

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **29 June 2015**

Report of: **Director of Finance and Resources**

Subject: **COUNTER FRAUD PROGRESS**

SUMMARY

This report updates the Committee on counter fraud strategy work carried out in the last 6 months. It also provides information on the numbers and outcomes of fraud cases investigated in the last 6 months.

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. **Counter Fraud Fund Bid:** It was noted in the last report that a bid for funding was submitted by the Council in partnership with 5 other Hampshire Councils and 2 Housing Associations to fund further investigation resource and improve our ability to use internal and external data matching to detect potential cases of fraud. However, the response rate for this opportunity was high across the country and we were not successful in our application.

Specific Areas of Fraud

3. **Council Tax Support Fraud:** Council Tax Support is a means tested local discount to assist people, who are on a low income, to pay their Council Tax.
4. Previously, Fareham Council's Benefit Section was able to prosecute most Council Tax Support frauds as this would be prosecuted alongside Housing Benefit and retrospective Council Tax Benefit (which ceased on 31 March 2013). However, since 1 October 2014 the investigation of Housing Benefit has been transferred to the Department for Work and Pensions (DWP) under the Government's welfare reforms and as a result of this, most Council Tax Support frauds identified are of a significantly lower value so are not in the public interest to prosecute or offer an alternative sanction.
5. However, Regulations 12 & 13 of the Council Tax Reduction Schemes (Detection of Fraud & Enforcement) Regulations 2013 enable a billing authority to impose a £70 civil penalty where a person negligently makes an incorrect statement in connection with an application for a reduction under a council tax reduction scheme or where a person fails to notify a change of circumstances when required to do so under a scheme. The penalty can be applied each time an offence is committed.
6. This penalty is payable to the billing authority and is added to the Council Tax bill and recovered alongside the normal Council Tax liability. The penalty amount is retained by the billing authority and is not distributed amongst the other billing precepts.
7. Since February 2015 we have therefore been using these civil penalties to act as a sanction for this type of fraud. The levels of penalties being given are now being included in the investigation section of this report below.
8. **Council Tax Discount Fraud:** In June 2014 members were advised of a pilot exercise that had been undertaken in the 2013 billing year, where credit reference agency data was used to identify cases where a change in circumstances relating to household occupancy had either been notified late or not notified at all.
9. The pilot proved to be very successful, resulting in £66,940 extra Council Tax liability being billed to 192 of the 13,536 householders that had been sent a review form and

£7,140 worth of civil penalties were issued.

10. In the 2014 billing year a bulk review exercise was not conducted but still 27 households received a penalty of £70 for either failing to notify a change in their circumstances within the required timescale or attempting to avoid their liability altogether. This has generated extra Council Tax liability of £12,723 and £1,890 worth of civil penalties were issued.
11. For the 2015 billing year a discount review for Single Occupancy discount is again being conducted and it is expected that the issuing of penalties will increase as more discrepancies of households claiming a discount will again be identified.
12. **Waiting List Fraud:** The Council is taking part in a free pilot being run by the National Fraud Initiative using their data matching tool to identify potential housing waiting list applicants who have misrepresented their circumstances. We have received 27 matches back, from the list of 400 applicants submitted. These are currently being reviewed by the housing team. A further 13 matches were received from a match of the data to our Benefits system. The latter have been reviewed and no issues were found.
13. **Blue Badge Fraud:** Hampshire County Council and Portsmouth City Council carried out a proactive enforcement action across Hampshire for 4 days in March 2015. It is understood that 1 day was spent in the Fareham/Havant area and 180 blue badges were inspected. 8 blue badges were confiscated on the basis that they were being misused or had expired. 5 of these related to Fareham residents. A proactive exercise is also being planned by the Fareham Borough Council parking team.
14. **Procurement Fraud:** There was an attempted bank mandate fraud in April which was successfully intercepted by finance officers before any payments were made. This involves a fraudster pretending to be a supplier and asking the Council to change the bank account details we hold for them so that the next payments made go to the fraudster's account. This would have been a payment for £178,000 if the fraud had not been intercepted.

INVESTIGATION REFERRALS AND OUTCOMES

Benefits and Council Tax

15. The information provided in Table 1 shows the number of fraud cases (Housing Benefits and Council Tax Support [CTS]) completed in the first half of the year, as reported to the Committee in November. During this period work was undertaken by benefits investigators employed at Fareham Borough Council. The value of the abuse relates to benefits paid that shouldn't have been, and Council Tax Reductions that were not due.

Table 1 –Benefit cases raised and concluded April - Sept 2014

Number of New referrals received	Number of Investigations Completed	Number of Cases where Abuse Concluded	Value of Abuse
287	237	67	£90,740

16. From October 2014 the benefits investigators transferred to the DWP and cases of Housing Benefit fraud are investigated by them. Table 2 shows the work that has been undertaken for the latter 6 months of 2014/15 in relation to cases of Housing Benefits,

Council Tax Support and Council Tax Discount fraud. The value of abuse found includes Housing Benefit and Council Tax Support paid for which the claimant was not eligible, and Council Tax Liability not raised when it should have been.

Table 2 – Investigation cases raised and concluded October 2014- March 2015

Number of New referrals received	Number of Investigations Completed	Number of Cases where Abuse Concluded	Value of Abuse
195 (124 referred to DWP)	105 (15 closed by DWP)	25 (5 concluded by DWP)	£27,482

17. It is worth noting that the cases not referred to the DWP are being investigated by the new Investigations Officer post at FBC. This was filled in December 2014 and work commenced in January 2015 after a period of training. These figures therefore only cover 3 months of FBC investigations activity.
18. 7 sanctions were applied by FBC for Housing Benefit cases where abuse was concluded, 5 of which were prosecutions accepted by FBC's legal team before the migration of Housing Benefit investigations to DWP. The details of the cases prosecuted are summarised in Appendix A.
19. As discussed above, penalties are being issued as a proportionate sanction for some abuse found. The levels raised in the last 6 months is summarised in Table 3.

