

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: The Deputy Chief Executive Officer

Subject: COUNTER FRAUD ANNUAL REPORT 2019/20

SUMMARY

This report updates the Committee on the counter fraud work carried out in the last 12 months including the numbers and outcomes of fraud cases.

The Audit and Governance Committee's areas of responsibility for Counter Fraud include:
a) to review the assessment of fraud risks and potential harm to the council from fraud and corruption; and b) to monitor the counter-fraud strategy, actions and resources.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee note the contents 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. **Joint working with the DWP:** As reported last year, the Government has re-introduced joint working of fraud between Local Authorities and the Department for Work & Pensions (DWP). The purpose of joint working is to re-align some of the processes by sharing intelligence gathering, thus investigating cases more quickly and interviewing a customer under caution by one joint interview rather than 2 separate interviews. This enables the Council Tax Support offences to be included in the DWP prosecution cases as the whole of a fraud is considered.
3. The joint working arrangements are working well and there have been 38 cases opened since the start of the initiative in October 2018. Further details on the outcomes of these can be found later in the report.
4. **Training:** Two corporate training events were delivered this year. The first covered training on the production of court worthy witness statements which was delivered to all relevant officers that may take such statements within their roles. The second was attended by all members of the FBC Corporate Fraud Team and covered the use of open source data to strengthen knowledge on what kind of information can be searched on the internet and used as evidence in cases.

Specific Areas of Fraud

5. **Business Rates Grants:** Due to the pandemic there has been a new stream of counter fraud work starting in the latter part of 2019/20. The Government announced various schemes to give financial help to businesses and individuals financially hit by the situation. A number of these schemes, were required to be administered by each Council and the following 3 involving the distribution of funding grants to businesses:
 - Small Business Grants
 - Retail, Hospitality and Leisure Grants
 - Local Authority Discretionary Fund Grants
6. FBC received over £21m from Government to pay grants to all eligible businesses within the Borough under these schemes between March 2020 and September 2020.
7. Due to the fraud risks inherent in the grants scheme, a team of officers, including all the counter fraud staff, were redeployed onto the Grant scheme

projects and a number of counter fraud measures were employed in the processing of applications including:

- Checks against the eligibility criteria
 - Due diligence checks regarding the applicant's identify and status, including use of the government's Spotlight tool
 - Data analysis to identify duplicate and contradictory applications
 - Independent verification of the bank account details before payment
8. At the close of the schemes FBC had received over 2,300 applications. Due diligence checks identified 272 duplicate applications and identified 64 applications that required further investigation: abuse has already been concluded for a number of these and repayment of the grant monies is being sort. The final statistics for this project will be included in the 2020/21 report.
 9. **Council Tax Single Residents Discount (SRD) Review:** Since last year's report, the Council have decided to not participate in the SRD review organised by the Hampshire Chief Finance Officers group, as a risk was identified in relation to the financing of the review.
 10. Instead the Council has commenced its 2-yearly review. The Council Tax department issued letters to all residents in receipt of Single Resident Discount as part of this year's annual billing run. This was a 100% review to ensure resident's details were up to date and no one was receiving the discount inappropriately. Unfortunately, the reply letters had to be put on hold due to the team's resources being diverted to other priorities. However, the review is now back in progress so the outcomes will feature in next year's report.

INVESTIGATION REFERRALS AND OUTCOMES

11. The information provided in [Appendix C](#) shows the number of fraud and irregularity cases received and investigated in the last financial year, and the information required to be published on our website in accordance with the Transparency Code. There was a total of 1,387 cases investigated, leading to 95 cases of fraud or irregularity being found. These amounted to a total value of £248,551. The largest area of fraud found by value was for housing benefit and council tax benefit payments (£109,127).

Whistleblowing

There were 2 cases raised by employees in the last 12 months and no employee has felt it necessary to raise concerns outside the organisation.

Sanctions

12. There have been no criminal sanctions following any investigation where Fareham Borough Council was the lead investigating party. However, 7 civil penalties have been applied totalling **£490**.
13. 2 administrative penalties were authorised by Fareham Borough Council on cases the DWP investigated. These are based on 50% of the overpayment of

Housing Benefit and are used as an alternative to prosecution. The total value of these penalties is **£4,828**.

