



# AUDIT COMMITTEE

28 February 2013

**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 1<sup>st</sup> October 2012 to 31<sup>st</sup> December 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 recruitment process to appoint a permanent Senior Investigator to the Investigations Team commenced in December, the expected start date is 01 March 2013. All other posts are filled.
- 1.2 The level of resources available in the teams has been reviewed and four unfunded posts have been added to increase the flexibility of the structure to deal with peaks in work and also to provide opportunities for development and multi-skilling of resources. These posts will be utilised when budget is available to fund them.
- 1.3 The forecast outturn for 2012/13 for the investigations team is currently forecast to exceed the allocated budget. This overspend will be offset against an under spend in the internal audit budget and budget held in reserve for fraud. The overspend is caused by increased legal fees from pursuing proceeds of crime cases; increased resources and use of agency workers whilst restructuring the team.
- 1.4 The Investigations Team has an income target of £51,740 at the end of December and £28,941 had been achieved from payments of administrative penalties. There is income due from proceeds of crime cases but this is likely to be received next financial year.

**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 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	428	127	3	43	28	481
HT	84	23	6	13	5	83
Corporate	18	10	1	1	6	20
<b>TOTAL</b>	<b>530</b>	<b>160</b>	<b>10</b>	<b>57</b>	<b>59</b>	<b>584</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 3 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	42	-	-	42
External Organisations / Members of the Public	16	4	0	20
Internal Departments Whistleblowers	56	14	10	80
Social Landlords (inc HiH)	10	5	-	15
Data Matching / Proactive initiative	3	-	-	3
<b>Total</b>	<b>127</b>	<b>23</b>	<b>10</b>	<b>160</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 October to December.

2.6

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 3 12/13</b>
Capital	7
Contrived Tenancy	7
Income from Other Sources	5
Living Together	50
Non-Dependant	4
Non-Resident/vacated	15
Other welfare benefits	-
Working	27
Non Commercial Tenancy	-
Other	-
Single Person Discount	-
Tenancy Fraud	12
<b>Total</b>	<b>127</b>

2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports from October to December.

2.8

<b>Reports by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 3 12/13</b>
PC – misuse and Abuse	2
Misuse of Council Time	-
Misuse of Council Asset	1
Misuse of Council Vehicle	-
Breach of Code of Conduct	3
Breach of Council Procedures	1
Falsification of Records	-
Theft	3
Receipt of Bribe	-
Direct Payment Fraud	-
Safeguarding	-
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	-
<b>Total</b>	<b>10</b>

2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud reports from October to December.

2.10

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 3 12/13</b>
Subletting	11
Not main/principal home	12
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	-
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	-
<b>Total</b>	<b>23</b>

**C) Current Caseload**

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

2.12

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of Dec 2012</b>
Capital	35
Contrived Tenancy	17
Income from Other Sources	24
Living Together	193
Non-Dependant	19
Non-Resident/vacated	60
Other welfare benefits	-
Working	57
Non Commercial Tenancy	5
Other	7
Single Person Discount	16
Tenancy Fraud	48
<b>Total</b>	<b>481</b>

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

2.14

<b>Current Cases by Category (non benefit)</b>	
<b>Potential Fraud</b>	<b>As at end of Dec 2012</b>
PC – misuse and Abuse	4
Misuse of Council Time	2
Misuse of Council Asset	2
Breach of Code of Conduct	2
Breach of Council Procedures	4
Misuse of Blue Badge	1
Accepting Bribe	-
Theft	3
Safeguarding	1
Direct Payments	-
Overpayment Recovery	1
<b>Total</b>	<b>20</b>

**D) Outcomes**

2.15 The number of successful outcomes for the benefits investigations team from October to December 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	-	3
Working and Claiming	2	-	-
Contrived Tenancy	-	-	4
Living Together	2	-	3
Income from other sources	1	-	-
Vacated	-	-	-
Other	-	-	2
<b>Total</b>	<b>7</b>	<b>-</b>	<b>12</b>

2.17 The following are cases prosecuted this quarter where proceeds of crime legislation has been used to assist in recovering the overpayment of benefits.

