



AUDIT COMMITTEE

2 December 2014

Subject Heading:

Fraud Progress Report
1st July to 30th September 2014

Report Author and contact details:

Vanessa Bateman: Internal Audit &
Corporate Risk Manager
ext: 3733
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

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 Investigations Team from 1st July to 30th September 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. FRAUD RESOURCES UPDATE

1.1 OneSource Service Review and Single Fraud Investigation Service Transfer

1.1.1 At the end of September the Service Review had moved onto the ‘To Be’ phase of the process looking at requirements of the service going forward. It is still envisaged that the implementation of changes implemented following this review will lead to the delivery of savings which will contribute towards the achievement of oneSource business case.

1.1.2 The timetable for transfer of resources to the Department of Work and Pensions to join the Single Fraud Investigation Service is now working towards the transfer date of 01 April 2015. This process will be run in conjunction with the formal change management process affecting the teams in both council’s, which is expected to begin November 2014.

1.2 Budget & Cost Information

1.2.1 The estimated cost of the posts within the audit section devoted to Corporate Fraud activity is outlined in the table below.

ESTIMATED COSTS 2014/15	
Expenditure	
Salaries	£140,110
Other Costs (incl. recharges)	£32,280
Cost of team	£172,390

1.2.2 The estimated cost of the Investigations Team is outlined in the table below.

ESTIMATED COSTS 2014/15	
Expenditure	
Salaries	£206,882
Other Costs (incl. recharges)	£113,820
Income*	(£91,546)
Net cost of team	£229,156

* income received in the team fluctuates significantly each year, in 12/13 we received £34,442 and in 13/14 we received £28,185. There has been a significant increase in 14/15 due to proceeds of crime money being received. The average income received through investigations for the last three financial years is £51,391.42.

CORPORATE FRAUD TEAM: UPDATE JULY TO SEPTEMBER 2014

1.3 Delivery of the Anti-Fraud and Corruption Strategy

- 1.3.1 Work has been delivered to further develop a fraud aware workforce through an on-going programme of training. During Quarter 2, training was provided on the Prevention and Detection of Fraud to Director of Exchequer and Transactional Services Management Team and the Head of Regulatory Services Management Team. In addition the corporate induction which includes a session on fraud has been delivered to new starters and apprentices joining the authority.
- 1.3.2 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.
- 1.3.3 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.

1.4 Proactive Fraud Investigations

- 1.4.1 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.
- 1.4.2 The proactive work plan for 2014/15 is shown in the table in Appendix A. During Quarter 2 progress was made on the plan.
- 1.4.3 The team's data matching work for the National Fraud Initiative (NFI) is on-going.
- 1.4.4 There has been increasing utilisation of the resources within the Investigations Team to support the work objectives of the Corporate Fraud Team in this period to ensure most effective use of Council resources and prioritisation of work. In 2.5.3 an example of the outcome of this work has been provided.

1.5 Reactive Fraud Cases: JULY to SEPTEMBER 2014

1.5.1 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 2 2014/15						
Team	Cases at start of period	Referrals received	Referrals rejected/ overloaded	Fraud not Proven Cases	Success - ful Cases	Cases at end of period
Corporate	19	25	0	11	12	21

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

Source of Referrals & Fraud Reports Quarter 2 2014/15	
Number of Referrals/ Type	IA Fraud Reports Qtr 4
Anonymous Whistleblower	2
External Organisations / Members of the Public	3
Internal Departments	18
Total	23

1.5.3 The table below shows the number and categories of potential Corporate Fraud cases reported in the Quarter 2 period and the number of cases open at the end of the period.

Reports by Category		
Potential Fraud	Previous Cases Qtr 2	Current Cases end of Qtr 2
PC – Misuse and Abuse	4	3
Breach of Code of Conduct	6	9
Breach of Council Procedures	1	1
Misuse of Council Time	0	1
Direct Payments	3	4
Safeguarding	0	0
Overpayment of Pension	0	0
Security	1	0
Theft	0	2
Disabled Facility Grant	2	1
School Admissions	2	0
Total	19	21

1.5.4 The table below shows the case outcomes for the Internal Audit Corporate Fraud Team from July to September 2014.

Case Outcomes	
Outcome	Qtr 1
Management Action Plan	4
Resigned	0
Disciplinary	2
Dismissed	1
No case to answer	12
Reduced Direct Payment Service	1
Withdrawn Application	2
Prosecution	1
Total	23

1.6 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 up until the end of Quarter Two.

2.5 Successful Fraud Cases.

Details of one successful Disability Facility Grant prosecution.

2.5.1 Mr X completed an Application for Disability Facility Grant (DFG) form on behalf of his disabled wife to obtain funding to build a single storey rear extension to their house, Rainham, with extensive internal alterations to create a downstairs bedroom and bathroom to meet Mrs X's needs.

Investigations revealed that Mr X failed to declare that he and his wife owned another property in Rainham, had a rental income and held more than one bank account.

