

**Classification:** Part 1 – Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Finance and Audit Committee

**Date:** 18 November 2015

**Reporting officer:** James Larkin, Fraud Investigations Manager

**Subject:** Mid-Year Fraud Report 2015-16

### **Purpose and summary of report:**

To inform Members of the Finance & Audit Committee as to the performance of the investigation team during the first six months of the 2015-16 financial year.

### **Recommendations:**

Members are requested to consider the content of the report and endorse the work undertaken in the first 6 months of 2015-16.

## **1. Introduction**

### **1.1 Overview**

1.1.1 Responsibility for the Fraud Functions of the Council sits within the Leader's Cabinet portfolio, but due to the wider Governance remit of the Finance & Audit Committee, this report is being presented to the committee for consideration and endorsement as a means to informing the Committee's view as to the robustness of the Internal Control environment present within the Council.

1.1.2 The following is a summary of the findings that were presented as evidence of performance in the mid-year report for 2014-15 and a comparison table can also be found at appendix 2;

- Corporate Fraud & Irregularity – six allegations of internal fraud were reported to the investigation team during the first half of 2014-15, 5 of which were accepted for investigation, and 4 of those led to disciplinary action being taken against the employees.
- Housing Tenancy Fraud – seven properties were recovered between 1 April 2014 and 30 September 2014.
- Council Tax Fraud – cuts to weekly Council Tax Reduction (CTR) awards of £727.23 per week (£37,815.96 per annum) and excess CTR payments of £18,464.80 identified. Removal of single person discounts and other exemptions identified additional council tax liability of

£56,190.55 and also increased liability in future years by £34,677.53. This meant a total increase in liability of £74,952.42 and an additional £72,493.49 for future years.

20 civil penalties issued and 2 people cautioned for minor offences, 1 in relation to CTR and the other for a single persons discount.

- Benefit Fraud – fraud proven in 26 cases with a further 72 where benefit overpayments were identified. Weekly benefit entitlements were cut by £5,003.01 per week (£260,156.52 per annum), housing benefit overpayments totalling £233,636.66 and council tax benefit overpayments totalling £30,276.75 were identified. 11 people cautioned for minor offences, 3 administrative penalties accepted (£5,092.76) and 7 successful prosecutions.

## **2. Investigating Fraud**

- 2.1 The Investigations Team is responsible for investigating all allegations of fraud and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required.
- 2.2 Since 1<sup>st</sup> April 2015, the investigation team has received a total of 1601 referrals. Of these referrals, 457 have been accepted for investigation. The remaining 1144 referrals were either rejected on the basis of insufficient information, data matches where information was already known or because the allegations received were more appropriate for investigation by other departments/agencies, such as the Department for Work and Pensions (DWP).
- 2.3 The following sections detail the performance of the investigation team in relation to the specific areas of fraud and the results of investigations concluded in the first six months of 2015-16.
- 2.4 **Corporate Fraud & Irregularity**
  - 2.4.1 The investigation team deals with allegations relating to alleged offences committed by council employees. It is pleasing to say that no referrals have been received regarding fraud allegedly being committed by employees.
  - 2.4.2 The team have been involved in the collation and analysis of data for disciplinary enquiries to assist HR but have not been the lead for any of these cases.
- 2.5 **Housing Fraud**
  - 2.5.1 The investigation of suspected tenancy fraud has continued and work has also expanded into the allocations process to try and identify those falsely claiming to be in need of social housing. Approx. 296 referrals have been received with 193 accepted for further enquiries to be conducted.
  - 2.5.2 3 properties have been recovered since 1 April 2015 as a result of investigations. Each property recovery represents an estimated saving of £18,000 to Gravesham, meaning a total saving of £54,000. In addition to this 2 right to buy applications have also been blocked as a result of investigation preventing total losses of £150,000.

- 2.5.3 The expansion into allocations fraud has been largely linked to the National Fraud Initiative. Enquiries by the team have led to 137 people being removed from the waiting list as changes in their circumstances meant that they were no longer eligible to be on the waiting list.
- 2.5.4 136 people were simply removed from the register as they had made no attempt to bid on properties and were therefore deemed to have simply moved on and had no criminal intent. A number of investigations into those who continued to bid after the change in their circumstances are continuing. 1 case has already been closed with no further criminal action due to language difficulties. It was not felt that the cost associated with formal interpreters would be in the public interest when the gain of a council house had been prevented.
- 2.5.5 It is estimated that a Local Authority saves £4,000 for a false application being blocked or a person being removed from the register. Applying this value would give an estimated saving of £548,000 for the 137 people removed from the register.
- 2.5.6 As the majority of those removed from the register were no longer attempting to gain a council house, it is likely that such a figure would not be accurate for Gravesham. However, it does demonstrate that it is an area of significant risk and could potentially lead to significant savings to Gravesham if tackled properly.

