

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **27 June 2013**

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

Subject: **COUNTER FRAUD INVESTIGATION PROGRESS REPORT**

SUMMARY

This report summarises the number and type of investigations that have been carried out into suspected cases of fraud during the period October 2012 to March 2013.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. Fareham Borough Council has adopted an Anti-Fraud and Corruption Policy to tackle the growing trend in fraud across the country and carries out a programme of work in support of that Policy. It also employs a team of Benefit Fraud investigators and a small Corporate Counter Fraud team to investigate any allegations of fraud received.
2. This report provides information on the work of these teams including the numbers and outcomes of fraud investigations that have been carried out.

BENEFIT FRAUD

3. The Benefits Fraud Team successfully recruited a new investigator in April 2012 and another in February 2013 following the resignation of one member of the team in November 2012, and so is now fully staffed.
4. Pilots working on the government's SFIS (Single Fraud Investigation Service) policies and procedures are still continuing. To date they have had no impact on the working practices of Fareham Borough Council Benefit Fraud Investigators who continue to receive referrals and joint work with the DWP (Department for Work & Pensions) where a Social Security Benefit is also in payment.

Number of Investigations

5. Although there has been some movement within this team during the year, extremely good results have still been achieved with an exceptionally high number of prosecutions, all with guilty outcomes. A summary of referrals received for the whole of 2012/13, compared to the previous year, is summarised below:

Table 1 - Number of Benefits Fraud Cases Investigated in the last year

	Full Year 2011/12	Full Year 2012/13
Number of Referrals:		
Investigations brought forward from previous year	218	259
New Referrals to the investigations team in the year	616	692
Total cases to Investigate	834	951
Sources of New Referrals:		
Housing Benefits Matching Service (DWP)	340	410
Benefit officers	72	95
Anonymous callers (Not via fraud hotline)	62	80
Website via online form	20	33
Anonymous letters	13	17
Housing Department	17	16
Council Tax Section	14	12
Visiting Officer	21	7
Other Local Authority	2	6
Fraud Hotline (Dedicated telephone number)	2	5
Government Department of Works and Pension (DWP)	7	4
Other Departments	5	4
Fraud Officers	1	2
Police	1	1
National Fraud Initiative (NFI)	19	0
Cases yet to be classified	20	0
Total	616	692

	Full Year 2011/12	Full Year 2012/13
Completion of Investigations:		
Referrals rejected for investigation	119	162
Referrals yet to risk score	20	0
Investigations completed	436	707
Investigations C/FWD	259	82
Total cases to Investigate	834	951

Findings & Sanctions

6. From the 707 cases investigated this year, there were 61 cases where abuse was found, as summarised in the table below. This also shows that 33 sanctions were applied to some of these cases.

Table 2 - Conclusions from Benefits Fraud Cases Investigated

	Full Year 2011/12	Full Year 2012/13
Conclusion from Investigation		
Investigations completed	436	707
Files closed – No abuse found or unproven	374	646
Files closed - Abuse found	62	61
Sanctions Achieved		
Prosecutions	15	20
Formal Cautions	18	9
Administration Penalties	6	4
No sanction was applied (usually for social reasons, such as elderly or infirm, or insufficient evidence to support caution or prosecution)	23	28
Total Files closed - Abuse found	62	61

Prosecutions

7. As summarised above the team has achieved 20 successful prosecutions in the financial year. The details of 15 cases were reported previously to the committee in November 2012. The remaining 5 cases are summarised below:

Table 3 - Outcomes from Benefit Fraud cases PROSECUTED in the last 6 months

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment (DWP overpayment)	Sentence (All found guilty)	Fine/Costs
14928	Housing and Council Tax Benefit	Failure to declare a change in income from 2010	£19,373	5 months custodial sentence suspended for 12 months, 100 hours unpaid work	Costs £1,000
1019	Housing and Council Tax Benefit (Income Support)	Failure to disclose a change in circumstances (partner working since 2005)	£13,922 (£37,374)	8 months custodial sentence suspended for 2 years, curfew between 7pm and 7am and a supervision order for 18 months	None

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment (DWP overpayment)	Sentence (All found guilty)	Fine/Costs
14833	Council Tax Benefit (Pension Credit)	Failure to disclose information (capital sums held in bank accounts)	£6,653 (£15,993)	12 weeks custodial sentence suspended for 12 weeks, curfew from 6pm to 6am	Costs £285
18142	Housing and Council Tax Benefit	Failure to declare a change in income from 2010	£3,084	Fine only	Fine of £150. £200 costs. £15 victim surcharge
20281	Housing and Council Tax Benefit	Failure to disclose a change in circumstances or attend an interview.	£1,020	Conditional discharge	None

Redress

8. As well as the sanctions applied above, action is taken to recover any overpayments that have occurred due to fraud. The total value of Housing Benefit for the cases where abuse has been found in 2012/13 has been calculated as **£48,088**. This includes the overpayments billed for any other prosecutions currently with a legal team awaiting a court date. The total value of Council Tax Benefit overpayment found in 2012/13 was **£11,031**.
9. The total of repayments of Housing Benefit collected in the year for all cases due to fraud was **£61,741**. This covers Housing Benefit payments only as Council Tax overpayments are added to Council Tax bills and recovery is subject to normal Council Tax recovery procedures.

