



AUDIT COMMITTEE

22 September 2011

Subject Heading:

Fraud Progress Report

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:

There is no specific financial impact to be considered from this report.

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 and performance undertaken by the Benefit Investigation Section during the period 1 October 2010 to 30th June 2011 and the Internal Audit Fraud Team from 1st April 2011 to 30th June 2011.

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 the cases highlighted or the performance of the respective teams.

REPORT DETAIL

This report contains three sections; the content of each section is outlined below:

Section 1. Background

Section 2. HB/CTB Fraud Work October 2010 to June 2011 & Internal Audit Fraud Work April 2011 to June 2011

- A) Referrals & Fraud Reports
- B) Outcomes
- C) HB/CTB fraud overpayments
- D) Savings & Losses

Section 3. Direction of Travel

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 benefit to which claimants are not entitled 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 issues arising out of the work done by Housing Benefit and Council Tax Benefit investigators, or Internal Audit Fraud Investigators.

Human Resources implications and risks:

The planned restructure of the Fraud resources will be dealt with in accordance with the Councils Managing Organisational Change and Redundancy policy, procedures and guidance.

Equalities implications and risks:

None arising directly from this report. These risks are considered as part of all corporate policies so as with the HR implications the planned restructure will take

account of equalities.

BACKGROUND PAPERS

None

Section 1 Background

- 1.1 The Committee has previously received separate reports detailing activity of the Benefits Investigations Team and the Internal Audit Fraud Team. Going forward one report will be presented at each of the quarterly meetings that communicate performance information for all of the Council's fraud resources for the previous quarter. This change in reporting reflects the decision that from 1st September 2011 a change in line management took effect and the Benefits Investigation Team now report to the Internal Audit & Corporate Risk Manager. This will result, via a planned future restructure, in the creation of a Corporate Fraud Team.
- 1.2 The decision to move to a Corporate Fraud Team is as a result of the following factors:
- The fraud risks the organisation faces are evolving and a sufficiently resourced, skilled and experienced team needs to be in place to respond;
 - There are economies of scale and increased flexibility in resources available where a centralised team and fully joined up approach is in place;
 - In April 2013 it is planned that Local Authority benefit fraud powers will be removed and a centralised fraud team will be formed within the Department of Work and Pensions;
 - The Benefit Investigations Team post April 2011 and prior to 1st September had been part of the Customer Services directorate within Culture and Community and it is believed that Fraud Resources are best placed separate from service delivery and reporting into the s151 officer.
- 1.3 There are no plans to dramatically change the way the Benefits Investigation Service operates, the restructure to create a Corporate Fraud Team will aim for an approval and implementation date no later than 1st January 2013 to ensure the Corporate Fraud team is formed in advance of the removal of benefit fraud powers and reduce the risk of loss of valuable skills and experience from the organisation.
- 1.4 The Benefit Investigations Section comprises one Principal Investigations Officer; one Senior Investigations Officer; one Financial Investigator; four Investigations Officers and One Investigations Assistant. This team is funded via the Benefit Administration Grant.
- 1.5 Two additional posts have been established for two years, funded by homelessness grant money, to tackle Housing Tenancy Fraud. To develop the skills and experience of current resources two of the Benefit Investigation Officers have seconded into these new roles and their substantive posts are being back filled by agency resources while the work load of cases is assessed.
- 1.6 The Internal Audit Fraud Team consists of three officers a Principal Audit Manager; Principal Auditor and Auditor.

Section 2 HB/CTB Fraud Work October 2010 to June 2011 & Internal Audit Fraud Work April 2011 to June 2011

A) Referrals & Fraud Reports

2.1 The table at para. 2.4 provides the sources of fraud referrals for the Investigations Section from October 2010 to June 2011. The fraud reports received by the internal audit team are also presented (*in italics*) for the same period.

2.2 Fraud reports for the periods prior to April 2011 have previously been reported to the Committee. They are however included here for comparison purposes. To avoid double counting any fraud reports received by internal audit regarding council tax or benefit fraud, have been excluded.

2.3 Totals for both teams are presented for each quarter. Information in future reports will be more concise as reporting timescales will have aligned and the report will therefore cover a shorter period of time and provide more timely reporting of performance information.

