

Report to: Audit Committee

Subject: Annual Fraud & Irregularities Report

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Author: Service Manager – Audit & Asset Management

1. PURPOSE OF REPORT

To provide a summary report to members of all investigated cases of fraud and irregularities identified during the 2014-15 financial year.

To inform members of 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.

For comparative purposes, where applicable, the corresponding figures for 2013-14 are highlighted in brackets.

3. INTERNAL AUDIT INVESTIGATIONS

There have been no special fraud investigations undertaken by Internal Audit to bring to Members attention, during the 2014-15 financial year.

4. HOUSING & COUNCIL TAX BENEFIT FRAUD

The Benefit Fraud and Investigation section received **474** (512) referrals in 2014/15. **263** (282) of these cases were raised from the outset as criminal investigations for the Council's Investigators.

145 (146) 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 not have 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.

57 (72) 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.

9 (12) 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 2014/15, **46** (42) individuals were sanctioned under the following fraud types:

• Undeclared partner	11
• Undeclared capital	2
• Undeclared work for claimant and/or partner	18
• Undeclared pension	1
• Undeclared second property	1
• Undeclared Tax Credits	2
• Undeclared increase in earnings	8
• Undeclared partner and undeclared work	1
• Incorrect amount of rent declared	1
• False documents submitted (false invoices)	1

The 46 (42) sanctions are broken down as follows:

- **10** (26) referred for criminal proceedings and successfully prosecuted,
- **22** (16) offered and accepted an administrative penalty,
- **14** (0) offered a simple 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 2014 and March 2015, fraud investigation files closed identified **£242,435.81** (£251,591.66) of incorrectly paid benefit broken down as:

	Fraud overpayments	Claimant / LA error overpayments
Housing Benefit	£125,094.27 (£172,379.29)	£73,745.18 (£43,211.53)
Council Tax Benefit	£23,190.61 (£30,576.97)	£20,259.85 (£5,423.87)
DHP	0 (0)	£145.90 (0)
Total	£148,284.88 (£202,956.26)	£94,150.93 (£48,635.40)

Overpayment by Sanction type:

	Caution	Administrative Penalty	Prosecution
Housing Benefit	£29,009.39 (n/a)	£36,194.22 (£10,726.08)	£59,890.66 (£161,653.21)
Council Tax Benefit / CTRS	£6,927.17 (n/a)	£6,927.17 (£5,171.90)	£9,677.77 (£25,405.07)

For the Year 2014/15, the Benefit Liaison Section generated **£17,168.27** (£7,059.83) 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% or 50% of the recoverable fraud overpayment and is collected from the individual only after the overpayment has been fully repaid.

Benefit fraud cases put before the courts in 2014/15, generated **£1,265.00** (£2,980.00) of income from prosecution costs awarded by the courts to the council.

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 and are recovered separately to benefit debtors.

The government gives Local Authorities an incentive to collect the identified overpaid Housing and Council Tax Benefit. The Local Authority receives 40% of the overpaid benefit back from the government. This means that once 60% of the overpaid benefit has been recovered back from the debtor, anything collected after this point is new money for the council.

The Fraud Section also received, sifted, referred and monitored the results of **290** (237) Housing Benefit Matching Services data matches in 2014/15.

The data matches closed between April 2014 and March 2015 identified **£115,548.26** (£65,156.49) of Housing Benefit overpayments and **£30,123.35** (£13,432.99) of Council Tax (CTRS) benefit overpayments, total **£78,589.48** (£78,589.48). 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.

Since the 1st February 2015, the Fraud Section also received 514 National Fraud Initiative data matches.

As at the date of this report, the team has assessed all of the matches. 404 are now cleared, 110 are in progress, which means they are still being looked at by the Council or DWP staff. Furthermore, 19 of the matches have identified **£14,580.33** of fraud and error.

The Benefit Liaison Team consists of 1 Senior Benefit Liaison Officer and 2 Benefit Liaison Officers.

The Senior Benefit Liaison Officer has continued to publicise prosecution cases via the Communications Team.

From November 2015, the function of investigating Housing Benefit fraud for Gedling Borough Council will be transferred to the Department for Work and Pensions (DWP) under the Single Fraud Investigation Services (SFIS). All of the Benefit Liaison Team will transfer to the DWP to continue to perform this function within DWP offices. The Council Tax Reduction Scheme and Council Tax Benefit Fraud previously investigated by the Benefit Liaison Team is **not** a function to be transferred under SFIS.

5. RECOMMENDATION

Members are requested to note the report.