



AUDIT COMMITTEE

Subject Heading:

FRAUD PROGRESS REPORT

Report Author and contact details:

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Policy context:

To update the Committee on the actions taken against fraud and corruption.

Financial summary:

N/A

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

To advise the Committee of anti fraud and corruption work undertaken by the internal audit team during the period 1 October 2010 to 31 March 2011.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required, either with regards the cases highlighted or the performance of the team.

REPORT DETAIL

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

Section 1. Fraud Work October to March

- A) Table of 'Fraud Hotline' reports.
- B) Table of completed cases.
- C) Work in progress as at end of September.
- D) Details of savings and losses for the period.

Section 2. Key Performance Indicator

The results for the fraud specific key performance indicator are presented in this section of the report. Other key Performance indicators are reported quarterly as part of the Internal Audit Progress report.

Section 3. National Fraud Initiative 2008/9 Summary

Update on work on the NFI 2008/9

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. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None.

Section 1 Fraud Work 1st October 2010 to 31 March 2011

A) Fraud Hotline Reports Received

CALLER	CALL CONTENT	DETAILS / RESULT OF INVESTIGATION
Member of the public	Tenant no longer living at property but may still be claiming Housing Benefits.	Tenant registered as leaving property on 10/04/10, HB also ceased. No further action required.
Anonymous	Alleged Member of Staff falsely claiming hours spent not working.	Internal Audit to investigate. Following covert surveillance management have been presented with sufficient evidence to conduct a disciplinary hearing.
Anonymous	Alleged claiming SPD and Housing Benefits but lives with someone and is working.	Issued to HB Fraud. Investigated and no case to answer.
Anonymous	Caller alleged SPD being claimed but two persons living at address.	Issued to HB Fraud and Council Tax. Investigated and no case to answer. Property sold.
Anonymous	Caller alleged SPD being claimed but partner and four children living at address.	Issued to HB Fraud and Council Tax. Case closed as fraud can not be proven.
Anonymous	Alleged non payment of Council Tax.	Issued to Council Tax for further enquiries.
Member of public	Alleged letting of property.	Issued to HB Fraud to monitor if claims received from family. No benefits in payment.
Anonymous	Alleged claiming of HB and CT by single parent now living with partner.	Issued to HB Fraud. In progress
Anonymous	Council tenant attempting to Sub Let or buy property.	Issued to Homes in Havering.
Anonymous	Tennant claiming housing benefit on a property owned by her mother.	Issued to HB Fraud. In progress
Anonymous	Alleged claiming of benefit but working.	Issued to HB Fraud. In progress

CALLER	CALL CONTENT	DETAILS / RESULT OF INVESTIGATION
Anonymous	Alleged claiming of SPD but lives with someone.	Passed to London Borough of Redbridge Fraud Section.
Member of public	Possible misappropriation of college funds.	To be investigated by the Governing Body and auditors.
Anonymous	Alleged Non declaration of employment whilst claiming Full benefits.	Issued to HB Fraud. Claim suspended. Case closed
Anonymous	Alleged resident is receiving SPD but had not declared new living arrangement.	No case to answer

B) Completed Cases

38 cases were completed and closed during the period 1 October 2010 to 31st March 2011.

CEX = Chief Executive
 F&C = Finance & Commerce
 C&C = Culture & Community
 SC&L = Social Care & Learning
 H in H = Homes in Havering
 L&D = Legal and Democratic Services

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8raak	Claims of mis management	CEX	General fraud issues	Management Action Plan
T8raaz	Document review for vehicle usage for Council business	CEX	Breach of Council Procedures	Management Action Plan
T8raap	Review of Highways contracts	C & C	Breach of Council Procedures	Management Action Plan
T8raaq	Management of amenity facility	C & C	Miscellaneous	No further action required
T8raav	Laptop abuse	C & C	PC – misuse and abuse	No further action required
T8saaf	Alleged breach of Council procedures and mis use of Council time.	C & C	Misuse of Council time	Contract ceased.
T8saah	Alleged involvement by member of staff in family benefit claim	C & C	Breach of Council procedures	Insufficient Evidence
T8saai	Possible Internet abuse	C & C	PC abuse	No case to answer
T8paar	Allegations TMO mis-management	C & C	Homes in Havering	Management Action Plan
T8qaaz	Leaseholders – Proposed itemised works	C & C	Homes in Havering	Insufficient evidence
PA0048	Purchasing Strategies	F & C	Pro active	Management Action Plan
PA0054	Training Courses – Non Attendance	F&C	Pro active	Management Action Plan