2.4

Source of Referrals/<i>Fraud Reports</i>					
Number of Referrals/ Type	Quarter 3 10/11	Quarter 4 10/11	Total QTR 3 & 4 10/11	Quarter 1 11/12	Overall Total
Anonymous	32	34	66	33	99
	<i>7</i>	<i>8</i>	<i>15</i>	<i>0</i>	<i>15</i>
External Organisations <i>(members of the public)</i>	29	40	69	162	231
	<i>2</i>	<i>1</i>	<i>3</i>	<i>3</i>	<i>6</i>
Internal Departments <i>(whistleblowers)</i>	70	63	133	55	188
	<i>3</i>	<i>4</i>	<i>7</i>	<i>7</i>	<i>14</i>
Total	131	137	268	250	518
<i>Total</i>	<i>12</i>	<i>13</i>	<i>25</i>	<i>10</i>	<i>35</i>

2.5 The significant increase in quarter 1 for benefit referrals is due to National Fraud Initiative matches and outcomes from the single person discount exercise.

2.6 The table at para. 2.7 shows the categories of the potential fraud referrals from October 2010 to June 2011.

2.7

Referrals by Category					
Potential Fraud	Quarter 3	Quarter 4	Total QTR 3 & 4	Quarter 1	Overall Total
	10/11	10/11	10/11	11/12	
Capital	6	10	16	25	57
Contrived Tenancy	10	2	12	0	24
Income from Other Sources	7	18	25	52	102
Living Together	46	47	93	37	223
Non-Dependant	11	10	21	14	56
Non-Resident/vacated	22	24	46	26	118
Other welfare benefits	0	0	0	0	0
Working	22	16	38	23	99
Non Commercial Tenancy	2	3	5	2	12
Other	5	7	12	71	95
Total	131	137	268	250	786

2.8 The table at para. 2.9 shows the categories of the potential fraud reports from April 2011 to June 2011. Prior quarter information is provided for comparison purposes.

2.9

Reports by Category					
Potential Fraud	Quarter 3	Quarter 4	Total QTR 3 & 4	Quarter 1	Overall Total
	10/11	10/11	10/11	11/12	
PC – misuse and Abuse	0	4	4	5	9
Misuse of Council Time	1	1	2	2	4
Miscellaneous	2	3	5	2	7
Pro Active	1	0	1	2	3
Breach of Council Procedures	1	1	2	0	2
Falsification of Records	0	1	1	0	1
General	0	1	1	0	1
Total	5	11	16	11	27

B) Outcomes

2.10 The number of successful outcomes for the benefits investigations team from October 2010 to June 2011 is detailed in Table 2.11 below.

2.11

Successful Outcomes						
Sanction/ Offence Type	Administrative Penalties		Cautions		Prosecutions	
	Qtr 3 & 4 10/11	Qtr 1 11/12	Qtr 3 & 4 10/11	Qtr 1 11/12	Qtr 3 & 4 10/11	Qtr 1 11/12
Capital	8	1	6	1	1	1
Working and Claiming	0	2	8	2	3	1
Contrived Tenancies	1	0	1	1	1	1
Living Together	6	1	1	0	8	7
Income from other sources	2	0	3	4	0	1
Vacated	2	0	0	2	2	0
Other Benefits	0	0	0	1	0	0
Total	19	4	19	11	15	11

2.12 Press releases are issued to publicise the successful outcomes of cases, extracts from two of the most successful cases, during the period to which this report relates have been included below. Names have been removed from the press releases, although the information is already in the public domain, due to the time since the sentencing.

2.13 A 61 year old benefit fraudster was sentenced to seven months imprisonment for dishonestly making a false statement when she claimed Housing Benefit in 2005.

Mrs X claimed Housing Benefit for herself and her daughter after moving into a four bedroom property in Southdown Road Hornchurch in October

2005. Her son, X and his wife had previously moved into this property. In her application for benefit, Mrs X had declared to the Council that the landlord of the property was X who also lived at the address. However, an investigation by the London Borough of Havering established that Mrs X's son X jointly owned the property with Mr X.

Enquiries into Mrs X's bank statements revealed that benefit payments had been credited to her account but there were no debits for the rental amount. Closer examination of these statements revealed that Mrs X was actually paying utility bills for the whole property including electricity, water, broadband, and insurance along with the T.V license.

