

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **24 November 2014**

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

Subject: **COUNTER FRAUD 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) maintaining investigation capacity following the transfer of benefit investigation employees to the Department of Works and Pensions, b) conclusion of the Housing fraud data match exercise.

It also provides information on the numbers and outcomes of fraud cases in the last 6 months.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. This report provides an update of any actions taken in the last 6 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. **Government Transparency Code:** The latest draft of the Transparency Code 2014 has recently been released and is expected to come into force in November 2014.
3. This places a mandatory requirement on the Council to publish each year the resources employed, the amount spent on the investigation and prosecution of fraud and the number of cases investigated. It is also recommended that we include investigations into other irregularities, the value of cases where fraud and irregularity were concluded and the levels recovered. Officers have therefore started work to enable us to meet these requirements.
4. **Transfer of Benefits Investigators:** As previously reported, the Department for Work and Pensions (DWP) have been tasked by the Government to investigate all welfare benefit. This includes the investigation of Housing Benefit fraud which was previously investigated by Local Authority investigators. The resulting single investigation service sits within the DWP Fraud and Error Service (FES).
5. Fareham Borough Council was selected in Tranche 2 of the migration program which took place on 1 October 2014 and from this date, both our Benefit investigators decided to transfer to DWP's employ. All Housing Benefit investigations in progress or waiting to be allocated have therefore been transferred to DWP for them to continue with the investigation. Any cases that were already with our legal team remain with FBC and will continue with legal proceedings by FBC.
6. It is therefore likely that from 1 October 2014 specific Housing Benefit fraud data for the Council will not be available and we will only be able to report on the national statistics provided by the DWP.
7. Fareham Borough Council will continue to maintain its objective to prevent, detect and deter other frauds within the Council such as Council Tax Support, Council Tax and Business Rates Discounts & Exemptions, Housing and Procurement fraud. A new Investigations Officer post has therefore been created and advertised and the selected candidate will be in post once their notice period has been completed.
8. **Counter Fraud Fund Bid:** The Government has recognised that the loss of investigating resource to the DWP may impair Council's ability to tackle other areas of fraud. They have therefore invited Councils to bid for funding to help establish ways of tackling non-benefit fraud.

9. A bid for funding has therefore been submitted by the Council in partnership with 5 other Hampshire Councils and 2 Housing Associations to fund further investigation resource and improve our ability to use internal and external data matching to detect potential cases of fraud. No response has been received to date.

Specific Areas of Fraud

10. **Housing Fraud:** The last report gave details of a data match exercise we were carrying 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.
11. This exercise has now been completed. No fraud issues were identified for **99%** of our tenancies and no cases of subletting, key selling or abandonment were found. However, in 2 cases the tenant was found to have died and family members with no succession rights were still resident. The residents have now been rehomed releasing the properties for use by other needy families.
12. In addition, 3 cases were found where the household were receiving housing benefit, council tax support or single residents discount inappropriately. Overpayments were generated totalling £6,318 and a further £6,075 of payments or discounts have been cancelled for the rest of the 2014/15 financial year.
13. **Procurement Fraud:** Bank mandate fraud is considered to be a significant risk for Councils. This involves a fraudster pretending to be a supplier and asking the Council to change the bank account details we hold for them so that the next payments made go to the fraudster's account.
14. Over the summer there have been a high number of councils in Hampshire reporting that they have been the target of bank mandate fraud attempts. As of yet we are not aware of any attempts on this Council, but officers have been alerted to the risk and have appropriate safeguards in place should an attempt occur.
15. **Fraud against Residents:** Reports continue to be received of attempted council rebate telephone scams in the Hampshire area, including Fareham. A new "ebilling" telephone scam has also started. The communications team have been publishing warnings including press releases to try and warn our residents.

INVESTIGATION REFERRALS AND OUTCOMES SINCE THE LAST REPORT

Benefits

16. The information provided in this report incorporates all the work undertaken by the two investigators whilst at Fareham Borough Council until 30 September 2014.

Table 1 – Nature of Benefit Cases Raised and Concluded in the last 6 months

Number of New referrals received in last 6 months	Number of Investigations Completed	Number of Cases where Abuse Concluded	Value of Abuse
287	237	67	£90,740

17. The value of abuse found includes prosecutions currently with a legal team awaiting a court date. Bills to recover the overpayments have been issued. The total of repayments of Housing Benefit collected in the last 6 months for all cases due to fraud was **£73,354** recovered from 80 cases.
18. Thirty six sanctions were applied for cases where abuse was concluded, 9 of which were prosecutions. The details of the cases prosecuted are summarised in [Appendix B](#). Three interesting and related cases are detailed further below.
- Three prosecutions were all investigated together and involved a mother and her two sons. Mrs K initially claimed Housing Benefit but this was not paid due to concerns about the truthfulness of the claim. She failed to declare that she was related to her landlord, who transpired to be her son living in London. After interviewing the son under caution at his local police station, it also transpired that various documents had been deliberately created to indicate that there was a rental liability, when in fact there wasn't.
 - As a result of this investigation, another investigation commenced on Mrs K's other son, who had previously claimed Housing Benefit for the same address in the same manner. He had also not declared that his landlord was his brother and also provided false documents to indicate there was a rental liability.
 - All three parties had different surnames, 2 of which sounded the same but had been modified to look different.
 - Although Mrs K is a pensioner, it was decided to prosecute all 3 parties as they had all conspired to dishonestly claim Housing Benefit. This was a lengthy investigation due to the involvement of three parties. In consultation with Fareham's legal team, 15 charges were brought against them in court, to which they all pleaded guilty.

