



AUDIT COMMITTEE

24 April 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 2nd January 2013 to 28th March 2013.

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 Senior Investigator post in the Investigations team was filled as planned in March 2013. The Auditor (fraud) in the Audit Team left the team in March so a recruitment process offering a secondment opportunity has commenced and the closing date for applications is 9th April.
- 1.2 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. 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.
- 1.3 The Investigations Team has an income target of £51,740 at the end of March and £31,777 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 January to April

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 4 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 | 481 | 111 | 133 | 41 | 30 | 388 |
| HT | 83 | 16 | 3 | 10 | 5 | 81 |
| Corporate | 20 | 10 | 0 | 3 | 13 | 14 |
| TOTAL | 584 | 137 | 136 | 54 | 48 | 483 |

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 4 2012/13 | | | | |
|--|-------------------------|---------------------|-------------------------|----------------------|
| Number of Referrals/ Type | HB/CTB Referrals | HT Referrals | IA Fraud Reports | Overall Total |
| Anonymous | 40 | - | - | 40 |
| External Organisations / Members of the Public | 10 | 7 | 0 | 17 |
| Internal Departments Whistleblowers | 43 | - | 10 | 47 |
| Social Landlords (inc HiH) | 13 | 9 | - | 22 |
| Data Matching / Proactive initiative | 5 | - | - | 5 |
| Total | 111 | 16 | 4 | 131 |

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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 in the period.

2.6

| Referrals by Category | |
|------------------------------|----------------------------|
| Potential Fraud | Quarter 4 12/13 |
| Capital | 3 |
| Contrived Tenancy | 2 |
| Income from Other Sources | 5 |
| Living Together | 56 |
| Non-Dependant | 4 |
| Non-Resident/vacated | 12 |
| Other welfare benefits | - |
| Working | 16 |
| Non Commercial Tenancy | 1 |
| Other | - |
| Single Person Discount | - |
| Tenancy Fraud | 12 |
| Total | 111 |

2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports in the period.

2.8

| Reports by Category | |
|-------------------------------|----------------------------|
| Potential Fraud | Quarter 4 12/13 |
| PC – misuse and Abuse | 3 |
| Misuse of Council Time | 2 |
| Misuse of Council Asset | - |
| Misuse of Council Vehicle | 1 |
| Breach of Code of Conduct | - |
| Breach of Council Procedures | 2 |
| Falsification of Records | |
| Theft | 1 |
| Receipt of Bribe | - |
| Direct Payment Fraud | 1 |
| Safeguarding | - |
| Overcharging by Supplier | - |
| Fraudulent use of Credit Card | - |
| Overpayment Recovery | |
| Total | 10 |

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2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud referrals in the period.

2.10

| Referrals by Category | |
|--|----------------------------|
| Potential Fraud | Quarter 4 12/13 |
| Subletting | 5 |
| Not main/principal home | 10 |
| Obtained tenancy by deception | - |
| False claim for Succession | 1 |
| Fraudulent assignment | - |
| Fraudulent RTB | - |
| Unlawful Mutual Exchange | - |
| Fraudulent Housing Register Application | - |
| Fraudulent Homeless Application | - |
| Total | 16 |

C) Current Caseload

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

2.12

| Current Cases by Category | |
|----------------------------------|----------------------------------|
| Potential Fraud | As at end of Mar 2013 |
| Capital | 22 |
| Contrived Tenancy | 16 |
| Income from Other Sources | 22 |
| Living Together | 155 |
| Non-Dependant | 12 |
| Non-Resident/vacated | 55 |
| Other welfare benefits | - |
| Working | 46 |
| Non Commercial Tenancy | 3 |
| Other | 3 |
| Single Person Discount | 14 |
| Tenancy Fraud | 40 |
| Total | 388 |

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

2.14

| Current Cases by Category (non benefit) | |
|--|------------------------------|
| Potential Fraud | As at end of Dec 2012 |
| PC – misuse and Abuse | 4 |
| Misuse of Council Time | 2 |
| Misuse of Council Asset | - |
| Breach of Code of Conduct | - |
| Breach of Council Procedures | 4 |
| Misuse of Blue Badge | 1 |
| Accepting Bribe | 1 |
| Theft | 1 |
| Safeguarding | - |
| Direct Payments | 1 |
| Overpayment Recovery | - |
| Total | 14 |

D) Outcomes

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

2.16

| Successful Outcomes | | | |
|-----------------------------------|-------------------------------------|-----------------|---------------------|
| Sanction/ Offence Type | Administrative Penalties | Cautions | Prosecutions |
| Capital | 1 | | 1 |
| Working and Claiming | 1 | | |
| Contrived Tenancy | | | |
| Living Together | | | 1 |
| Income from other sources | 1 | 1 | |
| Vacated | 1 | 1 | |
| Other | | | 1 |
| Total | 3 | 2 | 3 |

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2.17 The following are successful benefit prosecution cases.

2.18 A member of the team appeared in an episode of the Saints & Scroungers TV series in February. The programme featured the case of an H&H tenant who obtained benefit as lone parent from 1992 to 2010 while she was actually living with her husband, a black cab driver. The fraudster was jailed for 15 months for claiming a total of £165,000 in benefit, of which £71,000 was Housing and Council Tax benefit.

A data match exercise showed undeclared capital in an account belonging to Miss H who was in receipt of Income Support and Housing & Council tax benefit. A joint investigation established that she had, in fact, received an inheritance from her father in excess of £81,000. Miss H had put some of this money in other accounts in an attempt to conceal it and continued to claim benefit. In spite of being aware of the investigation, Miss H continued to pursue her claim, insisting that the money belonged to her children. However, further enquiries established that she had placed £50,000 in a 5 year plan in her own name. As a result of this deception Miss H received a total of £50,145.12 in benefits and pleaded guilty at Court. She received a nine month custodial sentence, suspended for 2 years and was ordered to carry out unpaid work.

