

**Report to: Audit Committee**

**Subject: Annual Fraud & Irregularities Report**

**Date: 18<sup>th</sup> June 2013**

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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 2012-13 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.

For comparative purposes, where applicable, the corresponding figures for 2011-12 are highlighted in brackets.

### **3. INTERNAL AUDIT INVESTIGATIONS**

During the financial year, a serious case of theft by an employee against the Council was investigated by Internal Audit. The case was originally referred to Internal Audit via the Whistleblowing policy, however, the original report related to a separate unfounded allegation.

During March and April 2012 fuel reports were obtained and reviewed by Internal Audit which identified significant usage of fuel during weekend periods, where no operational need could be justified. Further data relating to vehicle movements and overtime attendance patterns were reviewed. These identified a consistent pattern of activity and fuel usage.

A RIPA authority was obtained to install CCTV cameras during May and June 2012. These identified the member of staff responsible for the theft. The individual was suspended from duty in July 2012 and subsequently charged by the Police with eight counts of theft against the employer.

The individual entered a guilty plea against the criminal charges and was dismissed from employment in August 2012.

Internal Audit undertook a review of fuel reports, vehicle movements and overtime sheets to ascertain the full extent of the theft of fuel. The table below summarises the findings:

<b>Calendar Year</b>	<b>Theft (litres)</b>	<b>Theft (£)</b>
2007	3,600	2,571.22
2008	3,803	3,158.15
2009	5,997	5,168.35
2010	7,001	5,966.04
2011	10,500	10,333.50
2012 (6 months to June)	8,245	7,891.01
<b>TOTAL</b>	<b>39,146</b>	<b>35,088.27</b>

A claim to recover the cost of the theft has been placed with the Council's insurers Zurich Municipal. The claim currently rests with the loss adjuster and is subject to a £500 excess on the policy.

### **4. HOUSING & COUNCIL TAX BENEFIT FRAUD**

The Benefit Fraud and Investigation section received **460** (461) referrals in 2012/13. **228** (230) of these cases were raised from the outset as criminal investigations for the Council's Investigators.

**144** (116) 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.

**82** (99) 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.

**6** (16) 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 2012/13, **43** (59) individuals were sanctioned under the following fraud types:

• Undeclared partner	4
• Undeclared capital	6
• Undeclared work for claimant and/or partner	21
• False tenancy created	3
• Landlord father of child	1
• Claimed after vacating claim address	4
• Undeclared work and Tax Credits	2
• Not resident at claim address/ living with partner elsewhere	1
• Undeclared pension and second property	1

The 43 (59) sanctions are broken down as follows:

- **22** (24) referred for criminal proceedings and successfully prosecuted,
- **13** (21) offered and accepted an administrative penalty,
- **8** (14) 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 2012 and March 2013, fraud investigation files closed identified **£260,145.59** (£261,403.37) of incorrectly paid benefit broken down as:

	<b>Fraud overpayments</b>	<b>Claimant / LA error overpayments</b>
Housing Benefit	£119,992.41 (£135,526.29)	£86,689.42 (£62,119.49)
Council Tax Benefit	£21,921.50 (£48,706.84)	£31,542.26 (£15,050.75)
<b>Total</b>	<b>£141,913.91</b> <b>(£184,233.13)</b>	<b>£118,231.68</b> <b>(£77,170.24)</b>

### Overpayment by Sanction type:

	Cautious	Administrative Penalty	Prosecution
Housing Benefit	£6,008.73 (£12,299.18)	£27,747.35 (£16,213.30)	£86,236.33 (£107,013.81)
Council Tax Benefit	£1,310.54 (£6,856.82)	£5,523.68 (£11,013.32)	£15,087.28 (£30,836.70)

For the Year 2012/13, the Benefit Liaison Section generated **£10,181.05** (£8,167.58) 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 2012/13, generated **£3,805.00** (£1,155.00) 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 **866 (491)** Housing Benefit Matching Services data matches in 2012/13.

The data matches closed between April 2012 and March 2013 identified **£119,545.20** (£88,933.99) of Housing Benefit overpayments and **£31,007.67** (£31,182.68) of Council Tax benefit overpayments, total **£150,552.87** (£120,116.67). 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.

On the 1<sup>st</sup> March 2013, the Fraud Section also received **822** National Fraud Initiative data matches. As at the date of this report, 404 cases have been examined. 244 of the referrals have been cleared as the information highlighted in the data match is already known or there is no issue. 81 of the cases have been sent to the DWP, 23 have been raised by the Benefit Liaison Team for investigation and 56 are awaiting information from various sources to determine whether there is a potential fraud or error.

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

Between April 2012 and August 2012, one of the officers was on secondment for 3 days a week to the DWP to assist with the introduction of the Single Fraud Investigation Service. The Council received payment from the DWP for the days on secondment.

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

**5. RECOMMENDATION**

Members are requested to note the report.