

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **25 November 2013**

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

Subject: **COUNTER FRAUD INVESTIGATION PROGRESS**

SUMMARY

This report provides information on the numbers and outcomes of fraud cases that have arisen in the last 6 months.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. Fareham Borough Council has adopted an Anti-Fraud and Corruption Policy and carries out a programme of work to strengthen our fraud prevention, detection and investigation arrangements.
2. This report provides information on the numbers and outcomes of fraud cases that have arisen in the last 6 months.

BENEFIT FRAUD

Future of the Benefit Fraud Investigation Team

3. Members will be aware that it is the Government's intention to create a Single Fraud Investigation Service (SFIS) to replace the existing arrangements whereby the Department of Works and Pensions (DWP), HM Revenues and Customs and Local Authorities employ their own investigators.
4. As reported in our last update to the Committee, the DWP launched four SFIS pilots and their initial findings, published in September 2013, indicate that the preferred delivery model will be to introduce SFIS as a single organisation within the DWP. This recommendation and request for funding will be put forward to the Treasury shortly and it is likely that the new arrangements will be implemented during 2014/15. In practice, this means:
 - The investigation of Housing Benefit and Council Tax Benefit fraud will move to the DWP.
 - The investigation of Local Council Tax Support, Housing Fraud and Council Tax Discount Fraud will remain with Local Authorities.
 - The amendment of Housing Benefit and Council Tax Benefit claims will remain with Local Authorities.
 - The calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments will remain with Local Authorities.
5. The next phase of the DWP project will be to understand the impacts on Local Authority staff, services and budgets. The Council will continue to monitor progress and take action accordingly as part of the wider corporate project relating to Welfare Reform.

Number of Investigations

6. The Local Authority benefits investigations team has continued to be fully staffed since the last report. A summary of referrals received for the first 6 months of 2013/14, compared to the previous year, is summarised below:

Table 1 - Number of Benefits Fraud Cases Investigated

	Full Year 2012/13	April to Sept 2013
Number of Referrals:		
Investigations brought forward from previous year	259	82
New Referrals to the investigations team in the year	692	240
Total cases to Investigate	951	322

	Full Year 2012/13	April to Sept 2013
Sources of New Referrals:		
Housing Benefits Matching Service (DWP)	410	108
Benefit officers	95	36
Anonymous callers (Not via fraud hotline)	80	38
Website via online form	33	19
Anonymous letters	17	4
Housing Department	16	6
Council Tax Section	12	6
Visiting Officer	7	7
Other Local Authority	6	4
Fraud Hotline (Dedicated telephone number)	5	3
Department for Work and Pension (DWP)	4	4
Other Departments	4	2
Fraud Officers	2	3
Police	1	0
National Fraud Initiative (NFI)	0	0
Cases yet to be classified	0	0
Total	692	240
Completion of Investigations:		
Referrals rejected for investigation	162	51
Referrals yet to risk score	0	0
Investigations completed	707	181
Investigations C/FWD	82	90
Total cases to Investigate	951	322

Findings and Sanctions

7. From the 181 cases investigated this year, there were 35 cases where abuse was found, as summarised in the table below. This also shows that 30 sanctions were applied.

Table 2 - Conclusions from Benefit Fraud Cases Investigated

	Full Year 2012/13	April to Sept 2013
Conclusion from Investigation		
Investigations completed	707	181
Files closed – No abuse found or unproven	646	146
Files closed - Abuse found	61	35
Sanctions Applied		
Prosecutions	20	6
Formal Cautions	9	5
Administration Penalties	4	19
No sanction was applied (usually for social reasons, such as elderly or infirm, or insufficient evidence to support caution or prosecution)	28	5
Total Files closed - Abuse found	61	35

Prosecutions

8. As summarised above the team has achieved 6 successful prosecutions in the financial year. The details of the 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
1861	Housing Benefit (HB) & Council Tax Benefit (CTB) (Employment and Support & Job Seekers Allowance)	Undeclared work	£12,717 HB £3,908 CTB (£20,902)	12 month custodial sentence suspended for 18 months and 250 hours unpaid work	None
16718	Housing Benefit & Council Tax Benefit	Undeclared changes in circumstances	£13,474 HB £2,044 CTB	12 month community order and 150 hours unpaid work	£285 costs £60 victim surcharge
15599	Housing Benefit & Council Tax Benefit	Undeclared work	£9,455 HB £1,906 CTB	12 month community order with 200 hours of unpaid work	£50 costs £60 victim surcharge
19832	Housing Benefit & Council Tax Benefit	Undeclared partner	£8,817 HB £888 CTB	None	£280 fine, £285 costs and £15 victim surcharge
8023	Council Tax Benefit (Pension Credit)	Undeclared partner and undeclared work	£1,525 CTB (£8,432)	None (overpayments repaid in full before court hearing)	Fine of £80 for each prosecuting authority £20 victim surcharge £80 costs
18284	Housing Benefit & Council Tax Benefit	Undeclared changes in circumstances	£5,737 HB £1,115 CTB	12 month community order with 80 hours unpaid work	£100 costs £60 victim surcharge

Redress

9. 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 to date in 2013/14 has been calculated as **£55,931**. 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 overpayments found in the last six months, calculated to April 2013, was **£10,355**. There is currently no facility provided by the software supplier to extract fraudulent overpayment amounts for Local Council Tax Support from April 2013.
10. The total of repayments of Housing Benefit collected in the last 6 months for all cases due to fraud was **£19,126**, recovered from 81 cases.

