



Report to: Audit Sub-Committee

Subject: Annual Fraud & Irregularities Report

Date: 16th June 2009

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1. PURPOSE OF REPORT

To provide a summary report to members of all investigated cases of fraud and irregularities identified during the 2008-09 financial year.

To identify to members the action taken, sanctions imposed and level of recovery achieved in respect of the identified cases of fraud and irregularities.

2. BACKGROUND

Previously, any issues relating to significant fraud and irregularities have been reported to the Audit Sub-Committee on an exception basis, usually case by case.

Historically, where no significant cases have been identified throughout the financial year, no fraud and irregularities report has been submitted to the committee, implying that no such cases have been identified.

This report confirms to Members any cases of significant fraud identified throughout the financial year and also provides a summary statement of all cases identified.

This approach enables the Members to reach a more informed conclusion in fulfilling their specific responsibilities with respect to fraud and irregularities reporting.

3. INTERNAL AUDIT INVESTIGATIONS

There have been no special fraud investigations undertaken by Internal Audit to bring to Members attention, during the 2008-09 financial-year.

4. HOUSING & COUNCIL TAX BENEFIT FRAUD

The Benefit Fraud and Investigation section received 429 referrals in 2008/2009. 245 of these cases were raised from the outset as criminal investigations for the Council's Investigators. (256 raised in 2007/08).

The majority of the 184 remaining referrals after preliminary checks were referred to the Department for Work and Pensions (DWP) for investigation as National Benefits were involved. In some of these referrals Housing and Council Tax Benefit would not have been affected even if the fraud had been proven.

All referrals are scored against the council's fraud matrix. The minority of cases where DWP benefits were not involved were passed to the council's visiting officer team to perform a benefit review as an alternative to raising an investigation, as they failed to score above the minimum required to proceed with an investigation.

In 2008/2009, 40 individuals were sanctioned compared to 36 sanctions achieved in 2007/2008. The 2008/2009 sanctions are detailed in the following fraud types:

| | |
|---|----------|
| Failure to disclose capital / other property | 8 cases |
| Failure to disclose commencement of employment | 17 cases |
| Failure to disclose a private or occupational pension | 2 cases |
| False / undisclosed income e.g. Tax Credits | 4 cases |
| Undisclosed partner / non dependant | 6 cases |
| Failure to disclose vacation of property | 2 cases |
| Claiming to rent the property, when they own it | 1 case |

The 40 sanctions are detailed by sanction type as follows:

- 10 referred for criminal proceedings and successfully prosecuted,
- 20 were offered and accepted an administrative penalty,
- 10 were offered and accepted a formal caution.

The authorities prosecution policy allows that, in some cases, no Sanction action may be taken as, the overpayment is under the prescribed limit, there was insufficient evidence to prosecute to a beyond reasonable doubt standard, or prosecution would not be in the public interest. In such cases investigated by the Benefit Liaison Section, a Claimant Error overpayment only may be recorded.

The most referrals received by the section were from GBC employees, closely followed by members of the public and data matching exercises.

Between April 2008 and March 2009, fraud investigation files closed identified **£162,438.26** of incorrectly paid benefit broken down as shown below:

| | Fraud overpayments | Claimant / LA error overpayments |
|---------------------|--------------------|----------------------------------|
| Housing Benefit | £90, 490.01 | £27,722.38 |
| Council Tax Benefit | £29,240.44 | £14,985.43 |
| Total | £119,730.45 | £42,707.81 |

Overpayment by Sanction type:

| | Caution | Administrative Penalty | Prosecution |
|---------------------|-----------|------------------------|-------------|
| Housing Benefit | £8,274.05 | £18,610.47 | £63,605.49 |
| Council Tax Benefit | £1,478.58 | £9,770.39 | £17,991.47 |

Overpayment amount recovered as at 7th May 2009

| | Caution | Administrative Penalty | Prosecution | Claimant or LA error |
|--------------------------|-----------|------------------------|-------------|----------------------|
| Housing Benefit overpaid | £8,274.05 | £18,610.47 | £63,605.49 | £27,722.38 |
| Amount recovered | £5,565.55 | £15,847.59 | £1,668.74 | £3,763.96 |

Council Tax Benefit overpayments are automatically debited to the Council Tax account and are recovered separately by the Council Tax section.

For the Year 2008-2009, the Benefit Liaison Section generated £8,514.28 of additional income for the Council in the form of accepted Administrative Penalties. £5,720.19 of this figure has been repaid as the 7th May 2009. The Administrative Penalty is a departmental fine offered to individuals as an alternative to prosecution for lesser offences. It is set at 30% of the recoverable fraud overpayment and is collected from the individual only after the overpayment has been fully repaid.

The Fraud Section also received, sifted, referred and monitored the results of 427 Housing Benefit Matching Services data matches in 2008/2009.

- These referrals as at the 7th May 2009, have identified £74,030.48 of overpaid Housing and Council Tax benefit due to fraud and error (£50,742.63 in 07/2008). This figure is broken down as £49,340.82 Housing Benefit and £24,689.66 Council Tax Benefit.

Additionally, £69,258.87 (£44,034.81 Housing Benefit and £25,224.06 Council Tax Benefit) of fraud and error overpayments were identified from matches received prior to April 2008, which we returned between April 08 and March 2009.

This means that between April 2008 and March 2009, we identified overpayments of £143,289.35 due to HBMS data matching.

The authority is set a target by the Department for Work and Pensions of 8 weeks to check and clear all HBMS referrals. This target was successfully achieved.

- In February and March of 2009, the Fraud Section also received and sifted 1,034 National Fraud Initiative data matches. After examination, some cases were raised for internal investigation, others were referred to the Department for Work and Pensions or Housing Benefit section for checking and correction. Where it was deemed a match had no effect on benefit, the case was closed. The Fraud Section must monitor each of the 1,034 matches and return the results to the Audit Commission when known via the secure web site. As at 29th May 2009, the matches have identified £11,970.10 of overpaid benefit due to either claimant or departmental error.

In February / March 2009, the Fraud Section also received, sifted and analysed 96 referrals generated by the Council Tax Single Occupier discount data match. These cases were either raised as fraud files for the Local Authority or the DWP, referred to visits for review and non-dependant checks or cleared, as no action was required. These cases are ongoing.

The Benefit Liaison Team which consists of 1 Senior Benefit Liaison Officer and 2 Benefit Liaison Officers has continued to be involved in Gedling Borough Council's Area Based Initiatives through the Crime and Disorder Group. A new fraud awareness presentation has been developed and is due to be delivered during 2009-10 to all relevant staff.

5. RECOMMENDATION

Members are requested to note the report.