2.18 On her claim for benefit, Mrs C stated that she had just one bank account. An investigation established that she had several accounts and a bond holding capital in excess of £16,000. She admitted that she had acted dishonestly and her accounts were restrained. Mrs C was prosecuted and received a 6 month custodial sentence suspended for 18 months. In addition she received a confiscation order of £35,240.14 and the London Borough of Havering was awarded £14,068.97 compensation.

Mr O was investigated for failing to declare bank accounts which held capital and details of his employment. Once again the accounts were restrained. At Court, Mr O pleaded guilty and received a 12 month community order and 3 month curfew. He was also issued with a confiscation order of £18,243.52 and LBH were awarded compensation of £12, 446.22.

Mr & Mrs M were prosecuted separately for their part in a £80,000 fraudulent Housing & Council Tax benefit claim. Mrs M claimed benefit as a lone parent when she was actually residing with her husband who owned other properties. These properties were restrained under proceeds of crime legislation. Following the threat of prosecution under the Criminal Justice Act Mr M agreed to repay LBH £92,000.00. Mr & Mrs M each received a 2 year conditional discharge and, in addition, Mr M was ordered to pay £20,000.00 costs.

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

2.20

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 3</b>
Management Action Plan	3
Contract ended	1
Disciplinary	1
Insufficient Evidence	1
Prosecution	1
No case to answer	-
Refund received	-
Property Recovered	-
<b>Total</b>	<b>7</b>



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

2.22

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Q3 12-13</b>
Tenancy Relinquished voluntarily (keys handed in)	4
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	1
<b>Total</b>	<b>5</b>

**E) Case Studies and Proactive Work**

2.23 A tenancy audit was carried out on council tenants in New Plymouth House, Napier House, Cherry Tree Lane and Dunedin Road in October. One flat in Napier House was recovered almost immediately when the officer became suspicious after noticing that the property was very sparsely furnished. The tenant was interviewed and advised that she had just moved back to her parents. The audit has resulted in a further 6 properties under investigation.

2.24 Successful cases

Mrs O was found to have made a false housing application when she failed to declare her true circumstances. An investigation established that she was never actually homeless and had actually been residing with her husband. The property was recovered and Mrs O was prosecuted under the fraud act for her false application. She pleaded guilty at Crown Court in October and received a 2 year conditional discharge. She was also ordered to pay £1500 costs.

It was suspected that Mr D had been subletting his council flat for a while and residents had complained about the anti- social activities taking place. The Investigation Officer was able to trace a previous sub-tenant of the property who was willing to make a statement. Bank account statements belonging to the legal tenant were obtained. Transactions on these accounts linked him to a female who is the mother of his 3 children. These links also indicated that the tenant was residing with this woman, while she claimed benefit as a lone parent. The couple were both interviewed and admitted that they were living together. The tenant was served a NTQ and the flat recovered. The tenant will also face prosecution for subletting the flat and for claiming benefit at a property where he did not reside.

Mr R was investigated for failing to disclose capital in relation to his benefit claim. During the course of the investigation it was suspected that he did not reside in his council property.

Utility checks showed very little gas and electricity usage at his address. Also the contact number that he provided to other agencies belonged to his mother and whenever officers tried to see him, he refused to be visited at his home. Mr R was prosecuted for benefit fraud offences in November and his council property recovered.

**F) HB/CTB Fraud Overpayments**

2.25 The value of fraudulent housing benefit overpayments generated by the team for the third 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 3</b>
Rent Rebate	50,554.40
Rent Allowance	189,640.87
Council Tax Benefit	32,387.60
<b>Total</b>	<b>272,582.87</b>

2.27

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Year to date</b>
Rent Rebate	229,432.03
Rent Allowance	307,294.30
Council Tax Benefit	100,705.60
<b>Total</b>	<b>637,431.39</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 October to December.

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
Banking anomalies	6,403	-	6,403	Theft from cash banked via external company.
Banking anomalies	2,530	-	2,530	Theft from cash banked via external company.