Table 3 – Penalties raised October 2014 to March 2015

Penalties raised for Council Tax Liability discrepancy (£70)	Value of extra Council Tax liability raised	Penalties raised for overpayments of Council Tax Support (£70)	Value of overpayments
27	£12,723	5	£4,672

Other Frauds

20. There has been 1 new suspicion of another type of fraud raised in the last 6 months, and 2 previous cases have now been closed. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises. The cases cover the following types of fraud and may be dealt with by various teams in the Council:

Table 4 – 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 £
Housing Fraud	0	2	0	NA
Blue Badge Fraud	1	0	0	NA
Total	1	2	0	

21. 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

22. 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.

23. There have been 4 releases of new matches (some with multiple sets) over the last 6 months, the latest being in April. Table 5 shows the progress made on clearing all matches since the last report. It should be noted that the 5 remaining benefits matches from the 2012/13 exercise are all open investigations, which have been passed to the DWP.

Table 5 - 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
2012/13	Benefits	1076	6	5 (1%)
2013/14	Council Tax	553	13	0
2014/15	Council Tax	610	New	582 (95%)
2014/15	Benefits	715	New	404 (57%)
2014/15	Payroll	11	New	1 (9%)
2014/15	Housing Tenants	16	New	4 (25%)
2014/15	Right to Buy	4	New	2 (50%)
2014/15	Residents Permits	1	New	0
2014/15	Insurance	1	New	1 (100%)
2014/15	Creditors	214	New	0

24. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 6 months. A summary of how much fraud and error has been identified from each NFI exercise is provided in Appendix B, as requested by members.

Table 5 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		June 2014		Nov 2014		June 2015	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.	6	£27,297	1	£2,713	7	£10,670
	Undeclared pensions of adult at the property.	1	£945	1	£2,158	2	£179
	Undeclared student loan of adult at the property.	2	£2,613				
Council Tax	Undeclared second adult living at property	13	£8,117	30	£12,367	2	£1,730
	Child at property reaching 18 and not declared			1	£375	1	£637
Residents Permit*	Non return of permit from deceased holder					1	£0
Creditors*	Duplicate payment of invoice not repaid until requested					1	£4,200
TOTAL		22	£38,672	33	£17,613	14	£17,416

*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

27. There have been no authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 October 2014 and 31 March 2015.
28. There have been 25 uses of Authorised Officer powers during investigations in the last 6 months. They 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 to allow the investigator to request information from employers.

ANNUAL FRAUD CASE FIGURES

29. The annual fraud and irregularity case figures compiled for 2014/15 are included in Appendix C. These show additional detail to the figures published on our website as required by the Transparency Code.

RISK ASSESSMENT

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

CONCLUSION

31. Work continues to be carried out in accordance with the Council's Anti-Fraud and Corruption Policy. Fraud referrals for investigation continue to be received and handled by the relevant investigation teams.

Appendices

Appendix A - Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Appendix B – Cumulative Findings from National Fraud Initiative Exercises

Appendix C - Annual Fraud Case Figures 2014/15

Background Papers: None

Reference Papers: None

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

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	Sentence (All found guilty)	Fine/Costs
18659	Housing Benefit Council Tax Support	Living together and failure to declare a change in income	£10,918 £325	12 month Community Order, 60 hours unpaid work	£285 costs £60 Victim Surcharge
13395	Housing Benefit	False representation to claim Housing Benefit	£6,599	3 months Community Order with 3 months curfew	£150 cost £60 Victim Surcharge
20987	Housing Benefit	Failure to declare a change in circumstances	£5,763	18 month conditional discharge	£100 costs £15 Victim Surcharge
20725	Housing Benefit Council Tax Benefit Council Tax Support	Failure to declare a change in circumstances	£3,581 £414 £21	2 Year conditional discharge	£275 costs £15 Victim Surcharge
8216	Housing Benefit Council Tax Benefit Council Tax Support	Failure to declare a change in circumstances	£2,907 £188 £502	12 month conditional discharge	£100 costs £15 Victim Surcharge

In addition to the sentence and costs awarded at court, the value of the overpayments are actively recovered by the benefits overpayments team.

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	40				
2014/15	Full Exercise	961	11	£15,049	10	£0
2014/15	Council Tax	610				
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.

Annual Fraud Case Figures 2014/15

Type of Fraud	2014/15			2013/14		
	Number of Fraud Cases			Number of Fraud Cases		
	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	564	74	£107,589	348	66	£195,769
Council Tax Reduction	232	39	£16,951	10	10	£2,278
Council Tax	588	35	£15,152	448	177	£65,194
Housing	83	3	£0	7	3	£0
Other	2	2	£161	2	1	£10
TOTAL	1,469	153	£139,853	815	257	£263,251
Type of Irregularity	Number of Cases			Number of Cases		
	Investigated	Abuse Concluded	Value	Investigated	Abuse Concluded	Value
Payroll	10	-	-			
Banking	2	2	£161	2	1	£10
Procurement - Payments	213	1	£4,200	1	0	
Permits and Passes	12	7	£0	2	2	
Other	2	1		3	2	£171
	239	11	£4,361	8	5	£181
Values Recovered						
Benefits Fraud	£106,356			£108,131		
Irregularities	£4,361			£10		
Other Redress / Sanctions						
Court costs and Surcharges awarded	£4,405			£2,188		
Administrative Penalties levied	£14,548			NR		
Civil Penalties Issued	£2,240			£7,140		