

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 27 June 2016

Report of: Head of Finance and Audit

Subject: Counter Fraud Progress

SUMMARY

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

RECOMMENDATIONS

That the content of the report be noted.

That this report now becomes an annual report rather than a 6-monthly report.

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. **Fraud Awareness Campaign:** A fraud awareness campaign is due to be launched to the residents of Fareham within the next few months. The Council Connect in the shopping centre will be used, plus posters around the Borough. These will list the types of fraud that can occur at FBC, provide the monetary amounts of fraud uncovered in the last year at FBC, as well as details of how to report fraud to us. There will be a press release and an announcement made via social media to highlight the campaign and that fighting fraud is a priority for the Council. There will also be a comprehensive article in the next edition of Fareham Today. A report on the success of this campaign will be provided in the next Counter Fraud Progress report.
3. **Fraud Case Database:** The Council has implemented a new fraud case database, which allows multiple teams to record their cases on the one system. It also allows a wider range of fraud types to be recorded and monitored. Having this central database of all referrals should facilitate the collation of statistics for the various reports and returns required each year and give greater visibility of cases relating to the same household.
4. **Investigatory Legislation and Best Practice Training:** An external training company has been engaged to run a two day in-house course for officers with investigatory and/or enforcement responsibilities. The course gave updates and best practice guidance on the law, and procedures for collecting and recording of effective, credible and admissible evidence for an investigation/prosecution.

Specific Areas of Fraud

5. **Council Tax Discount Fraud:** A discount review of Single Occupancy Discount was undertaken by the Revenues Team for the 2015 billing year. This discount entitles a householder to claim a 25% reduction off their Council Tax bill. There were 12,040 households with this discount that were reviewed. This discount was removed from 120 households due to a change in the household. This has generated an extra £42,105 Council Tax liability that has been billed. In addition, penalties amounting to £700 have been issued for the 10 cases where the change had not been reported promptly to the Council. This discount will be reviewed again in the 2017 billing year.
6. **Right To Buy Pilot Update:** Members were advised in the November 2015 report, that Fareham's Investigations Officer would be conducting more in-depth checks on applications for the Right to Buy scheme. This was introduced in March 2016; since then 12 applications have been received and referred to the team, but no fraud has yet been detected. However, it is clear from organisations, who provide statistical evidence, that Right to Buy fraud is still on the increase and continued use of in-depth checks is advised.

7. As Right to Buy is being introduced within other Social Housing providers, which is likely to create a large uptake, we are looking to work with our local Housing Associations and provide this type of checking service for them under a partnership agreement.

INVESTIGATION REFERRALS AND OUTCOMES

8. The information provided in Table 1 shows the number of fraud cases received and investigated in the last 6 months. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises discussed elsewhere.

Table 1 – Investigation cases raised and closed October 2015- March 2016

Type of Fraud	Number of New referrals received	Number referred to DWP	Number of Investigations Completed (closed by DWP)	Number of Cases where Abuse Concluded (by DWP)	Value of Abuse to FBC £
Benefits ¹	95	95	(47)	(12)	55,152
Council Tax Support only	33		53 ²	23	15,043
Council Tax Discount	16		8	0	0
Housing	5		4	0	0
Right To Buy	1		1	0	0
Parking	1		0	0	0
Elections	1		1	0	0
Procurement	1		1	1	0
Total	153	95	115	36	70,195

Note 1 - May also have some elements of Council Tax Support

Note 2 - Some of these cases have a Housing Benefit interest but were not picked up for investigation by DWP

Whistleblowing

9. 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.

Sanctions

10. One criminal sanction has been applied by FBC for a Council Tax Support case where abuse was concluded. In all other cases, the values of the Council Tax Support overpayments are below £2,000 which is the current prosecution limit. Therefore civil financial penalties were raised as detailed below, as an alternative sanction.

Table 2 – Penalties raised 1 April 2015 to 31 March 2016 (Council Tax Billing Year)

Penalties raised for overpayments of Council Tax Support (£70)	Value of overpayments
43 (£3,010)	£31,787

Interesting Cases

11. **Undeclared capital:** In the last report, members were advised of an investigation which involved the use of a financial investigator at a neighbouring council, who was looking into undeclared capital in Australia. An overpayment of Council Tax Support of £4,625 was raised as a result of this investigation using these enhanced powers but unfortunately the council tax payer passed away before he could be interviewed and

questioned. Due to complications with there being no will, a bill has been raised to a family member addressed to the Executors. It is likely that the money will be repaid once the properties in Australia have been dealt with by Australian authorities.

