

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 November 2015**

Report of: **Head of Finance and Audit**

Subject: **COUNTER FRAUD PROGRESS REPORT**

SUMMARY

This report updates the Committee on the counter fraud work carried out in the last 6 month including the numbers and outcomes of fraud cases.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. This report provides an update of any actions taken in the last 6 months in support of our Anti-Fraud and Corruption Policy. It also includes details of the cases of fraud that have been investigated.

ACTIVITY SINCE THE LAST REPORT

Strategic Actions

2. **Phone App:** In October 2015, Fareham Council launched a Smartphone Counter Fraud App. In 2014 the government invited Local Authorities to bid for funds for innovative counter fraud activities. The London Borough of Bromley submitted a joint bid on behalf of any other authorities wishing to take part, in conjunction with INTEC, a leading fraud management software supplier. Fareham Borough Council joined this bid which was approved by DCLG earlier this year. The app enables customers to report all types of fraud to the Council in an easy, secure and (if they choose) anonymous way.
3. **Financial Investigator Powers:** The Council no longer has an Accredited Financial Investigator who can use the powers available under the Proceeds of Crime Act (POCA), which includes obtaining information from financial institutions and restraining funds which may be the result of criminal activity. We have therefore set up a nationally approved Memorandum of Understanding with Portsmouth City Council to provide this service to us.
4. This has already been used in an investigation into a Council Tax Support claim which involves numerous undeclared properties and money held in Australia and another case involving suspected capital or income from America. It is anticipated that any overpayments generated from either of these cases will be repaid in full using the POCA legislation.

Specific Areas of Fraud

5. **Council Tax Discount Fraud:** A discount review of Single Occupancy Discount is being conducted for the 2015 billing year. This discount entitles a householder to claim a 25% reduction off their Council Tax bill. There are 12,040 households with this discount to check and reviews have started on 7,915 (65%) of these to date. The discount has already been removed from 83 of these due to a change in the household. This has generated an extra £23,844 Council Tax liability to be billed and collected. In addition, penalties amounting to £490 have been issued for the 7 cases where the change had not been reported promptly to the Council.
6. **Housing Waiting List Fraud:** We have now reviewed the matches received from the National Fraud Initiative as part of the Waiting List fraud pilot exercise. We received 42 matches back from our list of 400 applicants. 9 updates have been made to the Waiting List as a result of the review including 2 households showing as "waiting for housing" who have now been removed as their circumstances had changed.
7. The Investigations Officer has also been conducting a data match exercise between people placed in the urgent, high and medium bands on the Waiting List against Benefit records. So far, this has highlighted a couple of discrepancies which have resulted in records being corrected but no withdrawals from the list.

8. On other case, an anonymous allegation was received and initially dealt with by the Investigations Officer resulting in a joint interview being conducted with Strategic Housing. This resulted in a change of household being reported for Housing Waiting List purposes.
9. **Right to Buy Fraud:** Nationally there has been an increase in the number of Right to Buy frauds being reported and it is estimated that 1% of applications outside London may be fraudulent. This is where someone has been dishonest in their application about their eligibility to buy a Council House and receive the discount, or does not conform to the terms of the purchase subsequently.
10. Fareham Borough Council has sold approximately 30 properties in the last 3 years under the scheme so there is some risk to us. There are also some welfare issues to be considered when a tenant presents themselves as a potential Right to Buy applicant. We are therefore looking into using investigation skills to strengthen our review of applications in line with best practice to help ensure that social housing is maintained for those that need it, and tenants are not being put in a vulnerable position as the result of buying their property. If successful, consideration may be given to working with local Housing Associations when the Right to Buy scheme is extended to them.

INVESTIGATION REFERRALS AND OUTCOMES

Benefits and Council Tax

11. Table 1 shows the investigation work that has been undertaken in the last 6 months in relation to Council Tax Support and Council Tax Discount fraud, and the benefits cases referred to the Department for Work & Pensions (DWP). These figures do not include the work that has been undertaken for the single occupancy discount review mentioned above.

Table 1 – Investigation cases raised and concluded April to September 2015

Number of new referrals received	Number of cases not pursued	Number of investigations Completed	Number of cases where abuse concluded
130 Total	6 FBC	73 FBC	30 by FBC
105 referred to DWP*	48 DWP	21 DWP	8 by DWP

* These are the cases which wholly or partly relate to benefit fraud. Where another fraud is also present FBC may also investigate that element.

12. It is worth noting that those cases concluded by investigators at the DWP relate to Housing Benefit investigations that they have investigated and FBC has been notified of the outcome. Some cases have been concluded but are awaiting prosecution action by the DWP.
13. 1 criminal sanction has been applied by FBC for a Council Tax Support case where abuse was concluded and 1 successful prosecution has been undertaken by FBC for a case that had already been transferred to the Council's Legal team before the migration of Housing Benefit cases to the DWP in October 2014. The DWP have also carried out a prosecution. Details of these prosecutions are detailed in [Appendix A](#).

14. As discussed above, the council are issuing penalties as a proportionate sanction for some abuse found. The levels raised in the last 6 months, along with the total value of abuse concluded, is summarised in Table 2. The value of abuse found includes Council Tax Support paid for which the claimant was not eligible, and Council Tax Liability not raised when it should have been.

