

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 25 September 2017

Report of: Head of Finance and Audit

Subject: Counter Fraud Progress

SUMMARY

This report summarises the counter fraud work carried out in 2016/17 including the numbers and outcomes of fraud cases.

RECOMMENDATIONS

It is recommended that the Committee notes the content of the report.

INTRODUCTION

1. This report provides an update of any actions taken in the last 12 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. **Fraud Awareness Campaign:** We undertook 2 campaigns last year: the first campaign spanning the first 2 weeks in July 2016 and the second campaign during International Fraud Awareness week in November 2016. The campaigns included using the Council Connect station in the shopping centre, posters placed around the borough on the Council's notice boards and an article in Fareham Today. This focussed on all types of fraud that can occur within the Council.
3. The second campaign was more proactive in the community and involved visiting libraries around the borough and Holly Hill Leisure Centre. The focus was on benefit fraud and tenancy fraud.
4. The campaigns raised fraud awareness within the community as well as officers within the Council as referrals received during the campaign period were double the number received during the same time the previous year. As a result we have made around £2,000 of Council Tax savings.
5. **Investigation qualification:** Two members of staff have commenced studying for the Accredited Counter Fraud Specialist qualification which will be completed in September 2017. This qualification ensures that staff are suitably trained and qualified to carry out the full range of duties required in an investigation in a professional and legal manner. This will bring the number of employees in the Council who are qualified to carry out fraud investigations up to 4. The previous qualification (PINS-Professionalism in Security) awarded by the Department for Work & Pensions is no longer recognised as a suitable qualification for the types of fraud Local Authorities now investigate.

Specific Areas of Fraud

6. **Right to Buy Pilot Update:** In 2016/17, 34 Right To Buy applications were received and each one has been checked, and visited where appropriate, to ensure that the application is correct, the tenant is entitled to buy their home and there are no money laundering concerns. 2 applications required further investigation. One application was refused saving the council the discount of £66,500. The other application, after seeking extensive legal advice, has had to be approved.
7. **Solent Breezes Caravan Park:** A low key visiting exercise by the Investigations Officer has commenced, during which many caravans at Solent Breezes Caravan Park not registered for Council Tax have already been identified. Once this exercise has been completed, all non-registered caravans will be created on the Council Tax database and Council Tax liabilities created. Not only will this increase the Council Tax base, but as new properties on the base, New Homes Bonus will be generated. Details of the New Homes Bonus generated by this exercise will not be known until this exercise is completed so will be reported in next year's report.

8. **Tenancy Audits:** Another proactive exercise, which commenced in January 2017, is being undertaken by the Investigations Officer by conducting Tenancy Audits, ensuring the correct tenants are actually living in our properties as well as ensuring properties are in a good state of repair. Our target audience are currently those from whom we have had no contact for many years and are paying their rent on time. We are balancing this workload with the reactive work undertaken by the Investigations Officer.
9. Protecting the English Public Purse 2016 highlights that Social Housing fraud is one of the largest areas of fraud in Councils. In 2015/16 2,700 investigations were carried out nationally finding an estimated value of fraud totalling £50m. It is therefore considered good practice to conduct these tenancy checks to identify any illegal subletting and non-residency/abandonment.
10. **Homelessness Fraud:** We are now actively reporting on homelessness cases where during the extensive vetting and checking process carried out by Housing Options Officers, the homelessness has been deemed misrepresented and the application turned down.

INVESTIGATION REFERRALS AND OUTCOMES

11. The information provided in [Appendix C](#) shows the number of fraud cases investigated in 2016/17, and the information required to be published on our website in accordance with the Transparency Code. There were a total of 1889 cases investigated, leading to 159 cases of fraud or irregularity being found. These amounted to a total value of £368,214. The largest area of fraud was Council Tax Reduction with a total of 59 cases of fraud valued at £37,257. Benefits and council tax frauds totalling £154,167 were also found as a result of investigating these cases.

Whistleblowing

12. There was 1 concern raised by an employee through the whistleblowing process in 2016/17. This was investigated but the allegation was found not to be substantiated. No employee has felt it necessary to raise concerns outside the organisation.

Sanctions

13. The Department of Works and Pensions prosecuted two Housing Benefit cases in 2016/17 and 9 administrative penalties totalling £10,897 were levied. There have been no criminal sanctions brought against any investigation into Council Tax, although civil penalties have been applied.

