



AUDIT COMMITTEE

25 September 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 2nd April 2012 to 29th June 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 A restructure of the Investigations Team was 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 Investigator 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. On approval at the end of the consultation period the established structure will contain nine full time equivalent (FTE) posts.
- 1.2 The table below includes budget information. Income is generated when administrative penalties are used as a sanction and as a result of the proceeds of crime investigations. The income target for the team has been increased to fund the new structure.

REVENUE BUDGET FOR 2012/13				
Controllable costs	Non-controllable recharges in	Controllable income	Non-controllable recharges out	Net cost (or income)
484,140	44,290	-51,740	0	476,690

- 1.3 As no further grant funding has been announced to tackle Housing Fraud, £100k was received in 2012/13, it has been agreed that for the next two financial years (2013-15) 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 This report includes the activity of the fraud resources within the Internal Audit Team (3 FTEs). The new Principal Auditor post within Internal Audit was filled from June 2012.
- 1.5 The forecast outturn for 2012/13 is within the allocated budget.

Section 2 Fraud Cases April to June

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 1 2012/13						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases Fraud not Proven	Cases Successful	Cases at end of period
HB/CTB	504	124	48	66	28	486
HT	106	26	2	20	10	100
Corporate	8	19	-	5	4	18
TOTAL	618	169	50	91	42	606

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 1 2012/13				
Number of Referrals/ Type	HB/CTB Referrals Q1 12/13	HT Referrals Q1 12/13	IA Fraud Reports Q1 12/13	Overall Total Q1 12/13
Anonymous	38	3	0	41
External Organisations / Members of the Public	12	1	4	17
Internal Departments Whistleblowers	39	5	14	58
Social Landlords (inc HiH)	16	6	0	22
Data Matching / Proactive initiative	19	11	1	31
Total	124	26	19	169

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2.5 The table at para. 2.6 shows the categories of the potential Housing Benefit/Council Tax Benefit fraud referrals from April 2012 to June 2012.

2.6

Referrals by Category	
Potential Fraud	Quarter 1 12/13
Capital	4
Contrived Tenancy	4
Income from Other Sources	8
Living Together	58
Non-Dependant	6
Non-Resident/vacated	3
Other welfare benefits	-
Working	14
Non Commercial Tenancy	1
Other	-
Single Person Discount	-
Tenancy Fraud	26
Total	124

2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports from April 2012 to June 2012.

2.8

Reports by Category	
Potential Fraud	Quarter 1 12/13
PC – misuse and Abuse	3
Misuse of Council Time	3
Misuse of Council Asset	5
Misuse of Council Vehicle	1
Breach of Code of Conduct	0
Breach of Council Procedures	2
Falsification of Records	1
Direct Payment Fraud	1
Overcharging by Supplier	0
Fraudulent use of Credit Card	1
Overpayment Recovery	2
Total	19

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2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud reports from April to June 2012.

2.10

Referrals by Category	
Potential Fraud	Quarter 1 12/13
Subletting	15
Not main/principal home	11
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	-
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	-
Total	26

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 end of June 2012
Capital	37
Contrived Tenancy	10
Income from Other Sources	31
Living Together	159
Non-Dependant	20
Non-Resident/vacated	74
Other welfare benefits	-
Working	38
Non Commercial Tenancy	6
Other	17
Single Person Discount	50
Tenancy Fraud	44
Total	486

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 June 2012
PC – misuse and Abuse	2
Misuse of Council Time	2
Misuse of Council Asset	5
Breach of Code of Conduct	-
Breach of Council Procedures	4
Falsification of Records	1
Overcharging by Supplier	-
Credit Card Fraud	1
Overpayment Recovery	3
Total	18

D) Outcomes

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

2.16

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	3	1	2
Working and Claiming	-	-	-
Contrived Tenancies	1	-	-
Living Together	-	2	3
Income from other sources	-	-	3
Vacated	-	1	-
Non Dependants	1	1	-
Total	5	4	8