On 11 March 2014 Mr X attended an interview under caution accompanied by his solicitor. Mr X admitted to:

- Purchasing second property on 23 December 2009 for £138,000
- A monthly rental income of £710 from this property
- Holding another bank account and failing to provide the statements

Audit Committee 2 December 2014

The Private Sector Housing Manager confirmed that because of Mr X's admission of property and rental income at the interview under caution on 11 March 2014 Mr and Mrs X were not eligible to receive a Council grant of £30,000.

Internal Audit referred the case for prosecution

Mr X was found guilty under Section 2 Fraud Act 2006 on two counts.

On 30 September 2014 Mr X was:

- Sentenced to 18 weeks imprisonment, suspended for one year.
- Ordered to pay £700 cost to the Council
- Ordered to pay £80 victim charges.

Details of one employee Disciplinary Outcome.

2.5.2 An employee was dismissed for 'Internet Misuse and Abuse'. The analysis found:

- Personal use of the internet on the 34 days amounted to a minimum of 32 hours 36 minutes
- The average duration of personal use of the internet during the 'paid working day' was 57 minutes per day.

The employee also admitted accessing and viewing inappropriate sites via You Tube.

Details of the Practical Proactive Blue Badge Fraud

2.5.3 Partnership working between, the Corporate Fraud Team, Investigation Team, Parking Services and the Safer Transport Team was carried out on Thursday 21 August 2014 to seize 'Blue Badge' from those who were using them illegally.

A total of seven blue badges were seized in a clampdown on fraudulent use of the disabled permits in Romford Market. The Audit Commission values the confiscation of a Blue Badge @ £1,000 each.

3.1 BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JULY TO SEPTEMBER 2014

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 2 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	344	97	52	45	39	305
HT	60	23	-	10	6	67
TOTAL	404	120	52	55	45	372

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 2 2014/15			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	29	6	35
External Organisations / Members of the Public	2	2	4
Internal Departments / Whistleblowers	41	2	43
Social Landlords (inc H&H)	25	13	38
Data Matching / Proactive initiative	-	-	-
Total	97	23	120

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 2 14/15
Capital	4
Income from Other Sources	4
Living Together	39
Non-Dependant	3
Non-Resident/vacated	7
Working	16
Non Commercial Tenancy	1
Contrived	1
Tenancy Fraud	21
Other	1
Total	97

Audit Committee 2 December 2014

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

Referrals by Category	
Potential Fraud	Qtr 2 14/15
Subletting	15
Not main/principal home	6
Fraudulent RTB	-
Fraudulent Housing Register Application	1
Fraudulent Mutual Exchange	1
Total	23

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

Current Cases by Category	
Potential Fraud	As at end of September 2014
Capital	28
Contrived Tenancy	8
Income from Other Sources	28
Living Together	107
Non-Dependant	16
Non-Resident/vacated	35
Other welfare benefits	-
Working	31
Non Commercial Tenancy	4
Other	3
Single Person Discount	6
Tenancy Fraud	39
Total	305

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	2	1	-
Living Together	4	-	4
Non Residence	-	-	-
Contrived Tenancy	-	-	-
Other Income	2	-	-
Non Dependants	-	-	-
Total	12	1	6

3.1.7 The case outcomes for the Housing investigations from July to September 2014 are detailed in table below.

Successful Outcomes	
(Note: Cases may have multiple outcomes)	
Outcome Type	Qtr2 14/15
Tenancy Relinquished voluntarily (keys handed in)	4
Property recovered via court action	1
Indefinite Suspended Order	-
Housing Register application withdrawn	2
Prosecution	-
Total	7

3.2 Successful Benefit and Housing Fraud Cases.

Details of three successful benefit prosecution cases are provided below.

- 3.2.1 A benefit claimant was sentenced to a year in custody, after an investigation established that she had been living with her husband throughout the period of her benefit claim where she had claimed Housing & Council Tax benefit and a variety of DWP benefits as a lone parent. The claimant, Miss X never advised that she had married and continued to use her maiden name in her claims for benefit. Following data match information, initial enquiries established details of the partner, Mr Y, and his residence at the claim address. Further financial links between the couple, who had two children together, were verified and a warrant to search the property was arranged. Mr Y was at the property on the morning of the arrest. He claimed that the couple had married a few months previously but the marriage certificate was found and confirmed that they had been married since 1997. The total overpayment amounted to £117,962.59. The claimant pleaded guilty at Court where the Judge stated that due to the circumstances of the case, only a custodial sentence was justified.
- 3.2.2 A referral was received from a member of the public which stated that Mrs X had a house which she had put in her son's name and had also received a lot of money which she had not declared. A joint investigation was initiated and it was discovered that Mrs X had been the sole beneficiary of a will belonging to Mrs Y. She was left a sum of money and the property. When probate was granted, £40,000 was paid into Mrs X's bank account. She then transferred £33,000 to her son's accounts. The property was then sold for £239,500 and the money given to her son. Mrs X continued to claim Housing and Council Tax benefit and pension credits. Mrs X was interviewed under caution twice. She stated that she believed that she had done nothing wrong and that she had been left a property and money by a late dear friend of hers. She confirmed that she had given the money and the property to her son as she did not need the money herself. Further enquiries were made with relatives and neighbours of Mrs Y, who stated that Mrs X had been her cleaner not her friend. At Court Mrs X pleaded guilty to failing to declare the capital resulting in an overpayment of £36,000.00.