Table 1 – Penalties raised 1 April 2016 to 31 March 2017 (Council Tax Billing Year)

Penalties raised for overpayments of Council Tax Support	Value of overpayments
48 Civil Penalties (£3,360) 1 Administrative Penalty (£1,038)	£28,181
Penalties raised for Council Tax Investigations	Value of Council Tax Liability
8 (£560)	£3,054

14. One Housing Association property has been recovered because of a Tenancy fraud investigation concerning non-residency and subletting. Criminal charges were not brought against the tenant as the keys were handed back in within the notice to quit period.

Interesting Cases

15. **Benefit and Council Tax Fraud - Residency in America:** This case was highlighted by the Housing Team as they were concerned about a tenant's extensive travels to America. This had previously been investigated for Housing Benefit purposes some years before but the tenant had only received a warning.
16. Using the services of a Financial Investigator from Portsmouth City Council, it was established that the travelling to America was more extensive than first thought and that the tenant spent more time there than his principal sheltered accommodation home here in Fareham. Further extensive enquiries found ownership of a large 4-bedroom house with an outdoor pool in Las Vegas and purchases of new cars. Later enquiries also found that the tenant received a comfortable pension in America, none of which was declared to Fareham Borough Council or the Department for Work & Pensions.
17. Due to the seriousness of the investigation and the indicated overpayments of Benefits, the help of Fareham Police was enlisted and the tenant was arrested at his home, the day after returning from Las Vegas in September 2016. An extensive search of his property was carried out and various items seized from the property for scrutiny, examples being several mobile phones, several wallets, a substantial amount of cash in both English and American currency and documents relating to America.
18. A formal interview was conducted at Portsmouth City Police station but upon legal advice, the tenant declined to answer any questions. The tenant's passport was retained and he was bailed to appear again at the police station in December 2016, to enable officers to continue their enquiries and gather evidence from America.
19. Unfortunately, the tenant quickly became unwell and refused several hospital treatments as well as refusing to be taken into hospital. The tenant died in December 2016, just a couple of days before being due to be interviewed again.
20. By this time, a decision had been made regarding his Benefits and the following overpayments had been calculated:

Housing Benefit	£31,730
Council Tax Benefit	£3,970
Council Tax Support	£3,579
Pension Credit	£36,034
Job Seekers Allowance	£4,711
Total overpayments	£80,024

21. It was our intention that recovery of his sheltered housing commence and the tenant also be prosecuted and the Proceeds of Crime Act 2002 used to recover the overpayments. However, it transpired that the tenant was in arrears with his mortgage in Las Vegas and after taxes it was unlikely that we would receive much. Considering that we have no jurisdiction in America, we would have had to employ an American company to act for us. It was therefore concluded not cost effective to pursue further.
22. **Benefit and Council Tax Fraud - Living Together:** A routine visit was undertaken by the Investigations Team in September 2015 when a Single Occupancy discount review form for Council Tax had not been returned.

23. Upon visiting the property early on a Monday morning, a works vehicle was noted as being on the drive and had clearly been there all night due to the weather conditions. An investigation commenced into a suspected Living Together situation and sufficient credible information was obtained to decide that surveillance was a suitable option to follow. Surveillance concluded that the alleged partner was living at the address as his main home.
24. By this time, the tenant had approached the Housing Options team claiming to be a single parent on Benefits facing homelessness as she had been given a notice to quit her property. The investigations Team needed to act quickly before this progressed and an interview under caution was arranged to take place end of May 2016. This was rearranged as her baby was due to be born so it was agreed to postpone the interview until the first week in June 2016. This was again cancelled as information given that the tenant had been admitted to hospital. Another interview was then arranged for mid-June which took place.
25. The tenant denied that her partner was living with her despite all the evidence placed to her. However, a Living Together decision was reached in October 2016 by Fareham Borough Council and the following overpayments of Benefits calculated:

Housing Benefit	£13,817
Council Tax Support	£780
Council Tax Liability	£702 (incorrectly claimed Single Occupancy Discount)
Total overpayments	£15,299

Two civil penalties were issued by the Council, one for the incorrect claiming of Single Occupancy Discount and the other for the overpayment of Council Tax Support. The overpayment of Housing Benefit has been referred to the Department of Works and Pensions for the appropriate action to be taken. We are still waiting to hear if prosecution has been accepted by the Crown Prosecution Service.