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
PA0056	Banking arrangements	F&C	Pro active	Management Action Plan
T8maa	National Fraud Initiative 2008/09	F & C	NFI	Investigations and recovery
T8qaaf	Review of Business Systems Policy Version 4	F & C	Miscellaneous	Issued
T8qaag	Whistleblowing hotline	F & C	Miscellaneous	Nine cases
T8qaah	Fraud Hotline	F & C	Miscellaneous	41 cases
T8qaai	Advice to Directorates	F & C	Miscellaneous	Not applicable
T8qaai	Advice to other LA's	F & C	Miscellaneous	Not applicable
T8raam	Possible Internet abuse	F & C	PC misuse and abuse	Member of staff dismissed
T8raar	Confirmation of professional qualifications	F & C	Falsification of records	Management Action Plan
T8raat	Cheque fraud	F & C	Cheque changed by third party	Refund paid by Bank
T8raau	Review GroupWise activity	F & C	PC misuse and abuse	Insufficient evidence
T8raax	Possible Internet abuse	F & C	PC misuse and abuse	Management Action Plan
T8saab	Alleged unauthorised use of car park pass	F&C	Falsification of records	Insufficient evidence
T8saad	Payroll information	H in H	Miscellaneous	Reports produced
T8qaal	Review of personal Internet use	L & D	PC misuse and abuse	Management Action Plan
T8raah	Review of Internet usage	L & D	PC misuse and abuse	Staff dismissed
T8raaj	Review of personal Internet use and flexi records	L & D	PC misuse and abuse	Member of staff resigned
PA0047	Review Homecare Providers	SC&L	Pro active	Management Action Plan
T8paac	Review financial management – Day Centre	SC&L	General Fraud issues	Management Action Plan

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8qaax	Alleged misuse of older persons finances	SC&L	General Fraud issues	Insufficient evidence
T8raaf	Alleged PC, Internet and abuse of working times	SC&L	PC misuse and abuse	Insufficient evidence
T8raan	Disciplinary hearing	SC&L	Breach of Council procedures	Member of staff dismissed
T8raas	Review of laptop contents	SC&L	PC misuse and abuse	Insufficient evidence
T8raay	Possible misappropriation/ theft of monies	SC&L	Theft of monies	Member of staff resigned
T8saac	Alleged misappropriation of income	SC&L	Falsification of records	Insufficient evidence – Management Action Plan

C) Work In Progress as at 31st March 2011

At the end of March 2011 there were 16 cases in progress.
The table below indicates the case by name.

Code	Audit Name
PA0055	Home Ownership
PA0057	Honoraria
T8oaaai	E learning – Focus on Fraud
T8qaaa	Internet Abuse
T8qaau	NFI 2010/11
T8raag	Costs relating to Day Centres
T8raaw	Mis use of Council time – Transport Services
T8saaa	Overpayment of pension to deceased member
T8saae	Review of Overtime
T8saag	Alleged mis-management of personal finances
T8saaj	Alleged inappropriate images on laptop
T8saak	Allegation re various grant payments
T8saal	Review of flexi, annual leave and working from home procedures
T8saam	Review of Citrix reports
T8saan	Possible misuse and abuse Internet
T8saao	Possible misuse and abuse Internet

There are also additional assignments which are ongoing throughout the financial year. These tasks include:

- Fraud Awareness Training - E-learning Fraud and Corruption Awareness training;
- Fraud Awareness Campaign;
- Requests from other Local Authorities and Government Agencies;
- Whistleblower Reports;
- Fraud Hotline Reports;
- Advice to Directorates;
- Bluecoat Internet forensic software discussions;

D) Savings and Losses

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:

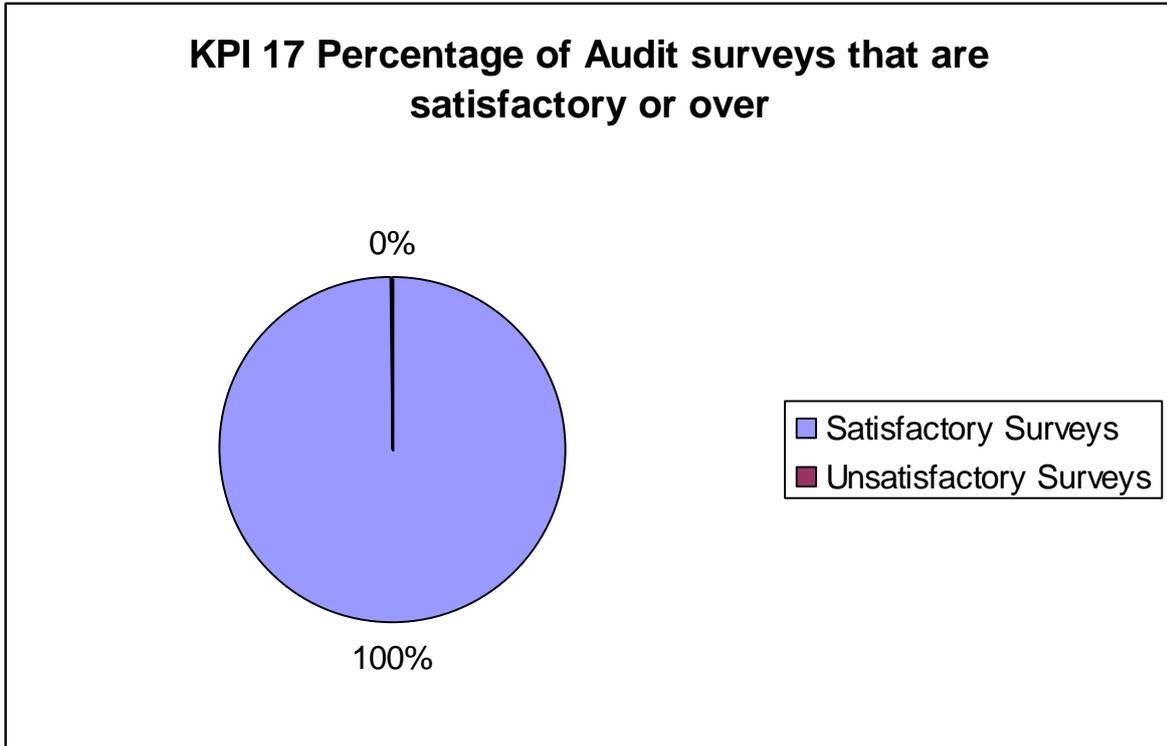
Losses - These are the sums of money that the audit determined have been lost or stolen.

