

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

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

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

**Subject:**              **COUNTER FRAUD STRATEGY PROGRESS**

#### **SUMMARY**

This report updates the Committee on Counter Fraud strategy work in progress or carried out in the last 6 months.

Key pieces of work have included: a) Survey of reporting incentives used by other organisations, b) Completion of the pilot scheme charging penalties for cases of Single Occupancy Discount fraud and c) Completing work from the Housing fraud action plan.

#### **RECOMMENDATION**

That the progress made to date as part of the Counter Fraud Strategy be noted.

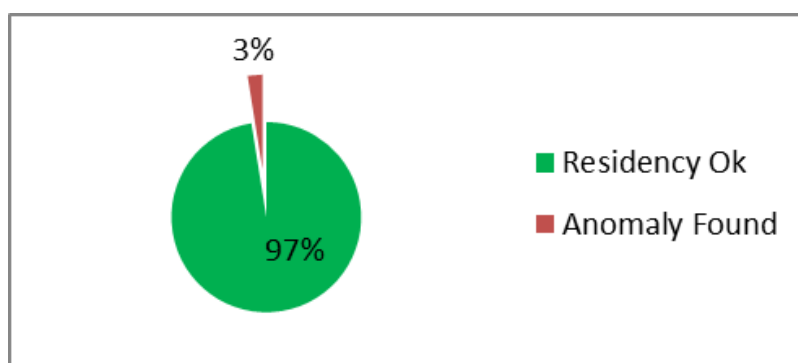
## INTRODUCTION

1. The Council maintains an Anti-Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements where necessary.
2. This report provides an update on any actions proposed or taken in the last 6 months in relation to:
  - (a) The top fraud risks for the Council.
  - (b) Revising counter fraud policies.
  - (c) Raising internal and external awareness.
  - (d) Initiatives to improve prevention, detection or redress.
  - (e) Any legislative changes that have occurred.
3. A separate report details the cases of fraud that have been investigated.

## WORK UNDERTAKEN SINCE THE LAST REPORT

### Housing Fraud

4. **Action Plan:** Significant progress has been made on completing the action plan approved by the Committee to further strengthen the council's arrangements to prevent and detect housing fraud. This has included:
  - Improving the referral, collation and recording of housing fraud cases.
  - Briefing investigators on housing terminology and processes and the potential offences relevant to housing fraud cases.
  - Rolling out awareness briefings to relevant teams who may identify potential cases of housing fraud during their normal day job.
  - Inclusion of an article in the last Tenants' newsletter. 6 referrals for alleged housing fraud have been received since the article was published although most have been concluded as no abuse found.
5. **Tenant View Exercise:** A one off data match exercise has been carried out to provide some measurable assurance that the level of housing fraud is relatively low for this Council. This involved matching our Tenant's details with those of a credit reference agency.
6. The chart below summarises the result of the initial matches which shows that **97%** of our tenants' details agreed to those held by the agency. On average Councils expect to find an initial anomaly with 5 -10% of their households in these types of exercises, so this result gives us strong assurance that generally the individuals living in our social housing properties are who we think they are.



7. We have also now almost completed our review of the 60 cases where anomalies were found. The conclusions so far are summarised in the table below which shows that no fraud issues has been found with another 2% of tenancies.

Conclusion	Number of Cases
<b>No Fraud Found</b>	
Case Closed – No fraud found	35
Data or Tenancy update was needed but no fraud found	8
<b>Property Needs to be recovered</b>	
Known and was in the process of being recovered	1
Not known and is now in the process of being recovered	1
<b>Inconclusive</b>	
Cases still under investigation	15
	<b>60</b>

8. There are 2 cases to date where we are in the process of recovering the property, due to the tenant no longer being there and the resident, although being related to the tenant, having no right to succeed to the tenancy. One of these was already known to us but the other was found as a result of this exercise.
9. The conclusions from the remaining 15 cases will be included in the next progress report. 5 of these include a review of Benefits and/or Single Residents Discount entitlement as part of the investigation.
10. **PoS HFA:** The final part of the Prevention of Social Housing Fraud Act commenced in April 2014 which provides additional powers to investigators to request information from institutions such as banks and utility companies to further an investigation into housing fraud.
11. As part of the requirements of the Act we need to publish when these powers are used by the Council. This will therefore now be included in the 6 monthly investigation report to the committee.

### Council Tax Fraud

12. In the previous progress report we highlighted the pilot exercise that was being carried out in relation to Single Occupancy Discount: this discount gives the householder a 25% reduction in their Council Tax liability. The pilot exercise was looking at using civil

powers to issue a penalty where a change in circumstances which affects the award of the discount, is either not reported promptly or not reported at all to the Local Authority.

13. This pilot exercise has now been completed. Forms were sent out to all 13,536 households in receipt of the discount. Where we were notified of a change, or the form was not returned, the details were verified against credit reference agency data to establish an accurate date that a second adult was present. As a result the discount has now been removed from **192** of these accounts and the householders have been rebilled for the extra Council Tax payable totalling **£66,940**.
14. **162** of these cases fell into the classification of 'fraud concluded' and 102 of these were also issued with the £70 civil penalty, generating a further income of £7,140 to the billing authority (FBC). Another 28 households were issued with warning letters.
15. The pilot has been deemed a success, with only 4 customers disagreeing with the credit reference agency data and having their penalty revoked. All other accounts have been updated with the penalty and are being repaid through the normal recovery processes.
16. This has now prompted the consideration of issuing a penalty against any type of discount or exemption where a change of circumstance is notified late to the Authority and will be used again for any type of bulk discount review undertaken.