Table 2– Penalties Raised April to September 2015

Overpayments of Council Tax Support	Value of Abuse found - Overpayments	Value of Penalties
24	£27,565	£1,680
Council Tax Liability discrepancy from investigations	Value of Abuse found - extra Council Tax liability raised	Value of Penalties
1	£365	£70
Council Tax Liability discrepancy from discount review	Value of abuse found - extra Council Tax liability raised	Value of Penalties
83	£23,844	£490
Total	Total	Total
108	£51,774	£2,240

Other Frauds

15. There have been 11 new suspicions of other types of fraud raised in the last 6 months, 8 of which have reached a conclusion, and 1 previous case has now been closed. The cases cover the following types of fraud:

Table 3 – Nature of Other Cases Raised and Concluded in the last 6 months

	Number of new referrals received in last 6 months	Number of Investigations completed	Number of Cases where Abuse Concluded	Value of Abuse £
Procurement fraud	3	3	2	£449
Housing fraud - tenancy	3	2	1	N/A
Housing fraud - waiting list	3	1	1	N/A
Banking - counterfeit notes	1	1	1	£40
Theft	1	1	1	£1698
Blue Badge	-	1	-	N/A
Total	11	9	6	£2,187

16. Whistleblowing

There were no cases of serious concern raised by an employee in the last 6 months and no employee has felt it necessary to raise concerns outside the organisation.

NATIONAL FRAUD INITIATIVE

17. The National Fraud Initiative (NFI) is a data matching exercise organised by the Cabinet Office. There have been 3 further releases of new matches over the last 6 months, the latest being in October. Table 4 shows the progress made on clearing all matches since the last report; the totals marked with a * have been increased for the new matches received.

Table 4- Progress Made on Clearance of NFI Matches

Year of Exercise	Subject of match	Number of matches received to review	Number of matches still to clear - last report	Number of matches still to clear - current
2014/15	Council Tax	610	582	414 (68%)
2014/15	Benefits	722*	404	391 (54%)
2014/15	Payroll	11	1	1 (9%)
2014/15	Housing Tenants	20*	4	8 (40%)
2014/15	Right to Buy	4	2	2 (50%)
2014/15	Insurance	1	1	0
2015/16	Council Tax Reduction	11	New	11 (100%)
2015/16	Housing Tenants / State Benefits	10	New	0

18. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 6 months. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix B](#).

Table 5 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		Nov 2014		June 2015		Nov 2015	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.	1	£2,713	8	£10,077		
	Undeclared pensions of adult at the property.	1	£2,158	2	£179		
Council Tax	Undeclared second adult living at property	30	£12,367	2	£1,730	1	£651
	Child at property reaching 18 and not declared	1	£375	1	£637		
Residents Permit*	Non return of permit of deceased holder			1	£0		
Creditors*	Duplicate payment of invoice not repaid until requested			1	£4,200		
TOTAL		33	£17,613	15	£16,823	1	£651

**It should be noted that although these are classified as frauds for the purposes of NFI, in most cases there may not have been a criminal intent involved.*

USE OF LEGAL POWERS

21. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2015 and 30 September 2015 as summarised in [Appendix C](#).
22. There have been 21 uses of Authorised Officer powers during investigations in the last 6 months. They are all related to powers granted under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013. The powers allow information to be requested from a prescribed list of institutions such as banks and utilities and allow the investigator to request information from employers.

RISK ASSESSMENT

23. There are no significant risk considerations in relation to this report

Background Papers: None

Reference Papers: None

Enquiries:

For further information on this report please contact Elaine Hammell (Ext 4344) or Andrea Kingston (Ext 4618).

Appendix A

Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment	Progress on Recovering Repayment	Sentence (All found guilty)	Fine/Costs
2999	Housing Benefit, Council Tax Benefit & Council Tax support	Undeclared capital	£34,017	Full value has been repaid.	Custodial 1 year	Nil
16192	Housing Benefit (prosecuted by DWP)	Failure to declare change in circumstances	£5,474	Paying back in instalments. £750 repaid to date.	12 month Conditional discharge	£15 victim surcharge

Appendix B

Cumulative Findings from National Fraud Initiative Exercises

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	Value of Fraud cases	No. of Errors found	Value of Errors
2015/16	Waiting List	42			7	£0
2014/15+2015/16	Full Exercise	994	12	£14,456	13	£0
2014/15	Council Tax	610	1	£651		
2014/15	Student Loans	19	1	£1,258		
2013/14	Council Tax	553	34	£13,774	4	£1,334
2012/13	Full Exercise	1,333	13	£34,838	14	£14,724
2011/12	Council Tax	484	21	£12,264	2	£770
2010/11	Full Exercise	1,760	335[#]	£26,356	13	Not split out
2009/10	Council Tax	1,424	43	£18,648		
2008/09	Full Exercise	1,779	212[#]	£54,978	3	Not split out
2008/09	Council Tax	747	130	£87,920	3	Not split out

*Compilation of the results of NFI started to be compiled in this way in 2008/09. Those exercises in bold have been completed so there will be no further findings.

Included match of concessionary travel permits against deceased database with no monetary value used.

Appendix C

Authorisations for use of RIPA (April 15 to September 15)

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
1-2015 /16	17/06/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Not living at property	Surveillance	23/06/15	90	Evidence obtained that crime or disorder MAY BE occurring
2-2015 /16	31/07/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Undeclared partner	Surveillance	04/08/15	55	Evidence obtained that crime or disorder MAY BE occurring