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

2.20

| Case Outcomes | |
|------------------------|--------------|
| Outcome | Qtr 4 |
| Management Action Plan | 8 |
| Contract ended | - |
| Resigned | 2 |
| Disciplinary | 1 |
| Insufficient Evidence | 1 |
| Prosecution | 2 |
| No case to answer | 1 |
| Refund received | - |
| Property Recovered | - |
| Cancelled | 1 |
| Total | 16 |

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

2.22

| Successful Outcomes (Note: Cases may have multiple outcomes) | |
|--|-----------------|
| Outcome Type | Q4 12-13 |
| Tenancy Relinquished voluntarily (keys handed in) | 4 |
| Property recovered via court action | - |
| Succession / assignment / Mutual Exchange prevented | 1 |
| RTB stopped | - |
| Homeless Duty discharged | - |
| Housing Register application withdrawn | - |
| Temporary accommodation withdrawn | - |
| Prosecution | 1 |
| Total | 6 |

E) Case Studies and Proactive Work

2.23 The 2012/2013 Internal Audit plan includes a Highways Inspection proactive audit review. A sample of 30 vehicle crossover applications that had not progressed to customer payment or Council construction was selected for testing.

Evidential checks and an admission by a resident identified one case of an illegal implementation of a vehicle crossover out of a sample of 30 applications. The residents preferred course of action is to pay the Council to have the vehicle crossover re-laid in the correct manner/specification following a re-quoted price by the Highways Section.

2.24 Following an Internal Audit investigation and admission of theft by a G4S Guard from three council services, and the subsequent recovery of approximately £9k, a pro-active audit review was undertaken to establish the banking internal checks and controls via the Council's contractor G4S.

A sample test of eighteen Council banking establishments identified the following:

- Four of the eighteen (22%) council banking establishments reported that the G4S Guard did not use a security box.
- Seven of the eighteen (39%) council banking establishments tested had G4S receipts missing.
- All eighteen (100%) banking establishments admitted to not checking or reconciling the G4S receipt to the bank bag serial numbers issued

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- Five of the eighteen (28%) banking establishments did not record the bank bag serial number as such no reconciliation of G4S receipts to bank bag serial numbers could be undertaken at the point of review.
- No fraud/theft was identified from the eighteen establishments tested.
- Following the proactive audit a “Keeping the Council’s Money Safe” Seminar was presented by Internal Audit and G4S and all Council banking establishments were issued with procedures and recommendations to ensure internal check and control is maintained.

2.25 On 1st March, as a result of subletting investigations, Mr H and Mr D pleaded guilty to claiming benefit at their respective council properties when they did not actually reside in them. Mr D has handed back the keys to his property and Mr H has been served a Notice to Quit.

2.26 Successful cases

Enquiries established that Miss G and her young daughter did not reside in her flat but actually lived with her father. An early morning visit was carried out and officers found the tenant’s mother at the property. She claimed to be just staying the night but there was no sign of a child living at the address. A few days later officers visited the tenant’s father and found the tenant there. They took her back to her flat which had been staged with children’s toys and possessions. In spite of Miss G’s complaint to H&H, the investigation officer continued with her enquiries, linking the child to her grandfather’s address. Miss G eventually handed back the keys to the property. She also accepted an administrative penalty for the benefit that she had received when she did not actually reside at the address.

2.27 Investigators carried out a visit with the police to an address in X Road. It was suspected that the tenant, Mrs M, had not been living there for a while. The property appeared unoccupied and vehicle checks linked the tenant to the X area. Enquiries with X Council established that Ms M’s children attended school in the X and that Mrs M was known to them as Mrs S! Further enquiries led the investigator to a holiday camp where Mrs S and her husband owned a caravan. Site records showed that the couple now resided in X and X Council confirmed that they also ran a shop there. Investigators visited the shop in X and served Mrs S with a letter calling her in for an interview under caution. Mrs S failed to attend the interview but handed the keys back to the property. Mrs S is still being pursued for benefit fraud offences.

2.28 An Old Ford tenant was successfully prosecuted in February for obtaining a property by deception when she actually owned her own home. The tenant originally obtained a Council property after declaring that her marriage had broken down and that she was a lone parent of two children. She later moved to an Old Ford property in X Way due to the redevelopment in the area and accepted a Homeless and Disturbance payment of £5,677.53 for the move. Following suspicions that the tenant did not live at the property, an investigation established that the tenant’s daughters attended a school in X and school records showed that they lived with their mother at an address in X. Further enquiries revealed that the tenant had owned the X property

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since 1999 and was living there while subletting the Old Ford property. The tenant was sentenced to nine months imprisonment, suspended for 18 months, ordered to carry out 200 hours of unpaid work and was given a 12 month supervision order with the probation service.

F) HB/CTB Fraud Overpayments

2.29 The value of fraudulent housing benefit overpayments generated by the team for the fourth quarter of the 2012/13 year to date are contained in table 2.30.

2.30

| Fraudulent Overpayment | | |
|-------------------------------|-------------------|---------------------|
| Type | Qtr 4 | Year to date |
| Rent Rebate | 67,346.90 | 296,778.93 |
| Rent Allowance | 205,932.74 | 513,227.04 |
| Council Tax Benefit | 47,997.53 | 148,702.59 |
| Total | 321,277.17 | 958,708.56 |

G) Savings and Losses

2.31 There are no savings or losses to report in this period.