

Final Internal Audit Progress Report – Appendix 2

Anti-Fraud

1. Introduction

- 1.1. Fraud typologies can be split between internal i.e. committed by staff against the authority, and external i.e. committed by third parties against the authority. The latter can be further split into two major divisions: Housing Benefit and Housing Tenancy Fraud. Other types of external fraud include false applications for social services support (direct payments), blue badge abuse and single person discounts. Internal investigations also include disciplinary matters which are not necessarily fraudulent but represent a serious breach of financial regulations or the code of conduct.
- 1.2. On occasion frauds fall into more than one category, i.e. an officer working and claiming benefit; a housing tenant subletting their property and claiming benefit; false declaration of income for the purpose of claiming benefit and a renovation grant

2. Housing Benefit Fraud

- 2.1. Members will be aware of the DWP plans to introduce a Universal Credit (UC) to replace a range of benefits, including housing benefit, for new applications from October 2013, transitioning all existing claims by April 2017. The UC will be assessed and paid by the DWP. Council tax benefit is to be excluded from UC with separate schemes established and administered by each local authority.
- 2.2. These changes include the establishment of a Single Fraud Investigation Service (SFIS) which will have responsibility for the investigation of all Universal Credit fraud. How that service is to be delivered is yet to be determined although it is likely to reflect DWP priorities, policy and procedure. The DWP intend to pilot a number of approaches to SFIS prior to the introduction of UC where DWP, HMRC and Local Authority staff will work together with the intention of investigating the current disparate benefits, i.e. HB, Income Support, Tax Credit as a single investigation. How this will work in practice is yet to be determined.
- 2.3. There will be major implications for the council's housing benefit and council tax benefit delivery and fraud investigation functions. Once definitive plans are set out by the DWP, they will be the subject of a further report to this committee.
- 2.4. Until such time as SFIS is fully funded and resourced by the DWP, the council will continue to be responsible for the investigation of fraud in HB. The team continues to receive a very high volume of fraud referrals and, as with previous years, a high percentage of cases have to be screened out without investigation. There is a process of case screening which considers the quality of evidence, likely value of overpayment and other factors. Those which are not screened out are passed for investigation. An investigation will be closed once there is sufficient evidence to establish that a fraudulent overpayment of benefit has occurred and a sanction

has been applied or no further action is warranted. Investigations range in length from a few months to many years for complex prosecutions.

- 2.5. The sanctions available for HB fraud are: Overpayment recovery, a caution administered by the council, an administrative penalty of 30% of the overpayment and criminal prosecution. In recent years the Audit and Investigation team have prioritised high value fraud resulting in a higher proportion of prosecutions. These take longer to prepare than cautions and administrative penalties. This has resulted in fewer sanctions but higher value overpayments. Performance is slightly down due to moving staff from HB investigations to Housing Tenancy Fraud work following the receipt of additional funding from central government. Historical case load data and current performance is shown below:

HB Fraud	2008/09	2009/10	20010/11	20011/12
Referrals	723	672	757	612
Closed	832	744	675	597
Screened Out	511	423	386	339
% dropped	61%	57%	57%	57%
Investigated	321	321	290	258
Fraud Found	118	150	121	102
Hit Rate	37%	47%	42%	40%
Caution	7	5	1	3
Admin Penalty	46	40	20	28
Prosecution	31	36	50	30
Total Sanctions	84	81	71	61
Overpayment Only	21	73	47	40

