



AUDIT COMMITTEE

3 December 2013

Subject Heading:

Fraud Progress Report

Report Author and contact details:

Kate Brunning: Internal Audit & Corporate Risk Manager
ext: 3733
email: kathleen.brunning@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 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 Internal Audit Corporate Fraud Team and the Benefit Investigations Team from 1st July 2013 to 30th September 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 DETAILS

1. CORPORATE FRAUD TEAM: UPDATE JULY TO SEPTEMBER 2013

1.1 Delivery of the Anti-Fraud and Corruption Strategy

- 1.1.1 Work has been delivered to further develop a fraud aware workforce through an on-going programme of training. During Quarter 2 training was provided to 4 teams of staff from Adult Services. The training was delivered to raise staff' awareness of the Council's zero tolerance to internet and timesheet abuse.
- 1.1.2 The Corporate Fraud team have also put in place a fraud and corruption e.learning programme that is provided by Meritec. A large number of other local authorities also purchase the Meritec e.learning programme which can be tailored to meet each authority's needs and contain actual cases of fraud. The e.learning training programme contains 7 modules and a test. The modules comprise:
1. What is Fraud and Corruption?
 2. What is the Council doing about it?
 3. Common types of Fraud
 4. Spotlight on Adult Social Care: Personal Budgets
 5. Spotlight on Money Laundering
 6. Spotlight on Single Person Discount on Council Tax
 7. What can you do about it?
- 1.1.3 60 employees from the Children, Adults and Housing, Public Health and Resources departments completed the fraud and corruption e.learning training programme during Quarter 2.
- 1.1.4 The corporate fraud team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.
- 1.1.5 The corporate fraud team also participates in the learning and sharing of best practice through the National Anti-Fraud Network and actively works with neighbouring boroughs to share learning and appropriate data.

1.2 Proactive Fraud Investigations

1.2.1 The Corporate Fraud Team's proactive fraud work comprises three elements:

- A programme of proactive fraud audit investigations;
- Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

1.2.2 The proactive work plan for 2013/14 is shown in the table in Appendix A. During Quarter 2 progress was made in three proactive investigations: staff expenses; the reemployment of staff previously made redundant or dismissed and grants made by the Authority.

1.2.3 The team's data matching work for the National Fraud Initiative (NFI) is on-going and it is anticipated that the results will be presented to the April 2014 Audit Committee.

1.3 Reactive Fraud Cases: July to October

1.3.1 The table below provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

Caseload Quarter 2 2013/14						
Team	Cases at start of period	Referrals received	Referrals rejected/overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	15	17	0	4	10	18

Key:

Referrals rejected/overloaded: DWP passported benefit referrals 'overloaded' to DWP for initial investigation as Income Support, JSA etc primary benefit
Cases of fraud not proven: Insufficient evidence of fraud obtained.

1.3.2 The table below provides information on the sources of fraud referrals to the Corporate Fraud team.

Source of Referrals & Fraud Reports Quarter 2 2013/14	
Number of Referrals/ Type	IA Fraud Reports Qtr 2
Anonymous Whistleblower	4
External Organisations / Members of the Public	0
Internal Departments	13
Total	17

1.3.3 The table overleaf shows the number and categories of the potential Corporate Fraud cases reported in the Quarter 2 period and the number of cases open at the end of the period.

Reports by Category		
Potential Fraud	New Cases Qtr 2	Current Cases end of Qtr 2
PC – Misuse and Abuse	3	4
Breach of Code of Conduct	2	1
Breach of Council Procedures	6	8
Misuse of Council Time	1	1
Direct Payments	3	3
Safeguarding	1	1
Overpayment of Pension	1	
Total	17	18

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

Case Outcomes	
Outcome	Qtr 2
Management Action Plan	9
Resigned	1
No case to answer	4
Total	14

1.3.5 The forecast outturn for 2013/14 for the team is within the allocated budget.

1.4 Savings and Losses

1.4.1 The investigations carried out by the Corporate Fraud team provide the Council with value for money through:

- The identification of monies lost through fraud and the recovery or part of all of these sums; and
- The identification of potential losses through fraud in cases where the loss was prevented.

1.4.2 The table in Appendix B shows the savings and losses identified in the Quarter 2, April 2013 to 28 June 2013.

1.5 Key Performance Indicators

1.5.1 Recipients of audit reports are requested to complete a post-audit satisfaction survey on completion of an audit and the issue of a final report. The survey enables report recipients to score the following elements of the audit process using a score of 1, very poor, to 5, very good:

- Audit Planning
- Quality of draft report
- Quality of final report
- Communication
- The auditor.

