



AUDIT COMMITTEE

26 September 2013

Subject Heading:

Fraud Progress Report

Report Author and contact details:

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Policy context:

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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 and special 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 1st April 2013 to 28th June 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 vacancy in the Internal Audit Fraud Team has been filled by a secondment from the Systems Audit Team. The investigations team permanent structure is fully resourced, in quarter one an additional resource funded by grant money and income was in place to assist in managing the caseload.
- 1.2 The forecast outturn for 2013/14 for the both teams 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 2013/14						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases Fraud not Proven	Cases Successful	Cases at end of period
HB/CTB	388	215	98	63	22*	420
HT	81	21	0	11	4	87
Corporate	14	17	0	5	11	15
TOTAL	483	253	98	79	37	522

* the figures in this table differ from the totals in 2.16 due to Housing cases that related in a benefit overpayment being identified but no Housing Benefit related sanction was given for this fraud.

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 2013/14				
Number of Referrals/ Type	HB/CTB Referrals	HT Referrals	IA Fraud Reports	Overall Total
Anonymous	101	-	-	101
External Organisations / Members of the Public	15	9	0	24
Internal Departments Whistleblowers	55	4	17	76
Social Landlords (inc HiH)	14	8	-	22
Data Matching / Proactive initiative	30	-	-	30
Total	215	21	17	253

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 1 13/14
Capital	5
Contrived Tenancy	8
Income from Other Sources	24
Living Together	81
Non-Dependant	15
Non-Resident/vacated	25
Other welfare benefits	1
Working	34
Non Commercial Tenancy	2
Other	4
Single Person Discount	-
Tenancy Fraud	16
Total	215

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 1 13/14
PC – misuse and Abuse	4
Misuse of Council Time	-
Misuse of Council Asset	-
Misuse of Council Vehicle	-
Breach of Code of Conduct	1
Breach of Council Procedures	10
Falsification of Records	-
Theft	1
Receipt of Bribe	-
Direct Payment Fraud	
Safeguarding	1
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	-
Total	17

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 1 13/14
Subletting	8
Not main/principal home	9
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	1
Fraudulent RTB	1
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	2
Fraudulent Homeless Application	-
Total	21

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 June 2013
Capital	21
Contrived Tenancy	20
Income from Other Sources	34
Living Together	153
Non-Dependant	17
Non-Resident/vacated	55
Other welfare benefits	1
Working	58
Non Commercial Tenancy	4
Other	3
Single Person Discount	11
Tenancy Fraud	43
Total	420

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 June 2013
PC – misuse and Abuse	4
Misuse of Council Time	-
Misuse of Council Asset	-
Breach of Code of Conduct	-
Breach of Council Procedures	8
Misuse of Blue Badge	-
Accepting Bribe	-
Theft	-
Safeguarding	-
Direct Payments	3
Overpayment Recovery	-
Total	15

D) Outcomes

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

2.16

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	1	-	2
Working & Claiming	-	2	-
Contrived Tenancy	-	-	3
Living Together	-	1	5
Income from other sources	-	-	-
Non Residence	1	-	4
Other			
Total	2	3	14

2.17 The case outcomes for the Internal Audit Fraud Team from April to June are detailed in table 2.18 below.

2.18

Case Outcomes	
Outcome	Qtr 1
Management Action Plan	8
Contract ended	-
Resigned	-
Disciplinary	3
Insufficient Evidence	2
Prosecution	-
No case to answer	3
Refund received	-
Property Recovered	-
Cancelled	1
Total	17

2.19 The case outcomes for the Housing investigations from April to June are detailed in table 2.20 below.

2.20

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Q1 13-14
Tenancy Relinquished voluntarily (keys handed in)	3
Property recovered via court action	1
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	1
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	-
Total	5

E) Case Studies and Proactive Work

2.21 The following are successful benefit prosecution cases a verbal update will be provided regarding a further case the details of which can not be put into the public domain.

2.22 A raid by the Investigation Team along with Police Officers led to the arrest of the claimant and her partner for cannabis cultivation as well as benefit fraud offences. Evidence had been obtained to show that Miss X was residing with her undeclared partner. During the search at the property, officers discovered that the electricity supply had been bypassed in order support the cultivation of cannabis plants. Miss X had, therefore, already been convicted of drug offences by the time she was sentenced at Court in June for benefit offences. She received an immediate custodial sentence of 12 weeks.