## 2.6 Council Tax Fraud

- 2.6.1 Council tax fraud is broken down into 2 key areas. Council Tax Reduction (CTR), which replaced council tax benefit, and other discounts and exemptions such as Single Person Discount (SPD).
- 2.6.2 696 referrals were received in relation to CTR, 156 of which were accepted and 540 rejected. 202 cases involving CTR have been concluded since 1 April and have led to a cut in CTR awards of £585.15 per week (£30,427.80 per annum) and identified excess awards of £34,103.51.
- 2.6.3 14 people have been issued with civil penalties of £70 (£980) for negligently failing to report changes in their circumstances that affected their CTR award. 4 people have received cautions for minor offences and 2 people have also accepted administration penalties totalling £522.07 as alternatives to prosecution.
- 2.6.4 618 referrals have been received in relation to SPD matters. 130 have been accepted with the remaining 488 rejected as investigation was not required. 33 cases have been concluded with the removal of SPD's creating additional liability of £13,549 for historic periods. Those same removals also mean additional liability of £5,330.12 for future years.
- 2.6.5 A large number of cases remain ongoing and so far, 3 people have been issued with civil penalties of £70 (£210) for negligently failing to report a change that affected their discount.
- 2.6.6 In total additional liability of £47,562.64 has been identified for historic periods and a total increase in liability of £30,427.80 for future years

## 2.7 Benefit Fraud

2.7.1 Since 1 April, 288 investigations into benefit related matters have been concluded. The results of these cases are shown in the table below:

Closure category	Number of cases
No Fraud	137
Incorrect Benefit**	127
Fraud Proven	24

\*\*The Department for Work and Pensions state that a benefit case may only be classified as fraud proven where a sanction is applied. Other cases where overpayments or other changes to benefits are identified but sanction action is not taken must be classified as customer error.

2.7.2 As a result of these cases, housing benefit entitlement has been reduced by £4,510.58 per week (£234,550.16 per annum).

2.7.3 They have also identified housing benefit overpayments totalling £318,654.66 and council tax benefit overpayments totalling £10,407.69.

2.7.4 To date 35 civil penalties of £50 (£1750) have been issued to people who negligently failed to report changes in their circumstances that impacted on their benefit entitlement. While this option has always been within the councils prosecution policy, it is the first year that the approach has been taken and is aimed at deterring people from failing to report changes in the future. The hope being that this will reduce the number of overpayments, particularly amongst those who are in employment that has annual increases which are not reported.

2.7.5 11 people have accepted cautions for their actions, 5 people have accepted administration penalties totalling £7,161.21 and 5 people have been successfully prosecuted.

## 3. Data Matching – National Fraud Initiative

### 3.1 2014-15 Exercise

3.1.1 It was reported to this committee in June that the council had received 1782 matches across 72 reports relating to Benefit, Housing, Payroll and Finance. This has since increased to 2481 matches across 78 reports, the largest portion of that increase being the due to the addition of matches for Council Tax with the SPD to Electoral Register report now being run annually.

3.1.2 As of 30<sup>th</sup> September 2015, all of these matches have undergone their check to identify whether investigation was necessary and a number of investigations or administrative enquiries with relevant departments have also been concluded. This has led to the following results;

## **Benefits**

- 108 cases concluded with some form of discrepancy having been identified.
- Weekly housing benefit entitlement reduced by £1,001.45 per week (£52,075 annually)
- Housing benefit overpayments totalling £56,597.57 and council tax benefit overpayments totalling £2,508.39
- 25 people issued with civil penalties of £50 (£1,250) and 2 people issued with cautions

## **Council Tax**

- 62 cases concluded with some form of discrepancy having been identified in relation to CTR and a further 6 with discrepancies in relation to SPD.
- Weekly CTR entitlement cut by £213.31 per week (£11,092.12 annually).
- Excess council tax reduction payments of £13,022.11.
- Removal of SPD's creating additional liability of £2,504.35, and liability of £1,903.26 for future years.
- 7 civil penalties of £70 (£490) have been issued in relation to CTR matters.

## **Housing**

- 137 cases concluded with discrepancies identified. All of these cases resulted in customers being removed from the housing waiting list.

