



# AUDIT COMMITTEE

4 December 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 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 2<sup>nd</sup> July 2012 to 28<sup>th</sup> September 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 finalised at the end of September the process to recruit has commenced with agency resources in place to cover the post until a permanent post holder starts.
- 1.2 The Principal Investigator has been seconded to Department of Work and Pensions for six months to work on the Single Fraud Investigation Service Team. His managerial responsibilities are being shared by the Internal Audit and Corporate Risk Manager and the two Senior Investigators. The Investigators have taken on an increased role in administering sanctions and preparing prosecution files to support the seniors over the period of the secondment.
- 1.3 The level of resources available in the team is being reviewed again in light of this secondment and the generation of more referrals following data matching activity.
- 1.4 The Internal Audit teams established fraud posts are fully resourced. Due to the high level of referrals and the significant proactive work planned the resource available is currently being evaluated the cost benefit of seconding additional resources to this team.
- 1.5 The forecast outturn for 2012/13 is within the allocated budget. The Investigations Team has an income target of £51,740 at the end of September and £21,154 had been achieved from payments of administrative penalties. In addition there are a number of Proceeds of Crime cases which should generate income to the team before year end.

2 Para 2.26 can we also include year to date value as well.

**Section 2     Fraud Cases July to September**

**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 3 2012/13</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	486	100	17	102	39	428
HT	100	19	1	25	9	84
Corporate	18	15	-	6	9	18
<b>TOTAL</b>	<b>604</b>	<b>134</b>	<b>18</b>	<b>131</b>	<b>57</b>	<b>530</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 2 2012/13</b>				
<b>Number of Referrals/ Type</b>	<b>HB/CTB Referrals</b>	<b>HT Referrals</b>	<b>IA Fraud Reports</b>	<b>Overall Total</b>
Anonymous	14	0	0	14
External Organisations / Members of the Public	12	2	1	15
Internal Departments Whistleblowers	42	8	12	62
Social Landlords (inc HiH)	14	9	0	23
Data Matching / Proactive initiative	18	0	2	20
<b>Total</b>	<b>100</b>	<b>19</b>	<b>15</b>	<b>134</b>

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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 July 2012 to September 2012.

2.6

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
Capital	5
Contrived Tenancy	5
Income from Other Sources	3
Living Together	43
Non-Dependant	5
Non-Resident/vacated	10
Other welfare benefits	0
Working	5
Non Commercial Tenancy	0
Other	5
Single Person Discount	0
Tenancy Fraud	19
<b>Total</b>	<b>100</b>

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

2.8

<b>Reports by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
PC – misuse and Abuse	2
Misuse of Council Time	2
Misuse of Council Asset	1
Misuse of Council Vehicle	-
Breach of Code of Conduct	2
Breach of Council Procedures	3
Falsification of Records	-
Theft of Cash	2
Receipt of Bribe	1
Direct Payment Fraud	
Safeguarding	2
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	-
<b>Total</b>	<b>15</b>

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

2.10

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
Subletting	6
Not main/principal home	10
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	1
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	2
Fraudulent Homeless Application	-
<b>Total</b>	<b>19</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 end of Sept 2012</b>
Capital	35
Contrived Tenancy	14
Income from Other Sources	25
Living Together	162
Non-Dependant	17
Non-Resident/vacated	63
Other welfare benefits	0
Working	33
Non Commercial Tenancy	6
Other	13
Single Person Discount	19
Tenancy Fraud	41
<b>Total</b>	<b>428</b>

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 Sept 2012</b>
PC – misuse and Abuse	3
Misuse of Council Time	2
Misuse of Council Asset	3
Breach of Code of Conduct	1
Breach of Council Procedures	3
Accepting Bribe	1
Theft of Cash	2
Safeguarding	1
Direct Payments	1
Overpayment Recovery	1
<b>Total</b>	<b>18</b>

#### D) Outcomes

2.15 The number of successful outcomes for the benefits investigations team from July 2012 to September 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	2	1	-
Working and Claiming	-	2	-
Tenancy	1	1	-
Living Together	2	1	3
Income from other sources	2	1	2
Vacated	2	-	-
Non Dependants	-	-	-
<b>Total</b>	<b>9</b>	<b>6</b>	<b>5</b>

2.17 The following are two summaries from cases successfully prosecuted within the period of the report. Both cases resulted in trials and the defendants in each case appealed against their guilty conviction.

2.18 Mrs G had been in receipt of benefit as a lone parent since March 2009. She was visited by officers of the Investigation Team and subsequently investigated following a referral that a male was residing at the property. The investigation uncovered evidence to establish that her husband, Mr G had actually never left the claim address and continued to reside there. The total fraud resulted in an overpayment of £14,100 Housing and Council Tax benefit in addition to £2,300 Income Support. At Basildon Crown Court in January 2012 the jury found Mrs G guilty and she was ordered to carry out 100 hours of unpaid work and pay £350 costs. Mrs G appealed against her conviction. The case was then heard at Snaresbrook in July 2012. The Judge dismissed the appeal and ordered Mrs G to pay a further £450 towards costs.