2.23 An investigation revealed that Mr Y had failed to declare his inheritance of £80,000 and continued to claim Housing and Council Tax Benefit. Even when the offence was proved to Mr Y, he remained reluctant to repay his overpayment of £22,000, preferring to repay in instalments. A financial investigation was opened to restrain Mr Y’s accounts. When Mr Y became aware of this at Court, Mr Y repaid the entire overpayment within two days. He also received a community order of 100 hours of unpaid work and ordered to pay costs £1,100 for failing to declare his true financial circumstances.

2.24 The following are successful housing cases a verbal update will be provided regarding a further case the details of which cannot be put into the public domain.

2.25 A council tenant received a custodial sentence as a result of not residing at his property and incurring a benefit overpayment of £14,000. A tenancy fraud enquiry established that Mr Z had been sub-letting his flat while residing with his partner and their children. At Court, the prosecuting solicitor advised the Magistrates that the tenant had been sub-letting the property

while receiving Housing Benefit and emphasised the Local Authority's stance of being unable to allocate this flat to a person in need as well as the cost of housing people in temporary accommodation. Mr Z received an immediate six week custodial sentence.

2.26 A sub-tenant, who had been residing in a council flat since 1996 handed back the keys in April following a raid by the Police and Investigation Officers. The original tenant, Mr C left the flat and moved to Wales in 1997 allowing his friend Mr M to stay on there. An enquiry established that Mr M had pretended to be Mr C when a tenancy audit took place. A credit search showed Mr M at the property although tenancy records still held Mr C at the address. During the raid, Mr M's property and correspondence was found at the flat including a letter from Mr M to the CAB where he claimed to be at the property illegally. He also admitted this in interview. Mr C was interviewed by officers from Flintshire in Wales. He admitted to leaving the property without notifying Havering Council or the utility companies and claimed to have told his friend to notify the Council that he would not be returning. A prosecution file has been prepared to deal with this case in Court.

2.27 The National Fraud Initiative (NFI) Single Person Discount (SPD) data match results are:

2.28 **SPD Housing Benefit & Non Housing Benefit to Electoral Roll**

Internal Audit issued 416 letters relating to Housing Benefit and Non Housing Benefit matching the Electoral Roll where Single Person Discount appeared to no longer apply.

325 of the 416 (78%) letters were responded to and returned allowing the Council to update their systems with the most relevant information.

320 of the letters were reviewed and 267 (84%) were proven as no longer eligible for the SPD discount applied. The expected Council Tax income is stated by the Council Tax Team as £94,460.88

2.29 **SPD Rising 18s**

Internal Audit issued 160 letters regarding people approaching and having reached the age of 18 listed as living at a property where SPD was claimed.

120 of the 160 (75%) letters were responded to and returned allowing the Council to update their systems with the most relevant information and amend the accounts accordingly.

Of the 120 letters returned to Internal Audit 32 (27%) were proven as no longer eligible for the SPD discount applied. The expected Council Tax income is stated by the Council Tax Team as £11,801.43.

2.30 In total the NFI SPD data match is expected to raise additional revenue of £106,262.31 not previously identified.

2.31 Tenancy Audit of Council houses on the Briar Road Estate took place on Friday 17th & Saturday 18th May. The audit covered 270 properties with follow up visits taking place in June. Preliminary enquiries have been made on 9 addresses although, to date, no properties have been recovered.

F) HB/CTB Fraud Overpayments

2.32 The value of fraudulent housing benefit overpayments generated by the team for the first quarter of the 2013/14 year to date are contained in table 2.33.

2.33

Fraudulent Overpayment		
Type	Qtr 1	Year to date
Rent Rebate	185,276.65	185,276.65
Rent Allowance	149,263.89	149,263.89
Council Tax Benefit	48396.67	48396.67
Total	382,937.21	382,937.21

G) Savings and Losses

2.34 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 1 April 2013 to 28 June 2013.

Definitions of terms in table 2.35:

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".

2.35

Case details	Savings identified	Losses Identified	Management to recover	Details
Mismanagement of contracts		£2,250.00		Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	£59,172.77		£59,172.77	Final invoice overcharge.
Mismanagement of contracts	£13,800.00		£13,800.00	Asbestos Removal Company and Asbestos Waste Remover unable to verify waste removal. Legal recovery.
NFI 2010/11	£11,801.43		£11,801.43	SPD to over 18s recovery
NFI 2010/11	£94,460.88		£94,460.88	SPD to Electoral Roll recovery
	£179,235.08	£2,250.00	£179,235.08	