



# AUDIT COMMITTEE

25 June 2012

**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:**

This report details 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 Investigations Team and the Internal Audit Fraud Team from 3<sup>rd</sup> January 2012 to 30<sup>th</sup> March 2012.

## 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 two sections; the content of each section is outlined below:

Section 1. Resources & Direction of Travel

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

**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    Resources & Direction of Travel**

- 1.1 The budget outturn for 2011/12 was within the allocated budget across the two cost centres.
- 1.2 A restructure of the Investigations Team will be launched in June 2012. The proposed structure focuses on the next two financial years while the detailed plans for the Single Fraud Investigation Service are drawn up and communicated by Department of Work and Pensions. It is proposed that an additional Senior Auditor Post is included in the team to strengthen the structure and ensure sufficient resources are available to continue to deliver and improve a Housing Fraud Service whilst also implementing any changes resulting from the introduction of the universal credit or the changes regarding Council Tax Benefits.
- 1.3 As no further grant funding has been announced to tackle Housing Fraud it has been agreed that for the next two years a contribution to the cost of the team will be made from the Housing Revenue Account to ensure that there is sufficient capacity to deal with all referrals for Housing Fraud and continue to conduct the proactive activities undertaken in the last 12 months.
- 1.4 The new Principal Auditor post within Internal Audit will be filled from June 2012.

**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

<b>Caseload Quarter 4 2011/12</b>						
<b>Team</b>	<b>Cases At start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Cases Fraud not Proven</b>	<b>Cases Successful</b>	<b>Cases at end of period</b>
HB/CTB	444	224	23	105	36	504
HT	77	46	-	10	7	106
Corporate	15	5	-	2	10	8
<b>TOTAL</b>	<b>536</b>	<b>275</b>	<b>23</b>	<b>117</b>	<b>53</b>	<b>618</b>

**B) Referrals & Fraud Reports**

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

2.4

<b>Source of Referrals &amp; Fraud Reports Quarter 4 2011/12</b>				
<b>Number of Referrals/ Type</b>	<b>HB/CTB Referrals Q4 11/12</b>	<b>HT Referrals Q4 11/12</b>	<b>IA Fraud Reports Q4 11/12</b>	<b>Overall Total Q4 11/12</b>
Anonymous	59	11	0	70
External Organisations / Members of the Public	22	1	1	24
Internal Departments Whistleblowers	44	8	4	56
Social Landlords (inc HiH)	25	12	0	37
Data Matching / Proactive initiative	74	14	0	88
<b>Total</b>	<b>224</b>	<b>46</b>	<b>5</b>	<b>275</b>

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2.5 The table at para. 2.6 shows the categories of the potential HB/CTB fraud referrals from January 2012 to March 2012.

2.6

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 4 11/12</b>
Capital	20
Contrived Tenancy	3
Income from Other Sources	15
Living Together	78
Non-Dependant	12
Non-Resident/vacated	34
Other welfare benefits	-
Working	28
Non Commercial Tenancy	1
Other	1
Single Person Discount	-
Tenancy Fraud	32
<b>Total</b>	<b>224</b>

2.7 The table at para. 2.8 shows the categories of the potential corporate fraud reports from January 2012 to March 2012.

2.8

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

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2.9 The table at para. 2.10 shows the categories of the potential tenancy fraud reports from January 2012 to March 2012.

2.10

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 4 11/12</b>
Subletting	26
Not main/principal home	18
Obtained tenancy by deception	-
False claim for Succession	2
Fraudulent assignment	-
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	-
<b>Total</b>	<b>46</b>

### C) Current Caseload

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

2.12

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at March 12</b>
Capital	45
Contrived Tenancy	7
Income from Other Sources	34
Living Together	144
Non-Dependant	23
Non-Resident/vacated	96
Other welfare benefits	-
Working	41
Non Commercial Tenancy	6
Other	17
Single Person Discount	59
Tenancy Fraud	32
<b>Total</b>	<b>504</b>

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

2.14

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of Quarter 4 11/12</b>
PC – misuse and Abuse	1
Misuse of Council Time	2
Misuse of Council Asset	3
Breach of Code of Conduct	1
Breach of Council Procedures	-
Falsification of Records	-
Overcharging by Supplier	-
Overpayment Recovery	1
<b>Total</b>	<b>8</b>

**D) Outcomes**

2.15 The number of successful outcomes for the benefits investigations team from January 2012 to March 2012 is detailed in Table 2.16 below.

2.16

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

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Non Dependants	-	1	-
<b>Total</b>	<b>12</b>	<b>9</b>	<b>8</b>

2.17 The financial investigator has been in post for around 18 months. She currently has seven open cases which have resulted in nine properties, eight vehicles, two speedboats and three banks accounts being restrained. One of these cases has an imminent confiscation hearing. The outcome of this should be a confiscation order of £480,959.83. As part of the investigation assets of £267,473.55 have been identified. The net result of this will be an award of over £100,000.00 to the London Borough of Havering. Failure to pay this amount will result in a prison sentence for the defendant (and she will still owe the money, plus interest on her release).

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

2.19 The case of Mrs X was referred to the Investigation Team by the Police who had reason to open a safe deposit box and found £27,500.00 belonging to her. Once the case was allocated, the Investigating Officer established that Mrs X was renting a property from her son while he lived next door in a property that she owned. Mrs X claimed benefit on the basis that she was in receipt of Income Support and owned one bank account. Enquiries uncovered several undeclared bank accounts containing income that she obtained from running an escort agency. Mrs X was prosecuted for creating a contrived tenancy. She received 12 months custodial suspended for 18 months and ordered to carry out 200 hours work in the community. In addition Mrs X repaid the Housing and Council Tax Benefit overpayment of £15, 600.

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

2.21

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 2</b>
Management Action Plan	10
Disciplinary	-
Dismissed	-
Resigned	-
Contract ended	-
Insufficient Evidence	-
No case to answer	2
Refund received	-
Property Recovered	-
<b>Total</b>	<b>12</b>



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2.22 The case outcomes for the Housing investigations from January to March are detailed in table 2.23 below.

2.23

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Q4 11-12</b>
Tenancy Relinquished voluntarily (keys handed in)	8
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	-
<b>Total</b>	<b>8</b>

### E) Case Studies and Proactive Work

A Tenancy Audit was carried out in January in conjunction with Homes in Havering. The audit targeted 185 properties in the Rom Valley area and was well received by the tenants. Two tenancies are currently under investigation as a result of the audit.

#### 2.24 Successful ongoing cases

Mr X claimed succession to the property on the basis that he had been residing with his late Grandmother for over 12 months before she died. Enquiries with neighbours and Adult Social Care indicated that the tenant had lived alone. Further investigations and checks on Mr X proved that he actually lived in another area and had never resided with the tenant. The matter was due to be heard in Court but due the weight of the evidence, Mr X decided to hand back the keys beforehand, resulting in the property being recovered and legal proceedings were avoided.

### F) HB/CTB Fraud Overpayments

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

2.27

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Qtr 4</b>
Rent Rebate	88,629.84

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Rent Allowance	81,899.80
Council Tax Benefit	57,553.40
<b>Total</b>	<b>228,083.04</b>

**G) Savings and Losses**

2.28 When a fraud is committed there may be two elements to the financial consequences. There were no savings or losses identified for completed Internal Audit jobs in the period 3<sup>rd</sup> January 2012 to 30<sup>th</sup> March 2012.