1.5.2 Four completed surveys for investigations carried out by the corporate fraud team were returned during the period April to September 2013. The results

received were: 24/25; 24/25; 23/25 and 23/25, indicating a high degree of satisfaction with the audit process.

- 1.5.3 Officers completing satisfaction surveys are also able to record comments and we are pleased to report that during the period we received a number of positive responses including, 'the knowledge of the auditors was very good' and, 'the audit procedures and professionalism has improved dramatically in recent years which is a credit to all staff.'

2. **BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JULY TO SEPTEMBER 2013**

- 2.1.1 The table below provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

Caseload Quarter 2 2013/14						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases of Fraud not Proven	Successful Cases	Cases at end of period
HB & CTS	420	171	55	70	24	442
HT	87	15	2	15	6	79
TOTAL	507	186	57	85	30	521

- 2.1.2 The table below provides information on the sources of fraud referrals made to the Housing Benefit, Council Tax and Housing Tenancy fraud sections during the period July to September 2013.

Source of Referrals & Fraud Reports Quarter 2 2013/14			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	43	-	43
External Organisations / Members of the Public	18	3	21
Internal Departments / Whistleblowers	26	4	30
Social Landlords (inc HiH)	23	8	31
Data Matching / Proactive initiative	61	-	61
Total	171	15	186

2.1.3 The table below shows the categories of the potential Housing Benefit and Council Tax Benefit fraud referrals in the period.

Referrals by Category	
Potential Fraud	Quarter 2 13/14
Capital	6
Income from Other Sources	65
Living Together	42
Non-Dependant	10
Non-Resident/vacated	13
Working	20
Non Commercial Tenancy	1
Other	1
Tenancy Fraud	13
Total	171

2.1.4 The table below shows the categories of the potential Housing Fraud referrals in the period.

Referrals by Category	
Potential Fraud	Qtr 2 13/14
Subletting	4
Not main/principal home	8
Fraudulent RTB	1
Fraudulent Housing Register Application	1
Other	1
Total	15

2.1.5 The table below shows the current benefit caseload by category.

Current Cases by Category	
Potential Fraud	As at end of September 2013
Capital	23
Contrived Tenancy	14
Income from Other Sources	71
Living Together	145
Non-Dependant	19
Non-Resident/vacated	56
Other welfare benefits	1
Working	56
Non Commercial Tenancy	5
Other	2
Single Person Discount	9
Tenancy Fraud	41
Total	442

2.1.6 The number and types of successful outcomes for cases completed by the benefits fraud team during the period July to September 2013 are summarised in the table below.

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	-	1	1
Working & Claiming	-	-	1
Living Together	3	2	2
Non Residence	3	-	-
Other	1	1	2
Total	7	4	6

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

Successful Outcomes	
(Note: Cases may have multiple outcomes)	
Outcome Type	Qtr2 13-14
Tenancy Relinquished voluntarily (keys handed in)	1
Property recovered via court action	2
RTB stopped	1
Housing Register application withdrawn	1
Prosecution	1
Total	6

2.2 Successful Benefit and Housing Cases

Details of three successful benefit prosecution cases are provided below.

- 2.2.1 Ms H was investigated following an anonymous tip off that she was in receipt of undeclared capital. Ms H had declared only one bank account that her benefits were paid into. However, enquiries revealed several accounts that she had failed to advise containing substantial sums of money including an inheritance. The total overpayment of benefit amounted to £24,291.91 and Ms H was prosecuted and received an 8 month suspended custodial sentence with a supervision order and 3 month curfew. Also, at Court, a POCA timetable was issued in order that the Financial Investigator can determine further capital and assets that Ms H may possess.
- 2.2.2 Mrs Z's property was visited by investigation officers after a data match exercise showed an undeclared person occupying the property. The door was opened by a male who Mrs Z claimed to be her brother. Further investigations established that Mrs Z had financial links to Mr Z regarding court orders and joint accounts registered at the claim address. These accounts showed that Mr Z had income from various sources. Further enquiries revealed that Mr Z was a sub-contractor and companies that he had worked for held the claim address as his main residence. A copy of Mr Z's passport was obtained and the officers were able to identify that this was the same person that they had seen answering the door. Both parties were interviewed and admitted that they had been living together since 2006. Mrs

Z was prosecuted and received 10 months imprisonment suspended for 18 months and ordered to carry out 150 hours of unpaid work.