- 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 Council considers the benefit of the fraud has been £480,959.83 and that the defendant has realisable assets of £267,473.55 although this has been challenged. If a figure cannot be agreed between the two parties the Judge will make the decision. It is hoped that, provided the defendant pays, the Council will receive at least £100,000.00. Failure to pay the sum ordered within the time specified by the court is likely to result in a prison sentence for the defendant (and she will still owe the money, plus interest on her release).
- 2.18 The following are two case summaries from cases successfully prosecuted within the period of the report.
- 2.19 Miss G had claimed benefit as a lone parent since 1991. The case was investigated jointly with the DWP and enquiries established that Miss G had actually married and become Mrs K in 1992. The couple had two children and Mr K was a black cab driver. A search of the property was conducted with the police and the couple arrested. The property was decorated to a very high standard with expensive fixtures and fittings and the couple admitted to taking numerous holidays abroad. Mrs K pleaded guilty to fraudulently obtaining benefits in excess of £165,000 and received a custodial sentence of 15 months. Since the overpayment was created on 21st June 2011 £1,842.00 has been paid off the Council Tax arrears and the current years have been kept up to date. £3,050.00 has been paid off the Housing Benefit overpayment. She will begin to repay her overpayment on release.

An investigation into Miss F's benefit claim commenced following the receipt of a copy of her wedding invitation from an anonymous source. The wedding was due to take place in July 2010 and in March 2010 Miss F advised that her partner, Mr R, had moved in with her. Mr R had used his parents' address for employers and other agencies. However, bank statements showed that Mr R's wages were paid into their joint accounts and the money was used to pay household bills and expenses, including the forthcoming wedding. Miss F was interviewed just before her wedding and her husband interviewed after. Although they initially denied the allegation, they eventually admitted living together from 2002 and incurred a total overpayment of £97,695.69. Mrs R received an 8 month custodial sentence and Mr R received an 18 month community order and to carry out 100 hours unpaid work.

- 2.20 The case outcomes for the Internal Audit Fraud Team from April to June are detailed in table 2.21 below.

2.21

Case Outcomes	
Outcome	Qtr 1
Management Action Plan	1
Disciplinary	0
Dismissed	0
Resigned	3
Contract ended	0
Insufficient Evidence	2
No case to answer	3
Refund received	0
Property Recovered	0
Total	9

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

2.23

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Q1 12-13
Tenancy Relinquished voluntarily (keys handed in)	10
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	2
RTB stopped	1
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	-
Total	13

E) Case Studies and Proactive Work

2.24 A recent investigation for Old Ford Housing established that their tenant Mrs A owned her own property outright and sub-let the Old Ford property. In addition to the rent she received from her subletting, she also obtained an amount in excess of £5,000 from decant funds. Discussions are currently underway with our legal team and Old Ford Housing to prosecute Mrs A for her fraudulent activities.

2.25 Successful cases

Following a complaint that Mr C did not reside at his property, initial enquiries established links to a partner who resided in Chelmsford and

claimed benefit as a lone parent. Financial links led the investigator to the previous sub tenants and a statement was obtained. A joint visit with Chelmsford's Fraud Department found Mr C at the partner's property in Chelmsford. At interview the couple denied living together but were unable to dispute the evidence obtained. Mr C handed back the key to his property and he and his partner were obliged to advise Chelmsford Council of their true circumstances.

Following a query from a tenancy officer, an investigation began into the whereabouts of Mr W who had been in rehabilitation in Bournemouth. He had made a right to buy application for his property in Harold Hill. Although Mr W's mother claimed that he was due to return from rehab but was waiting for the flat to be decorated. Enquiries established that Mr W did not intend to return and had in fact signed a tenancy agreement for a new address Bournemouth. It was also identified that it was the mother who had paid the deposit on the property in Bournemouth. Following the investigation Mr W returned the keys and withdrew his right to buy application.

A data match revealed that a tenant, Mr M was not residing at his council property even though he had applied to assign the tenancy to his sister. Further enquiries revealed that Mr M had actually purchased a property in Aveley and had moved away leaving his sister in the property. Mr M was approached at his new address and informed that his sister could not be granted an assignment when he did not live in the property. He refused to attend an interview but did hand back the keys.

F) HB/CTB Fraud Overpayments

2.26 The value of fraudulent housing benefit overpayments generated by the team for the first quarter of the 2012/13 year are contained in table 2.27.

2.27

Fraudulent Overpayment	
Type	Qtr 1
Rent Rebate	£127,234.21
Rent Allowance	£40,234.55
Council Tax Benefit	£34,285.62
Total	£201,754.38

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 1st April 2012 to 29th June 2012.