Interesting Cases Prosecuted

11. Claim 1861

An investigation commenced following receipt of a joint working request from the Department for Work and Pensions (DWP). It was alleged that the claimant was working for a local care home since January 2005, which had not been declared to FBC or the DWP. This was confirmed and employment details obtained from the employer. The claimant's partner was claiming and receiving Job Seekers Allowance and Employment and Support Allowance for both of them and he also had not declared his partner's earnings. During the interview under caution he stated that he knew he should have told FBC and DWP of this income but after it had gone on for so long it had become more and more difficult to tell us. He knew he was receiving money to which he was not entitled and accepted he was dishonest in his actions.

His DWP benefits were withdrawn and Housing Benefit and Council Tax Benefit were recalculated taking into account the earnings, resulting in a substantial overpayment.

12. Claim 16718

An investigation commenced after large overpayments of Housing and Council Tax Benefit were caused by a failure to declare significant changes in income. Information received from H. M. Revenues and Customs notified showed that the claimant's child tax credits had changed considerably and that the claimant had had a baby. Checks with the claimant were made and revealed that she had also received Statutory Maternity Pay and started receiving Working Tax Credit, none of which had been declared to FBC. Details of wages were obtained from 2008 to date and showed an increase from approx £8,124 per annum to a high of £16,788 per annum.

During the interview under caution the claimant confirmed that she was aware and understood that if her income increased then her benefits would decrease. However, she stated that she did not feel that this was correct in her case because the only reason her income was higher was because she worked overtime and was contracted to work 20 hours.

Due to the size of the overpayment and the substantial changes that had not been declared, the case was prosecuted.

WHISTLE-BLOWING CASES

13. No cases of serious concern have been raised by an employee during 2013/14 to date and no employee has felt it necessary to raise concerns outside the organisation.

OTHER INDIVIDUAL FRAUD CASES

14. There have been 8 new suspicions of other types of fraud raised in the last 6 months through various means, including the new 'report-it' channels. 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 New Cases raised in the last 6 months

Type of Fraud	Number of Cases
Housing	2
Disabled Parking Badges	2
Council Tax	1
Procurement	1
Elections	1
Banking	1

15. Since the last report 4 cases of abuse have been concluded. These are listed below with the outcomes to date:

Table 5 – Cases where Abuse Concluded

Type of Case	Abuse Concluded	Outcomes
Housing Fraud	Tenant not using council property as primary residence.	Keys handed back and new tenant placed in property by homelessness team.
Council Tax Fraud	Bogus notification of resident at a property, known to have attempted a refund fraud at another council.	Person removed from council tax account to prevent fraudulent payments being made. Details fed to Action Fraud by the other council.
Election Fraud	Bogus request received to be added to the electoral roll at a property where the person is not resident.	Case referred to the Electoral Commission single point of contact. Name removed from the register.
Building Control Enforcement	26 contraventions of Building Regulations on works done on behalf of the home owner.	£5,200 fine for the breaches. £18,400 compensation to the home owner. £4,540 costs to Fareham Borough Council, and a £15 victim surcharge.

NATIONAL FRAUD INITIATIVE

16. The National Fraud Initiative (NFI) is a data matching exercise which is run every 2 years, with Council Tax and Electoral Roll data matched in the intervening years. The last sets of matches were released in January 2013. Table 6 shows the progress made on clearing the matches since the last report.

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
2011/12	Council Tax	484	97 (20%)	86 (18%)

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	855 (80%)	206 (19%)
	Creditors	219	1 (0%)	0
	Housing Rents	19	3 (16%)	3 (16%)
	Payroll	12	0	0
	Right to Buy	5	0	0
	Residents Permit	2	new	0
	TOTAL		1333	859 (65%)

17. Of the matches cleared to date, 1 more council tax single person discount, totalling £180, has been removed. The creditor payment fraud previously reported has since been found not to be a duplicate payment so has been removed from the figures.
18. 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	2013/14
Councils Tax Single Person Discount	Undeclared second adult living at property	109 (£81,510)	28 (£17,997)	N/A	7 (£4,216)	N/A	8 (£4,396)
Councils Tax Single Person Discount	Child at property reaching 18 and not declared	21 (£6,410)	15 (£651)	N/A	1 (£20)	N/A	1 (£20)
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	N/A
Residents Permit*	Non return of permit from deceased holder	0	N/A	0	N/A	2	N/A
Creditors*	Duplicate invoice submitted and paid	3 (£7,901)	N/A	5 (£6,229)	N/A	0	N/A
TOTAL		157	43	13	8	2	9

**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. ~The fraud value for these includes errors.*

USE OF RIPA POWERS

19. There have been 3 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 April 2013 and 30 September 2013 as summarised in Appendix 1.

RISK ASSESSMENT

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

CONCLUSION

21. Fraud referrals for investigation continue to be received and handled by the relevant investigation team.

Appendices

Appendix 1 - Authorisations for use of RIPA (April 2013 – September 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 (April 13 to September 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
1	02/07/13	Head of Revenues and Benefits	Benefit Fraud - Undisclosed income	Surveillance	08/07/13	63	Surveillance cancelled as inconclusive
2	04/07/13	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	08/07/13	76	Evidence obtained that crime or disorder MAY BE occurring
3	01/08/13	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	05/08/13	84	Still in Progress