26. **Tenancy and Council Tax Fraud – Non Residency and Undeclared Non Dependents:** This referral was received indirectly from Hampshire Police in November 2015, after Police were called to the tenant's property to deal with the offending occupants, who were not the registered tenants. After a conversation with the Housing Association, an announced tenancy audit was undertaken by them during which the tenant was present along with her adult daughter. The Council were unaware of her daughter living there and an overpayment of Housing Benefit was calculated. The property was not checked during this visit and only the lounge was seen.
27. The Investigations Team felt that this was not sufficient action particularly as information from the daughter's Facebook account suggested that the second bedroom was being rented out. Therefore an investigation of non-residency and illegal subletting commenced.
28. Evidence was collated and formal interview prepared to take place in conjunction with a Housing Officer from the Housing Association. The interview was conducted on 06/06/2016. Throughout the interview the tenant maintained she lived at her Housing Association property, despite being shown evidence to the contrary. As the Housing Association were satisfied with the evidence collated throughout the investigation, a notice to vacate was issued to the tenant.

29. A Living Together and non-residency decision was made by the Benefits Team and an overpayment of Housing Benefit of £3,708 was calculated. The keys to the property in question were returned to the Council Offices in July 2016.
30. The effect of this was a couple from temporary accommodation were then allocated this property and so someone in immediate need was able to be homed. This also saved the Council on-going B&B costs.

NATIONAL FRAUD INITIATIVE

31. The National Fraud Initiative (NFI) is a data matching exercise organised by the Cabinet Office. All data sets requested since the last report have been submitted on time. There have been 12 further releases of new matches since the last report, 5 of which fall in the 2017/18 financial year so will be included in next year's report. These figures include a number of additional cases added to previous matches.
32. Table 2 shows the progress made on clearing all matches since the last report.

Table 2 - Progress Made on Clearance of NFI Matches

Date of Matches	Subject of match	Number of matches received to review	Number of matches still to clear - last report	Number of matches still to clear - current
Remaining matches from 2014/15 exercise (Jan 2015)	Benefits	779	2	0
	Payroll	11	1	0
	Housing Tenants	20	8	8 (40%)
	Right to Buy	4	2	2 (50%)
2015/16	Council Tax Reduction	11	10	1 (9%)
Dec 2014	Council Tax	610	398	398 (65%)
Dec 2015	Council Tax	464	456	3 (1%)
Dec 2016	Council Tax	669	NEW	43 (10%)
2016/17 2-yearly main exercise (Received Jan 2017)	Benefits	447	NEW	260 (58%)
	Payroll	13	NEW	0
	Housing Tenants	173	NEW	163 (97%)
	Right to Buy	4	NEW	2 (50%)
	Creditors	339	NEW	286 (84%)
	Council Tax Reduction	487	NEW	354 (73%)
	Waiting List	110	NEW	110 (100%)

33. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 12 months. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix A](#).

Table 3 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		Sept 2017		Jun 2016		Nov 2015	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.			1	£1,445		
Council Tax Reduction	Undeclared earnings of adult at the property.	1	£382				
Council Tax	Undeclared second adult living at property	14	£20,341	5	£2,498	1	£651
TOTAL		15	£20,723	6	£3,943	1	£651

USE OF LEGAL POWERS

34. There are a number of safeguards in the Council processes to make sure that fraud investigation powers are only used when legal, proportionate and necessary. These include:

- (a) All RIPA applications are required to be authorised by a trained designated officer in the Council.
- (b) All RIPA authorisations are presented to a magistrate for approval.
- (c) All RIPA applications for communications data are also submitted to the National Anti-Fraud Network (NAFN) where they are reviewed and authorised by a NAFN officer before the request for information is issued
- (d) All approved RIPA authorisations are logged on a central register which flags up when they expire. A formal cancellation form is completed for every application.
- (e) The Council is required to complete annual returns on the use of the RIPA powers and is subject to an inspection every 3 years from the Office of the Surveillance Commissioner (OSC), which includes an in depth review of our applications. The last inspection in 2014 concluded that 'high standards are maintained'.

The National Anti-Fraud Network (NAFN) is subject to an annual inspection of the Interception of Communications Commissioner's Office (IOCCO), which may cover applications made by Fareham Borough Council depending on the sample they select to test.