Table 1 – HB Fraud Caseload 2008 to 2012

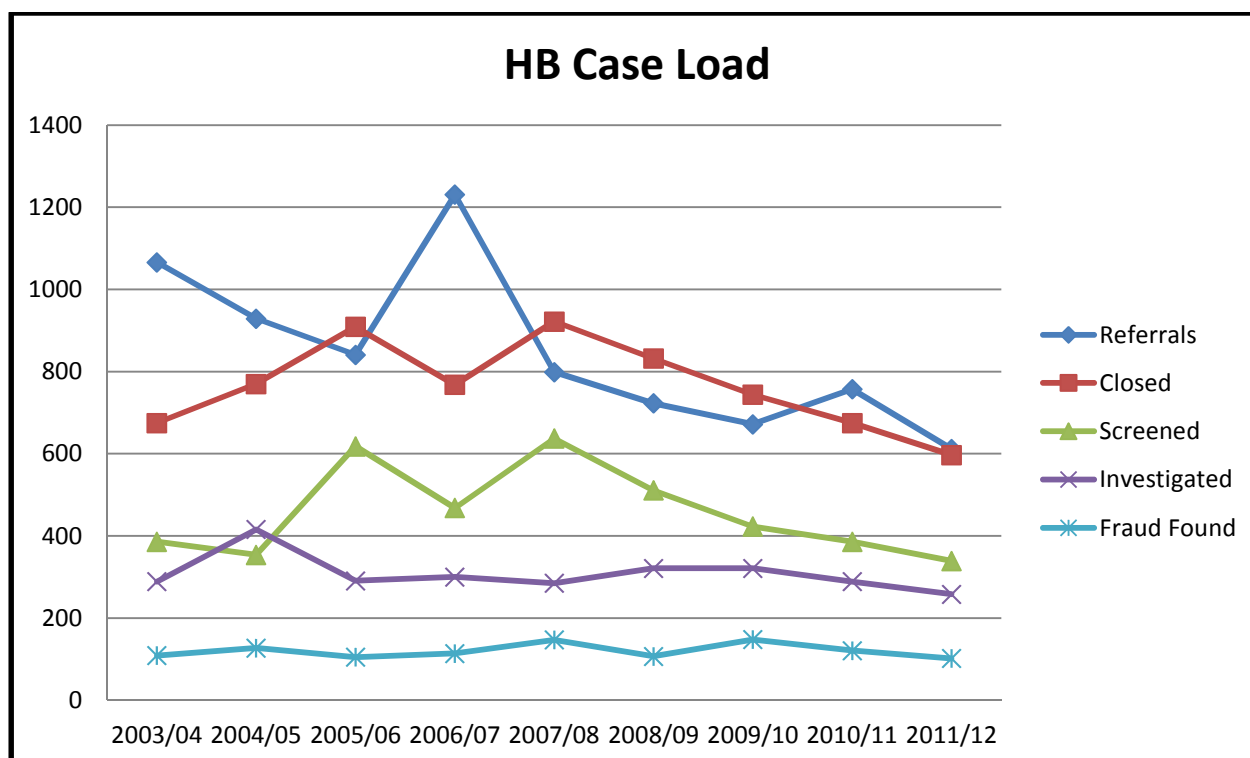


Chart 1 – HB Fraud Caseload 2003 to 2011

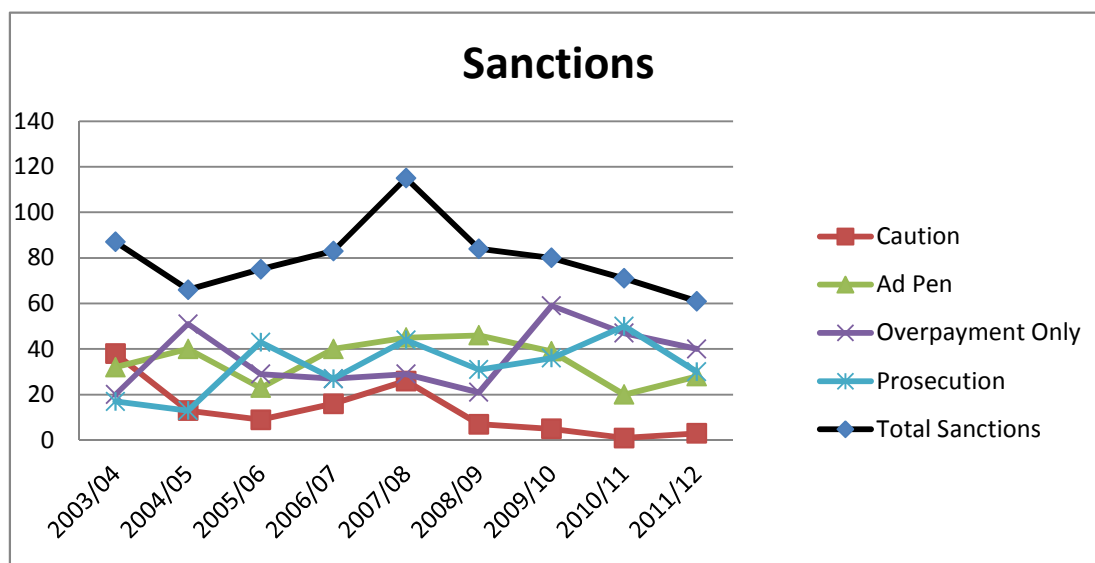


Chart 2 – HB Fraud Sanctions 2003 to 2011

- 2.6. A key objective for the team over recent years has been to identify large scale fraud. This has, inevitably, resulted in a lower volume of cases being dealt with but a higher value of overpayment identification. Most HB claimants have other national benefits in payment such as job seekers allowance or income support and investigators will identify a range of overpaid benefits during enquiries. Historical overpayment figures are shown in table 2 and chart 3 below:

Fraudulent Overpayments by Benefit Type	08/09 £	09/10 £	10/11 £	11/12 £
Housing Benefit	849,505	1,332,014	1,660,613	1,267,041
Council Tax Benefit	80,535	183,266	201,615	168,032
Income Support, Job Seekers Allowance, DLA, Other	371,713	411,909	660,546	302,679
Total	1,319,932	1,927,189	2,522,774	1,737,752

Table 2 – Fraud overpayment by benefit type and year

3. Housing Tenancy Fraud

- 3.1. Tenancy fraud occurs due to the sub-letting of council properties and false declaration of circumstances on housing and homeless applications. The council has taken tenancy fraud seriously for many years. Since 2000, investigation work

by A&I has resulted in the recovery of 340 properties and prevented almost 90 inappropriate Right to Buy applications. The Audit Commission currently estimates that each unlawfully sub-let council property results, on average, in a financial loss of some £18,000 per annum.

3.2. Caseload information is shown below.

Housing Fraud	2008/09	2009/10	2010/11	2011/12
Referrals	82	111	120	189
Closed	55	82	166	185
Screened Out	3	9	10	13
Investigated	52	73	155	172
Fraud Found	21	26	37	48
Recovered Property	21	26	34	47
RTB Stop	1	0	0	1
Application refused		0	2	0