At Romford Magistrates Court in December 2011, the magistrates found Miss C guilty of failing to advise LBH that she had been living together as husband and wife with her partner whereas she had claimed benefit on the basis that she was a lone parent. The fraudulent claim had continued for almost 3 years resulting in an overpayment of £12,400 Housing and Council Tax benefit. Miss C immediately appealed against the conviction. Her appeal was heard at Snaresbrook in August 2012 where the case was dismissed. Miss C was sentenced to an 8 week curfew. She was ordered to pay £850 in costs in instalments from December when she was originally convicted.

2.19 The case outcomes for the Internal Audit Fraud Team from July to September are detailed in table 2.20 below.

2.20

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 2</b>
Management Action Plan	2
Contract ended	2
Insufficient Evidence	6
No case to answer	2
Refund received	2
Property Recovered	1
<b>Total</b>	<b>15</b>



2.21 The case outcomes for the Housing investigations from July to September. are detailed in table 2.22 below.

2.22

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Q2 12-13</b>
Tenancy Relinquished voluntarily (keys handed in)	7
Property recovered via court action	1
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	1
Temporary accommodation withdrawn	-
Prosecution	-
<b>Total</b>	<b>9</b>

**E) Case Studies and Proactive Work**

2.23 Following Consultation with H&H, a Tenancy Audit has been scheduled for October. The audit will be carried out on council tenants in New Plymouth House, Napier House, Cherry Tree Lane and Dunedin Road.

2.24 Successful cases

Tenancy Officers had been suspicious for a considerable amount of time that Mr and Mrs K did not actually reside in their Harold Hill flat and actually lived in Cyprus. However, the couple would always reappear when repossession action was instigated. The case was referred to the Investigation Team who, after visits to the property and failing to obtain a response from Mr K, suspended benefits. Mr K then made contact regarding the cancellation of benefit and accumulating rent arrears. A visit was arranged to the property which was very sparsely furnished and clearly not compatible with the home of an elderly couple. Mr K claimed that his benefit was paid into his daughter’s account and she would supply him with a cheque which he would cash at the post office. A copy of the daughter’s bank statement showed this was not the case. Regular withdrawals of cash in Cyprus along with stamps in Mr and Mrs K’s passports indicated that the couple spent long periods of time there. Prolonged correspondence between the Council and Mr & Mrs K’s legal advisors including the CAB took place and excuses were made by Mr K as to why they were unable to attend interviews under caution. The Council refused to reinstate housing benefit and pursued a notice seeking possession in Court. The couple failed to attend a hearing in June and H&H obtained the flat in September.

The Housing Department referred a case where Miss T had stated that she was residing at her mother’s address with her partner and children.

However, as Miss T moved higher in the bidding process, Housing were suspicious that she was residing at another address. After carrying out preliminary checks, the Investigation Officer established that Miss T had moved to another property. Miss T was interviewed and the evidence put to her. She admitted that she had been untruthful in completing her recent review form and agreed to voluntarily withdraw from the Housing Register.

Information was received from the local Police regarding a flat which appeared to be sub-let. An investigation established that the property was being sub-let to a Mr W who was interviewed. During the interview, Mr W explained how he came to sub-let the property and provided a tenancy agreement between himself and the legal tenant Mr M, to whom he was paying rent. Mr M, who was receipt of benefit at the property, attended an interview under caution. He claimed that he had been staying with his sick mother and gave the key of the property to a friend who (unbeknown to him) passed it onto the sub-tenant. Mr M also claimed to be residing back in the flat. After the interview the officers contacted Mr W the sub-tenant and went back to the property. It was the apparent the sub-tenant was still in situ and that Mr M had blatantly lied throughout the interview. Mr M was evicted from the property in August and accepted an Administrative Penalty as an alternative to prosecution.

**F) HB/CTB Fraud Overpayments**

2.25 The value of fraudulent housing benefit overpayments generated by the team for the second quarter of the 2012/13 year are contained in table 2.26. Year to date values are contained in 2.27.

2.26

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Qtr 2</b>
Rent Rebate	£98,410.69
Rent Allowance	£74,989.84
Council Tax Benefit	£34,095.91
<b>Total</b>	<b>£207,496.44</b>

2.27

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Year to date</b>
Rent Rebate	£225,644.90
Rent Allowance	£115,224.39
Council Tax Benefit	£68,381.53
<b>Total</b>	<b>£409,250.82</b>

**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 savings and losses identified in the period 2nd July 2012 to 28th September 2012.

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".

2.28

Case details	Savings identified	Losses Identified	Management to recover	Details
Timesheet Abuse		845		Agency worker working for another organisation but Agency refused to refund.
Electricity Proactive	29,000		29,000	EON credited Council accounts.
Pension Overpayment	2,092		2,092	Reimbursement of overpayment.
Fraudulent Use of Credit Card	1,027		1,027	Reimbursement of fraudulent use.
Theft of cash		1,500	1,500	Referred to police for prosecution.