Interesting cases prosecuted

10. Claim 14928

This investigation commenced in January 2010 after two referrals were received concerning the commerciality of the rent and the claimant's income. Financial checks made on the property highlighted that other people may have also been living at the address and as a result surveillance on the property was authorised and undertaken.

Whilst this case was still continuing the claimant cancelled their Benefit claim with Fareham Borough Council as they had moved to Portsmouth. Delays were encountered as the claimant failed to show for 2 interviews. A formal interview was successfully undertaken in December 2011, where the claimant was questioned about the other people who had lived at the Fareham address. During this interview there was also an admission to falsifying payslips and Certificate of Earnings.

The claimant failed to attend the first appearance at Fareham Magistrates Court so was subsequently arrested and taken to Portsmouth Crown Court. A plea of not guilty was initially entered but at the initial hearing at the Crown Court, the plea was changed to guilty to counts of forgery and benefit fraud.

11. Claim 1019

This investigation commenced in January 2011 after a request for joint working was received from the DWP in Portsmouth. They had evidence that the claimant's partner had been working since 2005 which had never been declared to them.

During interview the claimant admitted that the review forms had been completed incorrectly, which resulted in the claim for Income Support needing to be withdrawn for the whole period since 2005. Housing and Council Tax Benefit therefore had to be recalculated over this period using the income details they had actually been receiving.

As this was a joint working case, the DWP elected to take this case to Portsmouth Magistrates Court where the couple were found guilty and duly sentenced.

WHISTLE-BLOWING CASES

12. In accordance with British Standard PAS 1998:2008 'Whistle-blowing Arrangements Code of Practice' this committee is recognised as "those charged with governance" and responsible for reviewing our whistle-blowing arrangements. These are the arrangements that allow an employee to raise a serious concern through designated channels without fear of harassment or victimisation.
13. Previously this responsibility was discharged by a 3-yearly report to this committee. However, following a recent review of our arrangements against the British Standard we have introduced a central log of any cases of whistle-blowing by an employee and the number of cases logged will be included as a matter of course in this report.
14. Previously records have not been routinely kept to give the full record of incidents since the introduction of the Whistle-blowing policy in 2000. However, 3 cases were noted in the 2005/6 report to the Audit Committee, 2 in the 2009/10 report, and a further 1 is recalled from 2010/11 to demonstrate that the confidential reporting arrangements have been used.
15. No cases were logged on the new system during 2012/13 and no employee has felt it necessary to raise concerns outside the organisation.

CORPORATE FRAUD

Number of Investigations

16. The Corporate Counter Fraud Team have received 15 new cases to investigate in the year as summarised in the table below:

Table 4 - Number of Corporate Fraud Cases Investigated in the Year

	2011/12	2012/13
Number of Referrals		
Investigations brought forward from previous year	25	13
New Referrals to the investigations team in the year	14	15
Total cases to Investigate	39	28

	2011/12	2012/13
Subject of New Referrals		
External Fraud and Abuse	7	4
Housing - Waiting List	0	1
Banking	1	1
Elections	1	1
NNDR	1	1
Council Tax	2	0
ICT Misuse	1	0
Housing – Tenancy	1	0
Internal Fraud and Abuse	6	7
Employee – Contract Conditions	3	3
Theft	2	2
Employee – Payroll and expenses	0	1
Procurement - payments	0	1
ICT Misuse	1	0
Assistance with other FBC Enforcement	1	4
Building Control	1	2
Fly Tipping	0	1
Housing	0	1
Total	14	15
Completion of Investigations		
Investigations Completed	26	16
Investigations C/FWD to next 6 months	13	12
Total cases to investigate	39	28

Findings and Sanctions

17. Of the 16 cases now fully completed, 9 concluded that inappropriate activity had taken place. 2 of these related to assistance given to other enforcement teams in the Council. The action taken in relation to the other 7 is summarised in the table below:

Table 5 - Conclusions from Corporate Fraud Cases Investigated

	2011/12	2012/13
Conclusion from Investigation		
Investigations completed	26	16
Files closed – No abuse found	4	4
Files closed – Inconclusive	4	3
Files closed - Abuse found - Other Council Enforcement	6	2
Files closed - Abuse found - Fraud and Abuse	12	7
Action taken on Fraud and Abuse Cases		
External Cases	9	2
Applications Denied / Housing Properties recovered	3	1
Repayment / Debt Collection	5	1
Preventative / Advisory action only	1	0
Internal Cases	8	5
Prosecution / Other Legal Action	1	1
Employee Dismissal / Resignation	2	2
Repayment / Debt Collection	5	1
Other Management Action	0	1
Total Files closed - Abuse found - Fraud and Abuse	12	7

Interesting Case Closed

18. F93 - Housing Waiting List

A resident made an application for housing in January 2012 on the basis that he was homeless having left the Army. A suitable property became available in June 2012 at which point Housing Officers undertook their standard procedures to verify the details of the application. This revealed that the applicant actually had a mortgage on another property which was being rented out. The applicant was interviewed under caution and admitted the offences. The housing application was subsequently withdrawn and the social housing property offered to someone else. Housing Benefits offences were also found which were under the level for prosecution. However, a bill for overpayment has been raised.

NATIONAL FRAUD INITIATIVE

19. The National Fraud Initiative (NFI) is a data matching exercise previously run by the Audit Commission with the objective of identifying and stopping frauds that affect the public sector. The main exercise is run every 2 years, with Council Tax and Electoral Roll data matched in the intervening years. The last set of matches for the 2012/13 exercise was released in January 2013.
20. Table 6 shows the latest progress made on clearing the matches received from exercises to date.

Table 6 - 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
2010/11	Benefits	1016	2	1
2011/12	Council Tax	484	176 (36%)	97 (20%)
2012/13	Benefits	1075	New	855 (80%)
	Creditors	219	New	1 (0%)
	Housing Rents	19	New	3 (16%)
	Payroll	12	New	0
	Right to Buy	5	New	0
	TOTAL	1330		859 (65%)

21. Of the matches cleared to date, 4 more council tax single person discounts, totalling £1,883, have been concluded as fraudulent and removed and 1 creditor payment for £60 was found. The remaining housing rents matches are still being investigated as early indications are that these may relate to fraud or error.
22. The full cumulative findings from the NFI are summarised below:

Table 7 - Fraud Cases Identified by NFI to date

Data Type	Nature of Fraud	Number and Value of Frauds				
		2008/9	2009/10	2010/11	2011/12	2012/13
Councils Tax Single Person Discount	Undeclared second adult living at property	109 (£81,510)	28 (£17,997)	N/A	7 (£4,216)	N/A

Data Type	Nature of Fraud	Number and Value of Frauds				
		2008/9	2009/10	2010/11	2011/12	2012/13
Councils Tax Single Person Discount	Child at property reaching 18 and not declared	21 (£6,410)	15 (£651)	N/A	1 (£20)	N/A
Housing Benefits~	Non declared earnings or pension of adult at the property (e.g. holder of an alcohol licence)	24 (£47,076)	N/A	8 (£20, 834)	N/A	0
Creditors*	Duplicate invoice submitted and paid	3 (£7,901)	N/A	5 (£6,229)	N/A	1 (£60)
TOTAL		157	43	335	4	

**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 and so could also be classified as errors. ~The fraud value for benefits includes errors.*

USE OF RIPA POWERS

23. There have been 3 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 October 2012 and 31 March 2013 as summarised in Appendix 1. There was also one request for communications data relating to the previous 6 months which was missed from the previous report.

RISK ASSESSMENT

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

CONCLUSION

25. The number of referrals being handled by both the benefits and corporate fraud team has increased in the first half of the year and levels of abuse found continue to be high. With the current economic climate and opportunities for fraud, national predictions are that the risk of both internal and external fraud will continue to increase.

Appendices

Appendix 1 - Authorisations for use of RIPA (October 2012 - March 2013)

Background Papers: None

Reference Papers: None

Enquiries:

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

Authorisations for use of RIPA (October 12 to March 13)

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
12	11/06/12	Head of Revenues and Benefits	Benefit Fraud - Undisclosed partner	Communications Data - registered address for mobile phone	Before this was required	38	Evidence obtained that crime or disorder MAY BE occurring
11	11/12/12	Head of Revenues and Benefits	Benefit Fraud – Undisclosed partner	Surveillance	13/12/12	44	Evidence obtained that crime or disorder MAY BE occurring
14	21/03/13	Director of Community and Street Scene	Theft from Council Property	Surveillance – CCTV targeted at a property	25/03/13	33	Surveillance cancelled as inconclusive
15	26/03/13	Head of Revenues and Benefits	Benefit Fraud - Undisclosed income of partner	Surveillance	08/04/13	64	Surveillance still in progress. Last reviewed 08/05/13.