12. **Undeclared monies:** Another case involving suspected pension or capital in America has been started and again a financial investigator from Portsmouth City Council has been instructed to assist with this case. The use of these enhanced powers does mean that we can legally obtain this type of information from another country, including banking and immigration information. Without these, an investigation would almost certainly become stale and Benefits would continue without us knowing the true financial information of that claimant.
13. **Social Housing:** The Investigations Officer has been dealing with a suspected case of non-residency in a social housing property. Although Housing Benefit and Council Tax Support are in payment, the main focus of this investigation has been on the non-residency of this tenant, who was suspected of letting out the property to a family member.
14. Evidence has been collated from a variety of sources, including social media, a statement from the employer and 3 months of detailed surveillance. It has been discussed with the Housing Association to determine the next course of action after interviewing their tenant under caution, with a view that the tenant will either voluntarily hand back their property or the property will be handed back through the court process via civil processes. A discussion will also take place to decide whether or not they wish for us to prosecute the tenant on their behalf under the Prevention of Social Housing Fraud Act (POSHFA). This is the first case where illegal subletting has been investigated and concluded.

NATIONAL FRAUD INITIATIVE

15. 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 has been 1 further release of new matches over the last 6 months, in December 2015, and a number of additional cases added to previous matches. Table 3 shows the progress made on clearing all matches since the last report; the totals marked with a * have been increased for the additional matches received.

Table 3 - 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	414	398 (65%)
2014/15	Benefits	779*	391	2 (0.3%)
2014/15	Payroll	11	1	1 (9%)
2014/15	Housing Tenants	20*	8	8 (40%)
2014/15	Right to Buy	4	2	2 (50%)
2015/16	Council Tax Reduction	11	11	10 (91%)
2015/16	Council Tax	464	New	456 (98)%

16. 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 A](#).

Table 4 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		June 2016		Nov 2015		June 2015	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.	1	£1,445			8	£10,077
	Undeclared pensions of adult at the property.					2	£179
Council Tax	Undeclared second adult living at property	5	£2,498	1	£651	2	£1,730
	Child at property reaching 18 and not declared					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		6	£3,943	1	£651	15	£16,823

**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

- There have been 3 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 October 2015 and 31 March 2016 as summarised in [Appendix B](#).
- There have been 69 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 and Prevention of Social Housing Fraud Act 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.

ANNUAL FRAUD CASE FIGURES

- The annual fraud and irregularity case figures compiled for 2015/16 are included in [Appendix C](#). These show additional detail to the figures published on our website as required by the Transparency Code.

RISK ASSESSMENT

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

Appendices

Appendix A – Cumulative Findings from National Fraud Initiative Exercises

Appendix B - Authorisations for use of RIPA

Appendix C - Annual Fraud Case Figures 2015/16

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
2015/16	Waiting List	42	0	0	7	£0
2014/15+2015/16	Full Exercise	994	13	£15,901	12	£0
2014/15+2015/16	Council Tax	1,054	6	£3,149	0	0
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.

Appendix B

Authorisations for use of RIPA (October 15 to March 16)

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
3-2015 /16	30/11/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Undeclared partner	Surveillance	03/12/15	32	Evidence obtained that crime or disorder MAY BE occurring
4-2015 /16	27/01/16	Head of Finance and Audit	Tenancy Fraud (Housing Association) – Illegal Subletting Housing Benefit Fraud – Non Residency and undeclared partner	Surveillance	02/02/16	91	Evidence obtained that crime or disorder MAY BE occurring
6-2015/16	27/01/16	Head of Finance and Audit	Council Tax Support Fraud – Undeclared partner	Surveillance	02/02/16	73	Evidence obtained that crime or disorder MAY BE occurring

Annual Fraud Case Figures 2015/16

	2015/16			2014/15		
	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	588	29	91,920*	583	74	107,589*
Council Tax Reduction	133	47	42,608*	232	39	16,951*
Council Tax	12,272	127	45,619	588	35	15,152
Housing	140	1	0	83	3	0
Procurement	4	3	449	213	1	4,200
Insurance	1	0	0			
TOTAL	13,138	207	£180,596	1,699	152	£143,892
	*This value has been estimated.					
Type of Irregularity	Investigated	Abuse Concluded	Value £	Investigated	Abuse Concluded	Value £
Employee	6	4	0	10	-	-
Banking	1	1	40	2	2	161
Permits and Passes	-	-	-	12	7	0
Elections	1	0	0			
Theft and Other	3	2	2,598			
TOTAL	12	7	£2,638	24	9	£161
Values Recovered and Other Sanctions						
Benefits Fraud overpayments recovered			£39,491			£106,356
Other amounts recovered incl insurance payout			£2,388			£4,361
Court costs and Surcharges awarded			£15			£4,405
Administrative Penalties levied			£0			£14,548
Civil Penalties Issued			£3,780			£2,240