

# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date**                    **23 June 2014**

**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 for 2013/14.

### **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 during 2013/14.

## **HOUSING BENEFIT AND LOCAL COUNCIL TAX SUPPORT FRAUD**

### **Future of the Benefit Fraud Investigation Team**

3. Members will be aware that the Government has created a Single Fraud Investigation Service (SFIS) to replace the existing arrangements whereby the Department for Work 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 initially launched four SFIS pilots and their initial findings, published in September 2013, indicated that the preferred delivery model would be to introduce SFIS as a single organisation within the DWP. This has now been approved by the Treasury and will be implemented on a roll-out basis from 2014 to 2015. The timetable recently published confirms that Fareham Borough Council's fraud caseload will transfer to SFIS on 1 October 2014. This in practice now means:
  - The investigation of all Housing Benefit and historical Council Tax Benefit fraud will move to the DWP.
  - Fareham's Benefit Fraud Investigators could also transfer to DWP's employ.
  - The amendment of Housing Benefit and Council Tax Benefit claims will remain with Fareham Borough Council.
  - The calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments will remain with Fareham Borough Council.
  - SFIS investigators will request information and evidence from Fareham Borough Council to support their investigation.
  - Any referral to SFIS that is rejected will be passed back to Fareham Borough Council for compliance activity (which could be in the form of a visit, letter or phone call to follow up the discrepancy and take appropriate action).
  - A single prosecution body will be used, this being the Crown Prosecution Service.
5. The responsibilities to investigate non-benefit fraud such as Local Council Tax Support fraud, Housing fraud, Council Tax and Business Rates discounts and exemptions frauds will remain with Fareham Borough Council. However, the action required to protect these funds and services from fraud is discretionary. Officers are therefore discussing the options open to us to cover these frauds after October 2014.

## 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 whole of 2013/14, compared to the previous year, is summarised below:

**Table 1 - Number of Benefits Fraud Cases Investigated**

	Full Year 2012/13	Full Year 2013/14
<b>Number of Referrals:</b>		
Investigations brought forward from previous year	259	82
New Referrals to the investigations team in the year	692	461
<b>Total cases to Investigate</b>	<b>951</b>	<b>543</b>
<b>Sources of New Referrals:</b>		
Housing Benefits Matching Service (DWP)	410	188
Benefit officers	95	95
Anonymous callers (Not via fraud hotline)	80	61
Website via online form	33	40
Anonymous letters	17	7
Housing Department	16	11
Council Tax Section	12	21
Visiting Officer	7	14
Other Local Authority	6	4
Fraud Hotline (Dedicated telephone number)	5	7
Government Department of Works and Pension (DWP)	4	6
Other Departments	4	4
Fraud Officers	2	3
Police	1	0
<b>Total</b>	<b>692</b>	<b>461</b>
<b>Completion of Investigations:</b>		
Referrals rejected for investigation	162	111
Investigations completed	707	347
Investigations C/FWD	82	85
<b>Total cases to Investigate</b>	<b>951</b>	<b>543</b>

## Findings and Sanctions

7. From the 347 cases investigated this year, there were 66 cases where abuse was found, as summarised in the table below. This also shows that 47 sanctions were applied.

**Table 2 - Conclusions from Benefit Fraud Cases Investigated**

	Full Year 2012/13	Full Year 2013/14
<b>Conclusion from Investigation</b>		
Investigations completed	<b>707</b>	<b>347</b>
Files closed – No abuse found or unproven	646	281
Files closed - Abuse found	61	66
<b>Sanctions Applied</b>		
<b>Prosecutions</b>	20	12
<b>Formal Cautions</b>	9	9

	Full Year 2012/13	Full Year 2013/14
<b>Administration Penalties</b>	4	26
No sanction was applied (usually for social reasons, such as elderly or infirm, or insufficient evidence to support caution or prosecution)	28	19
<b>Total Files closed - Abuse found</b>	<b>61</b>	<b>66</b>

## Prosecutions

8. As summarised above the team has achieved 12 successful prosecutions in the financial year. The details of 6 cases were reported previously to the committee in November 2013. The remaining 6 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
7727	Council Tax Benefit, Council Tax Support, Housing Benefit	Failure to report changes in circumstances (earnings)	£9,534	Conditional Discharge for 12 months	£313 costs £15 victim surcharge
1020	Housing Benefit	Failure to report changes in circumstances (earnings)	£7,315	Conditional Discharge for 12 months	£285 costs
21214	Council Tax Benefit, Council Tax Support, Housing Benefit	False declaration	£4,718	Conditional Discharge for 3 years	£285 costs £15 victim surcharge
20981	Housing Benefit	Failure to report change in circumstances (moved address)	£4,154	Conditional Discharge for 2 years	£100 costs £15 Victim Surcharge
8455	Council Tax Benefit and Council Tax Support	Failure to disclose capital	£2,888		£110 fine £85 costs £20 victim surcharge
8219	Housing Benefit and Council Tax Benefit	False declaration	£2,139		£180 fine £100 costs £20 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 in 2013/14 has been calculated as **£161,823**. The total value of Council Tax Benefit overpayments found in 2013/14 was **£33,946** and those for Council Tax Support (which came into effect 1/4/2013) was **£2,278**.
10. The total repayments of Housing Benefit collected in the year for all cases due to fraud were **£89,005**.