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".

Case details	Savings identified	Losses Identified	Management to recover	Details
Day Centre – Bank account and expenses	1,749	1,078	2,827	
Alteration of cheque details		202	202	Third party intercepted cheque and change payee. Bank repaid amount.
Misappropriation of monies		5112		Due to the lack of complete records Internal Audit are unable to properly account for monies received.
Additional charges and loss of income		518	473	Overpayment of bank charges and lack of income.

Section 2 Key Performance Indicator



All surveys returned were satisfactory and above.

Section 3 National Fraud Initiative (NFI) 2008/09 Summary Report.

Introduction

The National Fraud Initiative (NFI) is a data matching exercise designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse. It has been run every two years since 1996 and, to date, has been used to identify fraud and overpayments totalling nearly £450 million.

The core of the NFI is the matching of data to help reduce the level of Housing and Council Tax Benefit fraud, Payroll and Occupational Pension fraud and Housing Tenancy fraud. All government bodies are required to provide mandatory and risk based data sets.

Results of matches

A programme of key dates and actions were set out in order that the Council could fully participate in the 2008/09 exercise and once again, the exercise has proven successful with overpayments, fraud and financial savings having been identified. The overall summary is as follows;

- Cases processed – 5,135
- Investigated – 829
- Cleared – 5089
- Frauds – 23
- Errors – 23
- Total - £264,318.90
- Cases for recovery – 10
- Amount recoverable - £65,557.73

Headline results for NFI 2008/09 - Housing & Council Tax Benefit

- Benefit Fraud investigations identified overpayments of £158,380 and Income Support/Job Seeker Allowance of £42,554.
- There were 19 cases of fraud and four cases due to Council error which resulted in two prosecutions, seven administrative penalties and one official caution.

The Housing Benefit overpayment cases can be broken down as follows:

- Students claiming HB/CTB that they were not entitled to – three cases, value £7,116
- NHS employees, work not declared on claim – three cases, value £12,272

- Local government employees, work not declared on claim – 11 cases, value £121,564
- Local government pensioners, claiming HB having either not declared or under-declared their pension – three cases, value £59,982

Headline Results for NFI 2008/09 - Non Benefit Matters

- Three cases where an occupational pension continued to be paid after the death of the pensioner with associated overpayments of £340, which were recovered.
- Two cases of un-abated pensions causing subsequent overpayments of £9,139 which were recovered.
- One council property was recovered as a result of detected tenancy fraud.
- One employee was dismissed where the investigation confirmed that the employee was working for another employer whilst registered sick with the Council. The employee also repaid an overpayment of £1,124.
- 743 deceased persons' blue badges being cancelled.
- One employee was dismissed as a failed asylum seeker who had no entitlement to work in the United Kingdom. The value of the salary paid (inc. on-costs) totalled £51,973 of which superannuation and national insurance contributions amounting to £17,459.67 were recovered.

Reporting results to the Audit Commission

The reports are now web based and this enables the Council to review and update records instantly. The Audit Commission were able to monitor the performance of each authority and met with the Council's Key Contact to discuss our performance. There were no adverse comments received following the meeting with the Audit Commission who have complimented the Council on the work undertaken.

Costs

It is estimated the staff cost of investigating the resulting data matches was approximately £22,000. The most significant costs being generated by the Internal Audit and Housing Benefit Fraud Teams. As in previous years an NFI fee is set for each type of audited body based on the number and range of core datasets applicable and the cost to the Council was £4,150.

The NFI is run over a two year period and the fees paid and staff costs covers the two financial years 2008/09 and 2009/10.

Conclusion

The results during the past years have demonstrated that the NFI exercise is effective and is an additional tool which enhances the Council's ability to identify fraud which is not otherwise available.

The matching exercise continues to highlight overpayments, fraud and subsequent savings for the Council although the work involved is time consuming.

The Key Contact has provided regular feedback to the Audit Commission regarding the functionality of the web based application and the content of reports in order to assist in improvements for subsequent exercises.