Table 3 – Housing Fraud Caseload 2008 to 2012

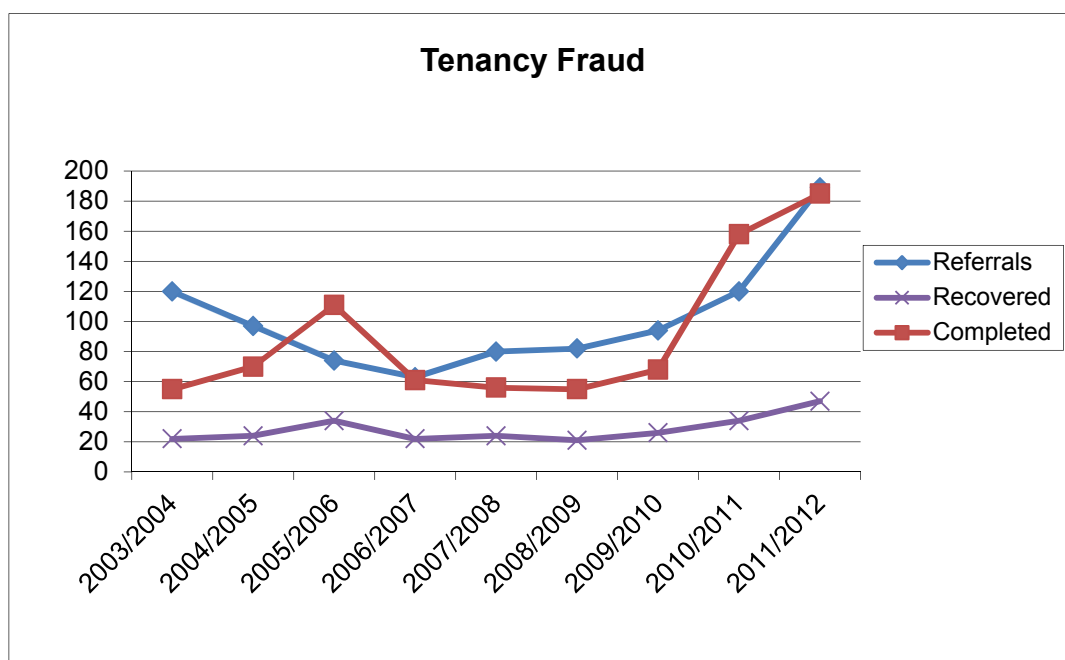


Chart 3 – Housing Fraud Caseload 2003 to 2011

3.3. In 2010/11 the council received additional funding from central government of £50,000 to encourage the investigation of sub-letting within housing associations. The Audit and Investigation Team engaged with a number of housing associations in the borough and set up SLAs with five of the largest. A&I officers investigate referrals on behalf of the housing association who then take appropriate recovery action. This is beneficial in that the council maintains nomination rights to any properties recovered.

- 3.4. A further £100,000 was received by the council in 2011/12, of which £75,000 was allocated to A&I for general tenancy investigation work. As a result, two additional staff have been allocated to tenancy fraud work from HB fraud. The backfilling of these posts has proved problematic.

4. Blue Badge Fraud

- 4.1. This is a relatively new area of fraud, its profile has been raised by the Audit Commission's National Fraud Initiative (NFI) data match of Blue Badges issued to the DWP deceased list. Some publicity around this type of fraud has generated a number of additional referrals from the public, who appear to be concerned by abuse of the scheme.
- 4.2. This abuse takes a number of forms. The lowest level is misuse of a badge by a family member when the badge holder is not present. This abuse is dealt with by the parking enforcement team and is not covered in this report. More serious offences such as persistent misuse, false applications for a badge, forged or counterfeit badges or misuse by a council officer are dealt with by Audit and Investigations. However, the team has extremely limited resources to deal with this type of fraud and in 2010/11 moved to a more proactive method of detection. This involves exercises in various parts of the borough working in conjunction with the Police, Parking Enforcement and Adult Social Care. Three exercises have been undertaken in 2011/12 resulting in 40 badges being seized and a number of warnings issued.
- 4.3. There have been 27 new reactive referrals in 2011/12 within the more serious categories, such as persistent misuse, false applications for a badge, forged or counterfeit badges or misuse by a council officer. Misuse has been identified in 23 of 26 cases investigated. Most were dealt with by way of a warning letter from Older Peoples Services who issue the badges. Four members of staff were investigated for persistent misuse, three were dismissed or resigned, one received a warning.

Internal Fraud

- 4.4. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, "fraud" includes any financial irregularity or malpractice or serious breach of financial regulations or the staff code of conduct.
- 4.5. Historic data and current year statistics are shown in the tables and charts below:

	2007/08	2008/09	2009/10	2010/11	2011/12
Internal					
Referrals	45	26	51	53	58
Closed	43	34	28	51	62
Screened Out	6	3	3	3	5
Investigated	37	31	25	48	57
Fraud / Irregularity	17	11	16	23	33
Dismiss / Resign	12	9	14	21	27
Warning	2	0	0	2	5

Table 4 – Internal Fraud Caseload 2007/08 to 2011/12