## **Interesting cases prosecuted**

### 11. Claim 21214 (£4,718 overpayment)

This was referred to FBC by the DWP compliance team, who had calculated an overpayment of Income Support of over £55,000 but were unable to prosecute as the activity had been through compliance and not fraud investigation. This had all been undertaken without FBC's knowledge.

FBC decided that as the Housing Benefit overpayment was substantial and had not been part of DWP's activities an investigation would be undertaken and prosecution was agreed.

The claimant's partner had worked for Barclays Bank on a full time basis and this had never been declared to either FBC or DWP. All claims were false from the outset.

### 12. Claim 8219 (£2,139 overpayment)

This case appeared fairly recently in the Portsmouth Evening News.

According to FBC records, the claimant lived on her own and was subject to a 14% reduction to her Housing Benefit due to the under occupancy rules (bedroom tax). Her landlord contacted the Benefits team to advise that this reduction was incorrect as both her sons resided in the property. However, neither had ever been declared on various application forms submitted since 2006.

As well as the Housing Benefit overpayment resulting, the claimant had also been claiming a Single Occupancy Discount of 25% for her Council Tax discount. This was removed and the claimant re-billed for the outstanding Council Tax (£822). She was also issued a £70 civil penalty by Fareham Borough Council for failing to declare her circumstances.

## **WHISTLE-BLOWING CASES**

13. No cases of serious concern have been raised by an employee in the last 6 months and no employee has felt it necessary to raise concerns outside the organisation.

## **OTHER INDIVIDUAL FRAUD CASES**

14. There have been 10 new suspicions of other types of fraud raised in the last 6 months through various means, including the council's 'report-it' channels. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises.
15. 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	5
Council Tax	1
Banking	1
Other	3

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

**Table 5 – Cases where Abuse Concluded**

Type of Case	Abuse Concluded	Outcomes
Other – False Documents	FBC council tax documents had been manipulated to suggest someone was resident in the borough in order to secure funding from the navy.	Evidence was passed to the navy police to continue their own investigation into this matter and take appropriate action.
Other – Benefit claim by employee	An FBC employee had failed to make the benefit service aware of their earnings.	The employee has left the council's employment and has been prosecuted for benefit fraud.
ICT Misuse	A small number of FBC mobiles were found to be sending texts to an unobtainable number incurring a charge.	Details were passed to the police to trace the owner of the unobtainable number. The SIM cards on the phones have been replaced and no further incidents have occurred.
Banking	Attempt to use Counterfeit £10 note as part of a council tax payment.	Note was confiscated and passed to the police along with a statement.

## NATIONAL FRAUD INITIATIVE

17. 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 2014. Table 6 shows the progress made on clearing all 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	86 (18%)	0
2012/13	Benefits	1076	206 (19%)	20 (2%)
	Housing Rents	19	3 (16%)	0
2013/14	Council Tax	553	New	553 (100%)

18. The table below shows the number and value of fraud cases arising for the NFI in the last 6 months compared to the last report:

**Table 7 - Fraud Cases Identified in the last 6 months**

Data Set	Nature of Fraud	Sept 2013		June 2014	
		Number	Value	Number	Value
<b>Housing Benefits</b>	Undeclared earnings, pension or student loan of adult at the property.	0	0	8	£29,541
<b>Council Tax</b>	Undeclared second adult living at property	1	£180	13	£8,117
<b>Residents Permit*</b>	Non return of permit from deceased holder	2	none		
<b>TOTAL</b>		<b>3</b>	<b>£180</b>	<b>21</b>	<b>£37,658</b>

*\*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 RIPA POWERS**

19. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 October 2013 and 31 March 2014 as summarised in Appendix 1.

## **TOTAL NUMBER OF INVESTIGATIONS**

20. The draft Local Government Transparency Code published by the Department of Communities and Local Government for 2014, recommends that Councils start to publish details of the counter fraud work carried out each year.
21. Officers have therefore started to look into the feasibility of collating the data they suggest across the different fraud streams and investigation types. Appendix 2 shows the summary figures that have been collated for the last 2 years from the data available.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

23. Fraud referrals for investigation continue to be received and handled by the relevant investigation teams.

## **Appendices**

Appendix 1 - Authorisations for use of RIPA (October 2013 – March 2014)  
Appendix 2 – Overall Counter Fraud Figures for the last Two Years

**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 13 to March 14)

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	09/01/14	Head of Revenues and Benefits	Benefit Fraud – Undeclared partner	Surveillance	17/01/14	88	Evidence obtained that crime or disorder MAY BE occurring
2	29/01/14	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	06/02/14	63	Evidence obtained that crime or disorder MAY BE occurring



## Overall Counter Fraud Figures for the Last Two years

	2013/14	2012/13
Number of counter fraud investigators employed by the Council.	2.5	2.5
Number of occasions that the powers under the Prevention of Social Housing Fraud Regulations 2014 were used.	N/A	N/A

Type of Fraud	Number of Fraud Cases		
	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	348	66	£195,769
Council Tax	458	187	£67,472
Housing	7	3	£0
Other	10	6	£181
<b>TOTAL</b>	<b>823</b>	<b>262</b>	<b>£263,422</b>

Type of Fraud	Number of Fraud Cases		
	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	707	61	£59,119
Council Tax	232	9	£6,632
Housing	3	3	£0
Other	14	5	£1,609
<b>TOTAL</b>	<b>956</b>	<b>78</b>	<b>£67,360</b>