Other Frauds

19. There have been 16 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. The cases cover the following types of fraud and may be dealt with by various teams in the Council:

Table 2 – Nature of Other Cases Raised and Concluded in the last 6 months

	Number of new referrals received in last 6 months	Number of Investigations completed	Number of Cases where Abuse Concluded	Value of Abuse £
Council Tax Discount Fraud	2	1	0	NA
Housing Fraud	8	6	1	NA
Blue Badge Fraud~	5	4	1	NA
Impersonation	1	1	0	NA
Total	16	12	2	

~ Data covers 12 months.

20. Since the last report 2 cases of other abuse have been concluded for cases that have

been closed. These are listed below with the outcomes to date:

Table 3 – Cases where Abuse Concluded

Type of Case	Abuse Concluded	Outcomes
Housing Fraud	Abandonment of Council Property to move in with partner	Proceedings started to seek possession of the property on the basis of arrears. Tenant agreed to hand keys back after interview under caution for benefit and housing fraud.
Blue Badge Fraud	Misuse of Parent's Disabled Parking Permit	Case passed to Hampshire County Council who discharged the matter by issuing a formal warning, and also providing educational information for both badge holder and family members.

21. **Whistleblowing:** There were no cases of serious concern raised by an employee in the last 6 months and no employee has felt it necessary to raise concerns outside the organisation.

NATIONAL FRAUD INITIATIVE

22. The National Fraud Initiative (NFI) is a data matching exercise currently organised by the Audit Commission. The data sets for 2014/15 have recently been requested and we are on target to have them all submitted by the required deadlines.
23. The last sets of matches resulting from the data matching were released in January 2014. Table 4 shows the progress made on clearing all matches since the last report. It should be noted that the 6 remaining benefits matches are all open investigations.

Table 4 - 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
2012/13	Benefits	1076	20	6 (1%)
2013/14	Council Tax	553	553	13 (2%)
2013/14	Flexible match – Benefits to Student Loans	19	2	0

24. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 6 months:

Table 5 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		Nov 2013		June 2014		Nov 2014	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.	0	0	6	£27,297	1	£2,713
	Undeclared pension of adult at the property.			1	£945	1	£2,158

Data Set	Nature of Fraud	Date of Committee Report					
		Nov 2013		June 2014		Nov 2014	
		Number	Value	Number	Value	Number	Value
	Undeclared student loan of adult at the property.			2	£2,613		
Council Tax	Undeclared second adult living at property	1	£180	13	£8,117	30	£12,367
	Child at property reaching 18 and not declared					1	£375
Residents Permit*	Non return of permit from deceased holder	2	none				
TOTAL		3	£180	22	£38,672	33	£17,613

**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 LEGAL POWERS

27. There has been 1 authorisation granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 April 2014 and 31 September 2014 as summarised in [Appendix A](#).
28. We have also been notified that our next inspection by the Office of the Surveillance Commissioner will take place on 11 December 2014.
29. There has been no use to date of powers granted under the Prevention of Social Housing Fraud Regulations 2014 or other similar powers.

RISK ASSESSMENT

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

CONCLUSION

31. Work continues to be carried out in accordance with the Council's Anti-Fraud and Corruption Policy. Fraud referrals for investigation continue to be received and handled by the relevant investigation teams.

Appendices

Appendix A - Authorisations for use of RIPA (April 2014 – September 2014)

Appendix B - Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Background Papers: None

Reference Papers: Draft Transparency Code 2014 published by the Department for Communities and Local Government

Enquiries:

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

Appendix A

Authorisations for use of RIPA (April 14 to September 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
1-2014 /15	28/08/14	Head of Housing, Revenues and Benefits	Benefit Fraud – Undeclared partner	Surveillance	02/09/14	23	Evidence obtained that crime or disorder MAY BE occurring

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
1098	Council Tax Benefit (Pension Credit)	Failure to disclose change in circumstances	£6,589 (£34,691)	12 months custodial sentence, suspended for 2 years	£2,060 costs
18210	Housing Benefit	Failure to disclose a change in circumstances	£20,674	12 month conditional discharge	£80 costs
17130	Housing Benefit	Failure to declare a change in circumstances	£8,448	2 years conditional discharge	£150 costs £15 Victim Surcharge
20151	Housing Benefit	Failure to disclose change of circumstances and false declaration	£7,893	12 month community order for 100 hours unpaid work	£285 costs £60 Victim Surcharge
21499	Housing Benefit	Dishonestly failing to notify a change in circumstances	£7,023	Conditional discharge	£100 costs
18872	Housing Benefit Council Tax Benefit Council Tax Support	Failure to declare a change in circumstances	£4,666 £273 £405	18 month conditional discharge	£285 costs
*19763	Housing Benefit	False representation and providing false documents	£3,708	Conditional discharge	£280 costs £15 Victim Surcharge
*22822	Housing Benefit	False representation and providing false documents	No overpayment	Conditional discharge	
*Third party	Housing Benefit	Made or adapted an article intending it to be used to commit or assist in the commission of fraud (Fraud Act 2006)	No overpayment	Conditional discharge	

* Further details of the case provided in the report

In addition to the sentence and costs awarded at court, the value of the overpayments are actively recovered by the benefits overpayments team.