- 3.2.3 A claimant who failed to declare capital from her divorce settlement obtained a criminal record for incurring an overpayment of £68,306.96. The claimant, Mrs X, was in receipt of Housing and Council Tax Benefit and Pension Credit. A joint investigation established that the most capital the claimant had in her account was £71,592.27 in 2006 which decreased to £25,426 in 2013. When interviewed under caution, Ms Y admitted that she should have notified the DWP and Council of her money and apologised for her deviousness. She claimed that the money had been used to pay for bills and expenses and had used a lot of the original capital for debts and money owed to family. Mrs X pleaded guilty at Court to two counts of failing to declare her true financial circumstances and received a 30 week suspended sentence for 18 months and a supervision order.

Details of three successful housing tenancy cases are detailed below.

- 3.2.4 Following an allegation of non-residence, the Investigation Officer visited the Council property which, from the outside, appeared to be in very poor condition. The Officer called at the neighbouring bungalow where the resident complained about the state of the property and the garden. The neighbour was aware that the tenant, Mr X lived with his girlfriend in the same road. After establishing the identity and address of the girlfriend, the Officer and a colleague carried out an early morning visit to her property. Ms Y answered the door and stated that she was at the property alone. The Officers noticed that there was male clothing at the address and asked to be shown around. They saw a child sleeping in one of the bedrooms and found the tenant Mr X in bed in the main bedroom. Ms Y admitted that she had lied and that Mr X did stay over. Personal effects and possessions belonging to Mr X were also seen at the address. The officers spoke to Mr X and Mrs Y in respect of their tenancy and benefit obligations. A few days later, Mr X contacted the Officer to advise that he wished to relinquish his tenancy.
- 3.2.5 Mr X had an authorised occupant, Miss Y renting part of his Council property although it only had one bedroom. It was suspected that he actually sublet the whole property to her and her boyfriend. Neighbours confirmed that they only saw a young woman and her boyfriend at the address. Miss Y was eventually found at the property by Officers conducting evening visits. She claimed that she rented the bedroom from the tenant, Mr X, and that he slept on the sofa as he didn't get in until late at night. Her boyfriend was also present and said that he lived at his parents' address. The Investigating Officer went back to the property the following morning and Mr X answered the door. He had some documents in an envelope but didn't have any recent correspondence. He claimed that the male clothing in the wardrobe was his and stated that he stayed occasionally with an elderly couple who he was looking after. The Officer persisted with her enquiries and left messages for Miss Y to make a statement but failed to receive a response. She also visited the address of the elderly couple where Mr X was found in residence. He voluntarily handed in his keys to his Council property.
- 3.2.6 Genesis Housing contacted the team requesting help for a sub-letting situation in one of their properties. The legal tenant had not been seen by

neighbours, but a young man, his partner and baby were using the property. Initial investigations revealed that the legal tenants were residing at Norwich and the Investigator suspected that their daughter, who had recently had a baby, had remained in the property. This was corroborated by obtaining the child's birth certificate which provided details of both parents at the address. The property was visited by our Investigator and the Genesis Tenancy Officer. A Miss X answered the door and confirmed that her Mother, Mrs Y, was the tenant and still lived there. However, after inspecting the property it was evident to the officers that this was not the tenant's main and principal home and a Notice to Quit was served. Mrs Y, the tenant was called in for interview and initially claimed that she still resided there. After being shown the evidence, Mrs Y admitted that she had moved but had allowed her daughter and family to reside there as they didn't have anywhere else to live. A report was sent to Genesis who put the matter in the hands of their solicitors. However, the tenant handed back the keys before any legal action took place.

3.3 HB/CTB/CTS Fraud Overpayments

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

Fraudulent Overpayment		
Type	Qtr 2	To date
Rent Rebate	£192,860.21	£350,756.65
Rent Allowance	£223,310.29	£340,013.74
Council Tax Support	£57,686.57	£95,451.90
Total	£473,857.07	£786,222.29

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 1 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	In progress
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	Planned for End October
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	This could involve any applications,	20	Planned

Audit Committee 2 December 2014

Description	Risks	Plan days	Qtr 1 Status
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 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	Qtr 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 Disability 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 a rental income. Court sentence applied
PCN's paid for on Purchase Card	Qtr 1	£110		Employees work related parking fines paid via the Council's Purchase Card.
Possible Theft - RS	Qtr 1	£25		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 X 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.
Total		£58,820	£24,170	£24,170 loss can not be recovered by the Council.

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.