a Notice to Quit be served on the tenant. A few days later a call was received from a neighbour to advise that furniture was being moved out of the property. The address was revisited and appeared to be abandoned. This time no barking could be heard and the keys of the property were handed in the following day.
- 2.2.6 Ms G approached LBH requesting to be housed as she was living with her 5 children in the home of her estranged husband's parents. Ms G had won £500,000 in the lottery and went to America in 2010 with her husband. She claimed that, while in America, her husband had emptied her account and left her. The case was referred to the Investigation Team because of various anomalies in her account. The investigation revealed that Ms G had purchased a property in America with her husband as well as a couple of cars. This property appeared to have been sold but Ms G couldn't explain what had happened to the money. She was also expecting a child by her estranged husband. Ms G had advised that she did own a caravan but had sold it. However, enquiries established that the couple still owned the caravan valued at £32,000. Copies of Coutts bank account statements also showed that Ms G had control of the account. Housing Benefit was refused on the basis that she couldn't account for where her capital had gone and Ms G failed to attend further interviews. As a result her housing application was withdrawn.

2.3 HB/CTB/CTS Fraud Overpayments

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

Fraudulent Overpayment		
Type	Qtr 4	Year to date
Rent Rebate	£142,913.27	£507,785
Rent Allowance	£248,849.06	£595,736
Council Tax Support	£57,659.65	£164,403
Total	£449,421.98	£1,267,924

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 4 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
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.	10	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 RTB & records completed as per procedures	10	Draft Report
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	Completed
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 after Election
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	In progress
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	In progress
	TOTAL	120	

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

Case details	Qtr reported	Savings Identified	Losses Identified	Details
Proactive Direct Payments	Qtr 4	£18,893.84		Repayment of excess funds identified in the Proactive review now received.
Direct Payment Reactive	Qtr 4	£767.66		Repayment of inappropriate expenditure received.
Direct Payment Reactive	Qtr 4	£2,482.00		Repayment of direct payment for inappropriate expenditure.
Pension Overpayment	Qtr 3	£460.72		Management recovering identified savings.
Pensions Overpayment	Qtr 3	£770.00		Bank reimbursed overpayment following death of pensioner.
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	£59,172.77		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	£11,801.43		SPD to over 18s recovery
NFI 2010/11	Qtr 1	£94,461.88		SPD to Electoral Roll recovery
TOTAL		£188,809.30	£17,322.00	

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.