



AUDIT COMMITTEE

29 February 2012

Subject Heading:

Fraud Progress Report

Report Author and contact details:

Vanessa Bateman – Internal Audit & Corporate Risk Manager
ext: 3733 email:
vanessa.bateman@havering.gov.uk

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 financial information relating to fraud 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 Benefit Investigation Section and the Internal Audit Fraud Team from 3rd October 2011 to 30th December 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 & Resources

Section 2. HB/CTB Fraud Work, Housing Tenancy & Internal Audit Fraud Work

- A) Case Load
- B) Referrals & Fraud Reports
- C) Current Case Load
- D) Outcomes
- E) Case Studies and Proactive Work
- F) HB/CTB fraud overpayments
- G) 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 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.

Section 1 **Background & Resources**

- 1.1 Grant funding provided to the Council to deal with tenancy fraud has been used to strengthen the structure and resource available within the investigations team. For six months two housing benefit investigators will work alongside the existing two investigators, seconded into the temporary posts set up, to investigate tenancy fraud referrals. Agency workers are being used to backfill the housing benefit fraud posts. Pro active work is expected to generate 1000 additional referrals for the investigations team. It is planned that within the six month period a restructure of the team will be launched to ensure the establishment is flexible enough to meet the needs of the organisation in the future.
- 1.2 The vacant Principal Auditor post within Internal Audit has been advertised and the interviews will take place in March.
- 1.3 The forecast outturn for 2011/12 is currently within the allocated budget.

Section 2 Fraud Cases October to December

A) Case Load

2.1 The table at para. 2.2 provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

2.2

Caseload Quarter 3 2011/12						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases Fraud not Proven	Cases Successful	Cases at end of period
HB/CTB	430	181	23	97	47	444
HT	49	37	-	6	3	77
Corporate	16	5	0	1	5	15
TOTAL	495	223	23	104	55	536

B) Referrals & Fraud Reports

2.3 The table 2.4 provides the sources of fraud referrals for the respective sections.

2.4

Source of Referrals & Fraud Reports Quarter 3 2011/12				
Number of Referrals/ Type	HB/CTB Referrals Q3 11/12	HT Referrals Q3 11/12	IA Fraud Reports Q3 11/12	Overall Total Q3 11/12
Anonymous	50	12	1	63
External Organisations / Members of the Public	11	0	0	11
Internal Departments Whistleblowers	73	5	4	82
Social Landlords (inc HiH)	11	12	0	23
Data Matching / Proactive initiative	36	8	0	44
Total	181	37	5	223

Audit Committee, 29 February 2012

2.5 The table at para. 2.6 shows the categories of the potential HB/CTB fraud referrals from October 2011 to December 2011.

2.6

Referrals by Category	
Potential Fraud	Quarter 3 11/12
Capital	9
Contrived Tenancy	3
Income from Other Sources	7
Living Together	68
Non-Dependant	7
Non-Resident/vacated	48
Other welfare benefits	-
Working	18
Non Commercial Tenancy	-
Other	8
Single Person Discount	11
Fraudulent Housing Application	2
Total	181

2.7 The table at para. 2.8 shows the categories of the potential corporate fraud reports from October 2011 to December 2011.

2.8

Reports by Category	
Potential Fraud	Quarter 3 11/12
PC – misuse and Abuse	-
Misuse of Council Time	2
Misuse of Council Vehicle	1
Breach of Code of Conduct	1
Breach of Council Procedures	-
Falsification of Records	-
Overcharging by Supplier	-
Overpayment Recovery	1
Total	5

Audit Committee, 29 February 2012

2.9 The table at para. 2.10 shows the categories of the potential tenancy fraud reports from October 2011 to December 2011.

2.10

Referrals by Category	
Potential Fraud	Quarter 3 11/12
Subletting	16
Not main/principal home	18
Obtained tenancy by deception	-
False claim for Succession	1
Fraudulent assignment	-
Fraudulent RTB	1
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	1
Total	37

C) Current Caseload

2.11 The table at para. 2.12 shows the current caseload by category.

2.12

Current Cases by Category	
Potential Fraud	As at Dec 11
Capital	39
Contrived Tenancy	3
Income from Other Sources	36
Living Together	118
Non-Dependant	23
Non-Resident/vacated	87
Other welfare benefits	8
Working	36
Non Commercial Tenancy	5
Other	13
Single Person Discount	71
Fraudulent Housing Application	5
Total	444

2.13 The table at para. 2.14 shows the current caseload by category.

2.14

Current Cases by Category	
Potential Fraud	As at end of Quarter 2 11/12
PC – misuse and Abuse	-
Misuse of Council Time	6
Misuse of Council Vehicle	1
Breach of Code of Conduct	3
Breach of Council Procedures	1
Falsification of Records	1
Overcharging by Supplier	1
Overpayment Recovery	2
Total	15

D) Outcomes

2.15 The number of successful outcomes for the benefits investigations team from July 2011 to September 2011 is detailed in Table 2.16 below.

2.16

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	6	1	1
Working and Claiming	2	3	1
Contrived Tenancies	-	-	-
Living Together	1	2	4
Income from other sources	2	2	3
Vacated	-	1	2

Non Dependants	-	-	-
Total	11	9	11

2.17 The financial investigator has been in post for over a year. She currently has seven open cases which has resulted in nine properties, eight vehicles, two speedboats and three banks accounts being restrained. Two of the cases are in their final stages and it is likely we will confiscate assets under the Proceeds of Crime Act within the next six months.