It should be noted that as of 1 September 2017 the judicial oversight of all the use of covert surveillance by public authorities will now fall under the responsibility of the Investigatory Powers Commissioner's Office (IPCO).

- (f) Most Authorised Officer powers are also executed via application to the National Anti-Fraud Network (NAFN). They are reviewed and authorised by a NAFN officer before the request for information is issued.

35. We also report every year to this committee how many times we use these powers, as follows. There have been 6 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2016 and 31 March 2017. These were all for Surveillance. The details of the applications are given in [Appendix B](#).

36. There have been 101 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. 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.

Table 4 – Use of Authorised Officer Powers

Authorised Officer powers used 1 April 2016 and 31 March 2017		
Council Tax Reduction Regulations	Prevention of Social Housing Fraud Act	Data Protection Act exemption 29 (1)
51	3	47

RISK ASSESSMENT

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

Appendices

Appendix A – Cumulative Findings from National Fraud Imitative Exercises

Appendix B - Authorisations for use of RIPA powers

Appendix C - Annual Fraud Case Figures 2016/17

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Jenny Moses (Ext 4333) or Andrea Kingston (Ext 4618).

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
2016/17	Council Tax	669	13	£7,941	5	£0
2016/17	Full Exercise	1573	1	£382	7	£2,988
2015/16	Waiting List	42	0	0	7	£0
2014/15	Full Exercise	994	13	£15,901	12	£0
2014/15+2015/16	Council Tax	1,054	34	£15,549	28	Not split out
2014/15	Student Loans	19	1	£1,258	0	0
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.

Authorisations for use of RIPA (April 16 to March 17)

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	07/06/2016	Head of Housing, Revenues and Benefits	Benefits and Council Tax Reduction claims - Undeclared living together	Surveillance	14/06/16	91	Evidence obtained that crime or Disorder MAY BE occurring
2	08/06/2016	Head of Housing, Revenues and Benefits	Benefits and Council Tax Reduction claims Council Tax Discount - Undeclared living together	Surveillance	14/06/16	36	Evidence obtained that NO crime or disorder occurring
3	15/06/2016	Head of Housing, Revenues and Benefits	Housing Fraud Benefits and Council Tax Reduction claims - Non residency in property	Surveillance	21/06/16	21	Evidence obtained that crime or Disorder MAY BE occurring
4	14/09/2016	Head of Housing, Revenues and Benefits	Housing Fraud Right To Buy Fraud Benefits and Council Tax Reduction claims - Non residency in property - Illegal subletting	Surveillance	20/09/16	30	Evidence obtained that crime or Disorder MAY BE occurring
5	10/01/2017	Head of Housing, Revenues and Benefits	Benefits and Council Tax Reduction claims Council Tax Discount - Undeclared living together	Surveillance	10/01/17	15	Evidence obtained that crime or Disorder MAY BE occurring
6	13/02/2017	Head of Housing, Revenues and Benefits	Benefits and Council Tax Reduction claims Council Tax Discount - Undeclared living together	Surveillance	21/02/17	59	Evidence obtained that crime or Disorder MAY BE occurring

Annual Fraud Case Figures 2016/17

	2016/17			2015/16		
	Number of Fraud Cases			Number of Fraud Cases		
Type of Fraud	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	352	53	£233,772	588	29	£91,920
Council Tax Reduction	274	59	£37,257	133	47	£42,608
Council Tax	1,118	31	£26,051	12,272	127	£45,619
Housing	67	6	£69,613	140	1	-
Other	-	-	-	1	1	£449
TOTAL	1,811	149	£366,693	13,134	205	£180,596
	Number of Cases			Number of Cases		
Type of Irregularity	Investigated	Abuse Concluded	Value	Investigated	Abuse Concluded	Value
Employee and Payroll	19	5	£29	6	4	-
Banking	2	2	£1,209	1	1	£40
Procurement - Payments	54	1	£117	3	2	-
Permits and Passes	1	1	£166	-	0	-
Other	2	1	-	5	5	£2,598
	78	10	£1,521	15	12	£2,638
Values Recovered and Other Sanctions						
Benefits Fraud overpayments recovered			£60,428			£39,491
Other amounts recovered incl insurance pay-out			£1,492			£2,388
Court costs and Surcharges awarded			£1,441			£4,435
Administrative Penalties levied			£11,934			£0
Civil Penalties Issued			£3,920			£3,780
Housing properties recovered / prevented (new)			4			NR