- 2.2.3 Mr M was investigated for failing to declare his employment. Mr M denied working and told investigators that he was unable to work due to a back injury. He stated that he had “given” his bank account to his brother and that the income into the account was from work his brother had carried out. Further enquiries revealed that Mr M had, in fact, carried out the work and had also been using his own bank account. Mr M was called back in for a second interview under caution but failed to answer questions. At Court Mr M initially pleaded not guilty but changed his plea at the second hearing. He received a 26 week custodial sentence.

Details of three successful housing tenancy cases are detailed below.

- 2.2.4 Mr H was previously prosecuted in May for benefit fraud. He had received a suspended sentence after subletting his flat and accruing an overpayment of Housing & Council tax benefit. Although he had been served with a notice to quit, Mr H maintained that he had moved back into the property and failed to hand back the keys. The case was heard at County Court where evidence, obtained as a result of the tenancy fraud investigation, was heard. The Judge awarded an outright possession order and the flat was repossessed in July.
- 2.2.5 Miss M had been on the Council’s waiting list since 2009. When contacted by Housing Needs & Services department this year, she claimed to be homeless and that she was sleeping in her car and on friends’ sofas. Anonymous information however alleged that Miss M was actually residing with her partner in a permanent dwelling. An investigation identified various inconsistencies surrounding Miss M’s application as well as the location of her home. The property was visited and viewed by investigators who invited Miss M to attend an interview under caution. Miss M refused to attend and advised that she wished to withdraw her application.

2.3

- 2.3.1 A sub-tenant, who had been residing in a council flat since 1996 was prosecuted in September after pleading guilty to dishonestly obtaining services from Havering Council by falsely claiming to be the legal tenant. Mr M was charged under section 1(1) of the Theft Act 1978 as amended by the Fraud Act 2006. He also pleaded guilty to a second charge under the Forgery and Counterfeiting Act of making a false instrument to obtain a 25% discount on his Council Tax liability to which he was not entitled. Mr M was fined £500 for each offence and ordered to pay £550 towards prosecution costs and £120 victim surcharge.

2.3 HB/CTB Fraud Overpayments

2.3.1 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 below.

Fraudulent Overpayment		
Type	Qtr 2	Year to date
Rent Rebate	£105,947	£291,224
Rent Allowance	£141,781	£291,045
Council Tax Benefit	342,073	£90,470
Total	£289,801	£672,739

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.

Appendix A: Corporate Fraud Proactive Audit Plan 2013/14

Description	Risks	Plan days	Qtr 2 Status
Expenses	This includes, but is not limited to: false declarations of mileage; false documentation to support allowances; breaches of authorisation and payment procedures	30	In progress
Redundancy - Agency - reemployment	Dual analysis will be undertaken to ensure that the Council has complied with its current redundancy policy and to ensure that the Council's reputation is not at risk via re-employment with Beeline of officers previously dismissed.	0	In progress
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	In progress
Home Ownership	Review entitlement to RTB & records completed as per procedures	10	Began Oct 2013
Direct payments	Personalised budgets for the purchase of care; failing to declare capital and assets; care provision by contractors or a non-governmental organisation which are not for the benefit of the person being cared for.	10	Began Oct 2013
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	Scheduled for January 2014
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Scheduled for Jan/Feb 2014
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	Scheduled for March 2014
	TOTAL	120	

Appendix B: Savings, Losses and Potential Recoveries 2013/14

Case details	Qtr reported	Savings Identified	Losses Identified	Management to recover	Details
Theft from Council premises	Qtr 2		£1,272		Reported to Police. Risk assessment completed and procedures revised.
Mismanagement of contracts	Qtr 1		£2,250		Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	Qtr 1			£59,173	Final invoice overcharge.
Mismanagement of contracts	Qtr 1		£13,800		HIH asbestos removal contracts. Unable to verify asbestos removal. Company now in administration.
NFI 2010/11	Qtr 1			£11,801	SPD to over 18s recovery
NFI 2010/11	Qtr 1			£94,461	SPD to Electoral Roll recovery
TOTAL		£0	£3,522	£179,235	

Key:

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.

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

Management to recover: These are the actual sums of money potentially lost through fraud which management can take action to recover.

NFI: National Fraud Initiative

SPD: Single Person Discount