2.18 The following is a case summary from a case successfully prosecuted within the period of the report.

2.19 Mr X received benefit for accommodation that he claimed to rent on a farm. An investigation established that the claimant ran his business on the farm, owned horses, ran an equestrian centre and hired out the lakes to fisherman. It was also discovered that the claimant didn't actually reside at the property but lived with his wife at a property where she claimed benefit as living on her own. In a large scale operation both properties were visited and searched by Council Officers, DWP and Police Officers. Due to the weight of personal and financial property found at the addresses both Mr & Mrs X's benefit claims were cancelled resulting in both of them being prosecuted. Mrs X received 42 weeks custodial suspended for 24 months and ordered to undertake 120 hours of unpaid work. She was also ordered to pay £500 costs. Mr X received a 24 month conditional discharge on all offences to run concurrently. He was also ordered to pay £500 costs.

As a result of this fraud the total benefit overpaid by the London Borough of Havering was £55,447.59.

2.20 The case outcomes for the Internal Audit Fraud Team from October to December are detailed in table 2.21 below.

2.21

Case Outcomes	
Outcome	Qtr 2
Management Action Plan	3
Disciplinary	-
Dismissed	2
Resigned	-
Contract ended	-
Insufficient Evidence	1
No case to answer	-
Refund received	-
Property Recovered	-
Total	6

2.22 The case outcomes for the Internal Audit investigations from October to December are detailed in table 2.23 below.

2.23

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Q3 11-12
Tenancy Relinquished voluntarily (keys handed in)	4
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	1
RTB stopped	-
Homeless Duty discharged	1
Housing Register application withdrawn	-
Temporary accommodation withdrawn	1
Prosecution	-
Total	7

E) Case Studies and Proactive Work

2.24 First Success from Tenancy Audit

We reported last time on the tenancy audit at Waterloo Road Estate. The Tenancy Fraud Team have recently recovered the first property as a result of this exercise.

When the exercise took place the tenant of flat X was not home for all three visits (including Saturday morning). So a card was left asking for contact to be made. This was not responded to so a further visit was undertaken, still with no answer, and so a letter was left informing the Mrs X that she had seven days to make contact. The case was classified as “suspicious” and investigations were commenced. The tenant eventually made contact after four weeks. A visit was arranged to carry out the tenancy audit. When the investigator visited the flat was furnished but lacked “homely” items such as pictures, photos, etc. The flat was very cold and there was no TV. The investigator asked the tenant to explain her whereabouts for the last four weeks and why she had not telephoned. The tenant said she had been on holiday and had been staying with her daughter. When the investigator asked why she did not have a TV the tenant said that she could not afford a TV or a TV licence. It was suspected that Mrs X was not using the property as her main and principal home.

Further investigations were conducted on Mrs X. It was found that she was the owner of two houses in Clacton, one that she appeared to live in and one that was rented out. Two investigators visited the house in Clacton. Mrs X was found at her two bedroom, semi-detached bungalow in Clacton with her Husband. She had a large flat screen TV and a TV licence. Mrs X denied not using the flat and claimed that she stayed in Clacton only

occasionally and that the bungalow was her holiday home.

A Notice to Quit was served by Homes in Havering and as a result Mrs X handed the keys in on 10 February 2012.

2.25 Successful Partnership with Guinness Trust

As part of the Tenancy Fraud work that has taken place across the borough we have been establishing partnerships with the larger Social Landlords within Havering. One of these is Guinness Housing Trust. Guinness had rented a three bedroom house to Miss Z and her two children last summer. The tenancy had been granted by way of a mutual exchange with a Kent based Social Landlord. The Guinness Housing officer had become suspicious the Miss Z had never actually moved in and asked Havering Council for assistance. We undertook an investigation on their behalf. We found that Miss Z had never moved in to the property and had sub-let it to a Mr and Mrs Y for £800 per month. She had not paid any rent to Guinness since taking up occupation so this was pure profit. As a result of our findings Guinness Trust served NTQ on Miss Z and Mr and Mrs Y. The keys were handed in on 24 January 2012. The property will be re-let shortly to a family from Havering Council's housing register.

F) **HB/CTB Fraud Overpayments**

2.26 The value of fraudulent housing benefit overpayments generated for the third quarter of the 2011/12 year are contained in table 2.27.

2.27

Fraudulent Overpayment	
Type	Qtr 3
Rent Rebate	194,775
Rent Allowance	171,286
Council Tax Benefit	82,297
Total	449,358

G) **Savings and Losses**

2.28 When a fraud is committed there may be two elements to the financial consequences. The table below details the losses identified in the period 1st October 2010 to 31st March 2011 and the case details.

Definitions of terms in table:

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

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.

Management to recover - These are the actual sums of money which management can take action to recover from those "lost".

2.29

Case details	Savings identified	Losses Identified	Management to recover	Details
Change of bank details fraud.		310,000	90,000	A payment was made to a fraudulent bank account following receipt of a bogus request to change bank details.

Section 3 **Direction of Travel**

- 3.1 There is a focus on proactive work in both the Housing Benefit and Tenancy Fraud Teams. The second single person discount data match has now taken place and has resulted in around 400 matches where fraud has been indicated. These cases will have further intelligence gathered and will be prioritised accordingly. A data match has also taken place using Homes in Havering and credit referencing data. The outcome is expected to show around 600 matches. As detailed earlier in this report a temporary structure has been implemented to deal with the sudden increase in investigations that this proactive approach has generated.
- 3.2 There have been no further updates regarding the introduction of Universal Credit and the creating of the Single Fraud Investigations Service. Several joint workshops have taken place but no details have been released to date.
- 3.3 In the short term the Investigations Team will be restructured but resources will continue to specialise. In the longer term a Corporate Fraud Team will be created, this will take place when there is greater certainty around the SFIS and when internal risk assessment work regarding fraud risks has been completed. The decision whether to bring the management of the housing stock back in house and the resulting changes to the Council's structure are also relevant to the future of the fraud team.