### **Housing Benefit Fraud**

17. In the previous progress report we reported that the Council is taking part in a free additional data match run by the National Fraud Initiative Flexible Matching Service. This seeks to identify housing benefit fraud committed by students by matching our benefits claims to the Student Loans Company data.
18. We received 19 matches as a result of this exercise. No issue was found with 16 of these but 3 have warranted further investigation. 1 of these investigations has now been completed and an overpayment of £1,258 raised. An administrative penalty was also given to the claimant.
19. As part of the service our data was also matched to the Metropolitan Police Amberhill fraudulent identities database and the current Home Office Immigration databases. No cases of fraudulent identity or inappropriate immigration status were received, which is good assurance for the Council.

### **Corporate Arrangements**

20. **Reporting Incentives:** At its meeting in November 2013, the Committee asked officers to look into the advantages and disadvantages of offering rewards to encourage people to report suspicions of fraud.
21. Fareham Borough Council had last tried a scheme in 2010 offering rewards of £200 for information about illegal sub-letting where it led to a successful prosecution. Only 1 referral was received under this scheme and no fraud was concluded for this case.

22. A short questionnaire was therefore drawn up and publicised across professional forums during January to March 2014. In total 20 responses were received from 15 Councils and 5 Housing Associations. Only 4 of these (1 Council and 3 Housing Associations) reported to have used an incentive scheme, and only the Housing Associations are still continuing with theirs. None of the 11 other Hampshire Councils who responded purported to have tried such a scheme.
23. The four organisations that had used a scheme had all used it to generate referrals in relation to housing fraud only. The rewards ranged between £200 and £500 per reward for information from the public that led either to the successful prosecution or the repossession of a property. One housing association was also developing similar rewards schemes for employees.
24. No organisations were able to quantify how many referrals the rewards had generated and only 2 could provide figures on the number of rewards they had paid out for a full year. The highest of these was one London based Housing Association who had paid out 12 rewards of £250 last year on the basis that 12 properties had been recovered.
25. The questionnaire led to some debate on the forums on the nature of the reservations organisations had with using reward schemes. This is summarised in Appendix A. The conclusion drawn is that although the costs of the scheme are generally quite low, there is no clear evidence that it leads to a significant increase in referrals as most people making referrals tend to remain anonymous.
26. **PACE Training:** Refresher training sessions have been delivered for teams that are required to carry out interviews in accordance with the Police and Criminal Evidence Act 1984. This included briefings on using the new digital recording equipment.
27. **Intelligence Products:** A review has been completed of the intelligence products used for investigations and debt recovery work at the council. As a result, the use of these products has been strengthened across the Council and a small annual saving on the costs of the products will be made.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

29. Work continues to be carried out in accordance with the Council's Counter Fraud Policy.

**Background Papers:** None

**Reference Papers:** None

### **Enquiries:**

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

### Issues Debated on the Use of Reporting Incentives

Issue		Comments
<b>Cost</b>	The rewards and cost of administering the scheme have to be funded from a Council budget if no government funding is available.	Experience of organisations were that not many people making referrals want to claim a reward, preferring to remain anonymous, therefore the cost of the rewards and administering them can remain small. Also rewards are only paid out on successful re-possession or prosecution.
<b>Deters reports being made</b>	Most people making reports tend to want to remain anonymous, and some may be put off by a monetary reward as they would lose the sense of “doing the right thing for no personal gain”.	The scheme can be set up to allow the reporter to still remain anonymous if they choose to.
<b>Poor referrals</b>	Offering a reward could encourage malicious or repeat referrals that have to be processed.	Experience of organisations was that most referrers wish to remain anonymous and therefore are not ‘in it’ just to get the reward, so a scheme should not create lots of malicious hoax referrals.
<b>Fairness</b>	If more than one person makes the same referral you need to be careful as to who gets the reward.	Administering the scheme would need to make sure that the date of the receipt of the referral is recorded. Flexibility can be built in to allow more than one reward to be paid out.
<b>Loss of confidentiality for the suspect</b>	At the moment referrers are not given any confirmation that a person is a tenant or claimant, and they do not receive any feedback on the outcome of an investigation.  However, by paying out the reward it confirms to the reporter that we found a problem with what the suspect was doing.	Most organisations publicise successful prosecutions or the findings of fraud to act as a deterrent to would-be fraudsters and to encourage members of the public to give information if they suspect fraud is occurring.  Therefore feedback to the referrer after successful prosecution should not breach confidentiality in most cases. Payment of the reward on just the repossession of the property might be more delicate.
<b>Effect on court case</b>	The use of an incentive reward may have an influence on the court decision on a case, and if the person making the referral has to appear as a witness it may be sensitive if they had received a payment.	No cases reported where a reward scheme affected the outcome in court.