14. DWP have progressed 2 cases for prosecution during the financial year. Unfortunately, due to Covid19, other prosecutions put forward by DWP have now been rejected by the Crown Prosecution Service.
15. Three Fareham Borough Council properties have been recovered in the year: 1 as a result of a report received that the tenant was not living there; 1 as the result of suspicions by a tenancy officer that the tenant was not living there and the last as a result of a Right to Buy fraud which identified that the property was being sublet. Two of these cases are detailed below.

Interesting Cases

16. **Housing Fraud – Right to Buy:** An application to buy a 3 bedroomed house was received in August 2019. An element of the Right to Buy due diligence checks is to visit unannounced to the home to check residency and it was during this initial visit that suspicions were raised as neither tenant was home, but a friend of their daughter answered the door. The daughter advised that her parents were out but could come back home straight away, which one of the tenants did. During the conversation, the tenant mentioned that they were in fact staying with a relative in Waterlooville with their youngest child on a temporary basis and the other older children were continuing to live at this property in Fareham. A walk around the property raised further suspicions as the bedrooms did not reflect that this stay in Waterlooville was temporary and other people not related to the family were living there also. The tenant could also not recall the exact address of where they were staying in Waterlooville and had to be confirmed at a later date.
17. During checks of the address in Waterlooville, the other occupants of the property in Fareham and the scrutinization of bank account transactions, the Council Tax Section received an occupancy form from the tenant for a different address in Fareham. Due to this breach in tenancy of not living in their social housing property as their main or principle home, it also became evident that the FBC property was being sublet to their daughter and her friends which is also a breach of their tenancy.
18. Invitations to be interviewed were refused and a voluntary termination of tenancy form was completed, and the keys returned in November 2019.
19. This saved the Council **£81,600** which was the discount that would have been given on the sale of the property to the tenant. The Council has also kept a valuable 3 bedroomed house, which was used to house another family who had been living in unsuitable temporary accommodation.

Offences:

Breach of tenancy through subletting and non-residency
Inappropriate Right to Buy Application due to non-residency
No overpayments recorded as no Benefits were in payment

Sanctions and Redress:

Fareham Borough Council property recovered

Right to Buy prevented saving the Council **£81,600** in property discount

20. **Housing Fraud – Non-Residency in Temporary Accommodation:** Suspicions were raised by a Tenancy Support Officer that their tenant who had been placed in temporary accommodation, as she had declared herself homeless, was not living there but was living elsewhere with her boyfriend. Unannounced visits were always unsuccessful whereas pre-arranged visits found her to be home with her boyfriend. Her bank statements were requested through the National Anti-Fraud Network and it was found that most of her daily spending and transactions were spent in a different part of the Borough.
21. As DWP benefits were in payment to the tenant for being a single parent this case was sent to DWP for joint working.
22. Along with other intelligence obtained from Facebook, utility suppliers and records from responsive repairs, it was decided that surveillance was required to establish exactly where the tenant was living.
23. This was undertaken over a period of 3 months. The tenant had allowed another person to stay overnight at the beginning of the surveillance, but following that, the tenant was seen arriving at the property when announced visits had been pre-arranged, but otherwise it was clear that she was not living there.
24. An anonymous call was then taken to advise that there were 2 men living there and some names provided. We were advised that these men were well known to the police, so enquiries were made directly to them. These men had also been seen during the period of the surveillance so details of this were also passed to the police. This information was subsequently used in a police operation, where a few weeks later, a raid was undertaken of the property, and these men, along with another, were found in the property in possession of car keys and other belongings all relating to a spate of car thefts that had been undertaken over the past few months.
25. An interview under caution was arranged but the tenant failed to attend. An eviction notice was issued although the locks had already been changed as a result of the police operation, so the property was empty. The tenant didn't make any contact during this time, so it was determined a few weeks later that the property should be recovered. The tenant was also taken off the waiting list.
26. This has therefore enabled another person/family to make use of this temporary accommodation whilst awaiting nomination to an FBC or Housing Association property.

Offences:

Non residency in Fareham Council temporary accommodation property

Housing Benefit overpayment

£9,681

Council Tax Support overpayment

£923

Sanction and Redress:

Temporary accommodation property recovered
Overpayments being recovered

27. **Payroll Fraud – Officer and Member impersonation:** There have been 3 attempts at bank mandate fraud this year in which a fraudster pretends to be a senior officer or member at the council to divert a payment in the system to a fraudulent account.
28. All 3 attempts were intercepted by the finance team and so no payments were made, preventing losses totalling over £11,000.

