



Report to: Audit Committee

Subject: Annual Fraud & Irregularities Report

Date: 21st June 2011

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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 2010-11 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 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 2010-11 financial-year.

4. HOUSING & COUNCIL TAX BENEFIT FRAUD

The Benefit Fraud and Investigation section received **445** referrals in 2010/11. **265** of these cases were raised from the outset as criminal investigations for the Council's Investigators. (255 raised in 2009/10).

105 of the referrals were sent straight to the Department for Work and Pensions (DWP) after preliminary checks, as National Benefits were involved in these cases. Some of these referrals would have not affected the Housing and Council Tax Benefit even if the fraud had been proven, or it was because we simply did not have the resources to commence the investigation at that time due to current ongoing investigations and that fact that during 2010/11, one of the two investigators retired and they were replaced by a new member of staff who had to undertake training.

62 referrals where DWP benefits were not involved were not raised due to the lack of information provided at the referral stage to allow a criminal investigation to commence. Some of these cases were passed to our visiting team to perform a review.

13 referrals were not raised as the allegation did not affect the benefit, or because the alleged undeclared circumstances had in fact been declared by the claimant.

In 2010/11, **55** individuals were sanctioned due to the following fraud types:

Failure to disclose capital / other property	8 cases
Failure to disclose work for claimant	16 cases
Failure to disclose work for partner	7 cases
Failure to disclose a private or occupational pension	2 cases
Failure to declare work and Tax Credits	4 cases
Failure to declare work and a partner	1 case
False / undisclosed income e.g. Tax Credits	7 cases
Undisclosed partner / non dependant	6 cases
Failure to disclose vacation of property	1 case
Tenancy fraud	3 cases

The 55 sanctions are broken down as follows:

- **13** were referred for criminal proceedings and successfully prosecuted,
- **25** were offered and accepted an administrative penalty,
- **17** were offered and accepted a formal caution.

The prosecution policy allows that, in some cases, no Sanction action might be taken as the amount was too low, there was insufficient evidence to prosecute to a beyond reasonable doubt standard or prosecution would not be in the public interest. In such cases, a Claimant Error overpayment only may be recorded. We would not pursue the investigation if the overpayment was deemed to be Local Authority error.

Between April 2010 and March 2011, fraud investigation files closed identified **£210,877.13** of incorrectly paid benefit broken down as shown below:

	Fraud overpayments	Claimant / LA error overpayments
Housing Benefit	£81,282.20	£51,686.22
Council Tax Benefit	£40,958.89	£36,949.82
Total	£122,241.09	£88,636.04

Overpayment by Sanction type:

	Caution	Administrative Penalty	Prosecution
Housing Benefit	£12,658.45	£16,790.75	£51,833.00
Council Tax Benefit	£2,545.52	£19,238.31	£19,175.06

For the Year 2010/11, the Benefit Liaison Section generated **£10,808.14** of additional income for the Council in the form of accepted Administrative Penalties. 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.

All Housing Benefit overpayments and Administrative Penalties are recovered by the Debtor's Section. Fraud overpayments and Administrative Penalties are robustly recovered often at a higher weekly rate as the benefit was deemed to be fraudulently obtained. Council Tax Benefit overpayments are added to the Council Tax account are recovered separately to benefit debtors.

The Fraud Section also received, sifted, referred and monitored the results of **552** Housing Benefit Matching Services data matches in 2010/11.

The data matches closed between April 2010 and March 2011 identified **£121,678.02** of Housing Benefit overpayments and **£59,592.37** of Council Tax benefit overpayments, total **£181,270.39**. Some of these figures will be included in the fraud and claimant error figures above as some of the data matches were raised as fraud investigations.

In February 2011, the Fraud Section also received **776** National Fraud Initiative data matches. These cases are currently being examined and the results will be reported in 2011/12.

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. Fraud awareness refresher training was delivered to One Stop, Housing and Housing Benefit staff in December 2010.

5. RECOMMENDATION

Members are requested to note the report.