## **Payroll**

- None of the matches received identified any cases that required investigation.

## **Finance**

- The matches received in relation to finance have to date been administrative matters. 23 duplicate payees have been removed from creditors and a further 2 have had errors in the details corrected.

3.1.3 Enquiries continue into 152 matches, 97 of which relate to the council tax cases received in late August 2015.

## **4. Summary**

- 4.1 This report shows that the investigation team has maintained the high level of performance that was demonstrated throughout 2013-14 and 2014-15 and the further expansion into areas of housing fraud.

- 4.2 As of 1 December 2015 the investigation staff will transfer to Medway Council to form part of the new shared service for Audit and Fraud. The team will retain responsibility for the investigation of benefit fraud until March 2016, although from January 2016 this work will be scaled back with new referrals being passed to the Department for Work and pensions.
- 4.3 The resignation of one investigator means that from the end of September the resource of the team has reduced. The pending merger with Medway means it would not be appropriate to try and recruit a new officer. It is likely that the final year's figures in relation to benefit matters may be slightly lower than in previous years.
- 4.4 The team will continue to respond to all allegations received and seek to take appropriate action where offences are found to have been committed and full details of the year's performance will be presented in the annual report.

## 5. Background Papers

<p><b>There are no background papers pertaining to this report. IMPLICATIONS APPENDIX 1</b></p>			
<p><b>Legal</b></p>	<p>The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them</p> <p>Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”. Funding received via a Central Government Administration Grant requires Local Authorities to maintain arrangements to prevent fraud and error in the welfare benefits that they administer.</p>		
<p><b>Finance and Value for Money</b></p>	<p>An adequate and effective internal counter fraud function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.</p>		
<p><b>Risk Assessment</b></p>	<p>This report, summarising the work of the counter fraud function, provides a key source of assurance for the council on the adequacy and effectiveness of its counter fraud arrangements.</p>		
<p><b>Equality Impact Assessment</b></p>	<p><b>Screening for Equality Impacts</b></p>		
	<p><b>Question</b></p>	<p><b>Answer</b></p>	<p><b>Explanation</b></p>
	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?</p>	<p>No</p>	
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?</p>	<p>No</p>	
	<p>c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?</p>	<p>N/A</p>	<p>--</p>
<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>			
<p><b>Corporate Business Plan</b></p>	<p>The work of counter fraud contributes to the delivery of the fourth Corporate Plan Objective; a Sound and Self-sufficient Council.</p>		

**There are no background papers pertaining to this report. IMPLICATIONS  
APPENDIX 1**

**Crime and  
Disorder**

The counter fraud arrangements of the council acknowledge that the council can be exposed to fraud and are intended to, as far as possible, prevent fraud occurring and pursue criminal action if needed when fraud is detected. Working with partners to combat crime and disorder has a positive contribution to community safety in its broadest sense.



**Appendix 2**

<b>Year (1 April – 30 September)</b>	<b>2014</b>	<b>2015</b>
No. of Benefit Investigations Concluded	204	288
Weekly reduction in benefit entitlement (per year)	£5,003.01 (£260,156.52)	£4,510.58 (£234,550.16)
Total HB & CTB overpayments	£263,913.41	£329,062.35
No. of Civil penalties (Total Value)	0 (£0)	35 (£1,750)
No. of Cautions	9	11
No. of Administration Penalties (Total Value)	3 (£5,092.76)	5 (7,161.21)
No. of successful prosecutions	7	5
No. of Council Tax Investigations Concluded	300	235
Weekly reduction in CTR awards (per year)	£727.23 (£37,815.96)	£585.15 (£30,427.80)
Excess CTR	£18,464.80	£34,103.51
Value of SPD removals	£55,942.81	£13,459.00
Increase to CTAX base for future years through CTR changes & SPD removal	£72,493.49	£5,330.12
No. of Civil penalties (Total Value)	20 (£1,400)	17 (£1,190)
No. of Cautions	2 (1 CTR, 1 SPD)	4 (All CTR)
No. of Administration Penalties (Total Value)	0 (£0)	2 (£522.07)
No. of successful prosecutions	0	0
No. of Housing Investigations Concluded	17	169
No. of people removed from the Housing Register (Total estimated Saving)	0 (£0)	137 (£548,000)
No. of Right To Buy stopped (Total saving)	0 (£0)	2 (£150,000)
No. of Properties recovered (Total estimated Saving)	7 (£126,000)	3 (£54,000)
No. of Cautions	0	0
No. of successful prosecutions	0	0