NATIONAL FRAUD INITIATIVE

29. The National Fraud Initiative (NFI) is a mandatory data matching exercise organised by the Cabinet Office. All data sets requested since the last report have been submitted on time. There have been 5 releases of new matches since the last report which fall into the 2019/20 financial year, resulting in an additional 4,582 matches to review.

Progress made on clearance of NFI matches

| Fraud category | Number of Matches as at end of last year | Number of Matches now including all releases up to 31/3/20 | Total closed as per last year | Total closed as per this year | Matches left to clear as at end of 2019/20 |
|---|--|--|-------------------------------|-------------------------------|--|
| Matches from the 2018/19 2-Yearly Main Exercise (received from Jan 2019) | | | | | |
| Benefits | 381 | 481 | 82 | 392 | 89 |
| Council Tax Reduction | 390 | 516 | 52 | 374 | 142 |
| Housing Tenants | 172 | 226 | 68 | 58 | 168 |
| Waiting List | 91 | 91 | 58 | 58 | 33 |
| Right to Buy | - | - | - | - | - |
| Payroll | 15 | 17 | 8 | 8 | 9 |
| Procurement | 2 | 1 | | 1 | - |
| Residents Parking | 2 | 2 | 2 | 2 | - |
| Creditors | 295 | 294 | - | 36 | 258 |
| sub-total | 1,348 | 1,628 | 270 | 929 | 699 |
| Matches from the Recheck Annual Exercises | | | | | |
| Council Tax | 1,943 | 6,245 | 243 | 697 | 5,548 |
| Total | 3,291 | 7,873 | 513 | 1,626 | 6,247 |

30. The table above shows the progress made on clearing all matches since the last report. During the year the teams have managed to clear **1,113 (15%)** of the old and new matches leaving 6,247 still to review.

31. 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](#). Any frauds that were being pursued by FBC will have been included in the overall statistics in [Appendix C](#).

Fraud Cases Identified from NFI

| Data Set | Nature of Fraud | Date of Committee Report | | | | | |
|--------------------------|--|--------------------------|----------------|-----------|----------------|-----------|----------------|
| | | Sept 2020 | | July 2019 | | July 2018 | |
| | | Number | Value | Number | Value | Number | Value |
| Housing Benefits and CTR | Undeclared pension | | | 1 | £1,902 | | |
| | Undeclared employment | 1 | £2,764 | | | | |
| | Benefits claimed on 2 properties | | | 1 | £9,812 | | |
| Council Tax | Undeclared second adult living at property | 28 | £22,139 | 35 | £30,716 | 16 | £17,580 |
| TOTAL | | 29 | £24,903 | 37 | £42,430 | 16 | £17,580 |

USE OF LEGAL POWERS

32. Key powers available to investigators for the detection and prevention of fraud are:
- Powers of Surveillance, using a Covert Human Intelligence Source (CHIS), or obtaining Communications data designated by the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016.
 - Authorised Officer powers to obtain information from specified parties including employers, utilities companies and banks under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 Regulations and the Prevention of Social Housing Fraud (Power to require Information) (England) regulations 2014
33. There are several safeguards in the Council processes to make sure that 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 for surveillance and CHIS are presented to a magistrate for approval.
 - c) All RIPA applications for communications data are 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 Investigatory Powers Commissioner's Office (IPCO). The last inspection in 2018 concluded that 'our usage and standards are an example to all'.
 - f) 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.
 - g) 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.
34. We also report every year to this committee how many times we use these powers, as follows and publish the frequency of our use of authorised officer powers as part of our Transparency data.

Usage in 2019/20

35. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2019 and 31 March 2020 as summarised in [Appendix B](#).
36. There have been 400 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 386 last year.

| Authorised Officer powers used 1 April 2019 and 31 March 2020 | |
|--|--|
| Prevention of Social Housing Fraud Act | Council Tax Reduction Regulations & Data Protection Act exemptions |
| 26 | 374 |