The investigation resulted in Mrs X being overpaid £25,385.72 Housing Benefit.

An initial charge of conspiracy against X, X and X was later withdrawn after Mrs X pleaded guilty to her indictment of dishonesty on 3rd May 2011.

Mrs X appeared before His Honour Judge Saggerson at Basildon Crown Court for sentencing on Thursday, 9th June. The Judge indicated that only immediate custody would be appropriate as this case had been fraudulent from the outset and that Mrs X had effectively been freeloading off the state. In spite of mitigation the Judge felt that he had no other alternative as Mrs X had claimed this benefit fraudulently in order that the remainder of the family could live rent or mortgage free.

The London Borough of Havering will also be seeking civil recovery of the overpaid benefit.

- 2.14 Mr X of, Jutsums Lane was sentenced yesterday (24/2/11) to 6 months imprisonment for benefit fraud. At an earlier hearing he had pleaded guilty to defrauding Havering Council of £38,974.66 in Housing Benefit over a period of almost 7 years (7/7/03 to 19/4/10).

Whilst in receipt of housing benefit for his rent Mr X had sub-let the property for £550.00 per month and was living with his girlfriend and their baby.

Investigations uncovered several undeclared bank accounts one of which had over £37,000.00 in it.

They also revealed that Mr X, who has been in receipt of benefit since 1996 had purchased several high value cars including a £17,000.00 Land Rover a £21,000.00 Renault Megane Sport and a £24,000.00 BMW convertible.

At sentencing Mr Recorder Knott said that due to the size of the overpayment this case had obviously crossed the custody threshold and sent Mr X to prison.

- 2.15 The case outcomes for the Internal Audit investigations from October 2010 to June 2011 are detailed in table below.

Case Outcomes				
Period	2010/11		2011/12	
Outcome	Qtr 3 10/11	Qtr 4 10/11	Qtr 1 11/12	Total
Management Action Plan	10	2	3	15
Dismissed	1	1	0	2
Resigned	3	1	2	6
Contract ended	1	0	2	3
Insufficient Evidence	5	0	3	8
Refund received	1	0	0	1
No further action	5	0	1	6
Case cancelled	2	1	0	3
Total	28	5	11	44

- 2.16 One of the cases involving a cheque fraud was referred to the police for investigation. The Crime Prosecution Service decided not to prosecute.

C) HB/CTB Fraud Overpayments

- 2.17 The value of fraudulent housing benefit overpayments generated for the second half of the 2010/11 year totalled £546,225.76. This figure is made up of £100,285.56 Rent rebate, £337,603.54 Rent Allowance and £108,336.56 Council Tax Benefit.

- 2.18 The value of fraudulent housing benefit overpayments generated for the first quarter of the 2011/12 year totalled £177,546.88. This figure is made up of £46,393.23 Rent Rebate, £97,612.70 Rent Allowance & £33,540.95 Council Tax Benefit.

D) Savings and Losses

- 2.19 There have been no losses identified since the start of the financial year; results from prior periods have previously been reported to Committee. Following a report of concerns concerning a clients ability to manage their own finances the investigation identified that the full range of benefits to which the client was entitled were not being claimed. As a result additional benefits are now in payment and these have been back dated accordingly. The overall total was £3543, approximately £1000 of which was owed to the Council and has been recovered.

Section 3 **Direction of Travel**

- 2.20 Over the next three months plans are in place to bring the fraud resources together, by locating staff in the same office and increasing awareness of the roles and working practices across the fraud activity. There is still uncertainty regarding the impact of the removal of Housing Benefit powers but it is understood that investigation of Council Tax benefit fraud will remain the responsibility of Local Authorities.
- 2.21 Service plan that covers all activity will be drawn up and key performance indicators defined that are relevant to all fraud activity.
- 2.22 Work on a risk assessment regarding the current fraud risks and those perceived to be emerging has commenced and this will form the basis for the Council's corporate fraud resource requirements. A restructure will be completed and implemented prior to April 2013 when the Benefits powers will be removed.
- 2.23 Homelessness grant money received for 2011/12 is being used to boost resources available and arrangements in place to prevent, detect and investigate Housing Tenancy Fraud. The team are working closely with Homes in Havering to implement efficient procedures across both organisations.