RISK ASSESSMENT

37. 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 2019/20

Background Papers: None

Reference Papers: None

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

Cumulative Findings from National Fraud Initiative Exercises

| Year of Exercise* | Type | No. of Matches | No. of Fraud Cases found | No. of Errors found | Value of Fraud & Error cases |
|------------------------------|--|----------------|--------------------------|---------------------|------------------------------|
| 2018/19 | Council Tax | 6,245 | 47 | 29 | £35,389 |
| 2018/19 | Full Exercise | 1,628 | 3 | 27 | £29,130 |
| 2017/18 | Council Tax | 3,577 | 16 | 8 | £17,466 |
| 2016/17 & 2017/18 | Full Exercise & Extra matches | 1,624 | 1 | 8 | £3,563 |
| 2016/17 | Council Tax | 669 | 25 | 32 | £24,176 |
| 2015/16 | Waiting List | 42 | 0 | 7 | 0 |
| 2014/15+2015/16 | Full Exercise | 994 | 13 | 12 | £15,901 |
| 2014/15+2015/16 | Council Tax | 1,054 | 6 | 0 | £3,149 |
| 2014/15 | Student Loans | 19 | 1 | 0 | £1,258 |
| 2013/14 | Council Tax | 553 | 34 | 4 | £15,108 |
| 2012/13 | Full Exercise | 1,333 | 13 | 14 | £49,562 |
| 2011/12 | Council Tax | 484 | 21 | 2 | £13,034 |
| 2010/11 | Full Exercise | 1,760 | 335[#] | 13 | £26,356 |
| 2009/10 | Council Tax | 1,424 | 43 | 0 | £18,648 |
| 2008/09 | Full Exercise | 1,779 | 212[#] | 3 | £54,978 |
| 2008/09 | Council Tax | 747 | 130 | 3 | £87,920 |

*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 (April 19 to March 20)

| 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 | 12/11/19 | Head of Housing and Benefits | Tenancy Fraud Housing Benefit Fraud Council Tax Support Fraud Council Tax Single Resident Discount Fraud (Universal Credit Fraud) On the basis of non-residency of FBC assigned temporary accommodation, and sub-letting of that accommodation. | Surveillance | 21/11/19 | 92 | Evidence obtained that crime or disorder MAY BE occurring |
| 2 | 21/02/20 | Head of Housing and Benefits | Tenancy Fraud Housing Benefit Fraud Council Tax Support Fraud (Employment Support Allowance) On the non-residency of FBC owned social housing. | Surveillance | 24/02/20 | 29 | Surveillance cancelled for operational reasons but did assist the investigation |

Appendix C - Annual Fraud Case Figures 2019/20

| Type of Fraud | 2019/20 | | | 2018/19 | | |
|---|-----------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|
| | Number of Fraud Cases | | | Number of Fraud Cases | | |
| | Investigated | Fraud Concluded | Value | Investigated | Fraud Concluded | Value* |
| Housing Benefit and Council Tax Benefit | 380 | 16 | £109,127 | 259 | 36 | £231,927 |
| Council Tax Support | 393 | 16 | £20,569 | 449 | 35 | £34,129 |
| Council Tax | 504 | 33 | £24,498 | 934 | 38 | £31,967 |
| Business Rates | 1 | - | £0 | 3 | 2 | £8,274 |
| Housing | 46 | 7 | £82,400 | 201 | 4 | - |
| Procurement - Payments | 37 | - | - | - | - | - |
| Permits and Passes | 3 | 2 | £487 | - | - | - |
| Other | - | - | - | 2 | - | - |
| SUB-TOTAL | 1,364 | 74 | £237,081 | 1,848 | 115 | £306,296 |
| Other Irregularity | Investigated | Irreg Concluded | Value | Investigated | Irreg Concluded | Value |
| Employee and Payroll | 15 | 14 | £11,438 | 11 | 10 | £5,733 |
| Finance and Insurance | 8 | 7 | £32 | 5 | 2 | £22 |
| Other e.g. abuse of position | - | - | - | 1 | 1 | - |
| SUB-TOTAL | 23 | 21 | £11,470 | 17 | 13 | £5,755 |
| TOTAL | 1,387 | 95 | £248,551 | 1,865 | 128 | £312,051 |
| Sanctions and Redress | | | | | | |
| Administrative Penalties levied | | | £7,402 | | | £5,554 |
| Council Tax Civil Penalties | | | £490 | | | £1,710 |
| Housing Benefit recovered | | | £52,447 | | | £64,164 |
| Counterfeit note intercepted | | | £20 | | | £20 |
| Compensation and other awards | | | £105 | | | |
| Parking charges repaid | | | £487 | | | |
| Total | | | £60,951 | | | £71,448 |
| Housing properties recovered / prevented | | 3 | | | 3 | |
| Non FBC Fraud found (DWP benefits) | | 4 | £30,860 | | 6 | £53,689 |