

Central Bedfordshire Council

AUDIT COMMITTEE

4 April 2016

Annual Counter Fraud Update

Report of, Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshire.gov.uk)

Advising Officer: Gary Muskett, Head of Revenues and Benefits
(gary.muskett@centralbedfordshire.gov.uk)

Purpose of this report

1. The purpose of the report is to provide the Committee with an update on the work of the Corporate Fraud Investigation Team.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the implications of the issues raised in this report.

Background

2. The Council is committed to providing an effective Anti-Fraud Service which is supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the Council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.
3. Failure to report fraud will see money leaving the Council by way of fraud and error and failure to tackle this effectively could lead to loss of revenue for the Council.
4. It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members of the quality and integrity of investigations.
5. As the Committee will be aware from our report dated 29 June 2015 the responsibility for investigating Housing Benefit fraud passed to the Department for Work and Pensions (DWP) Single Fraud Investigation

Service (SFIS) on 1 May 2015 and that our Corporate Fraud Investigation Team (CFIT) was formed from this date.

6. Following the implementation of SFIS the following areas of work remained with the Council:
 - Local Council Tax Scheme reduction fraud investigations
 - The compilation of information and evidence requested by the DWP in support of a fraud investigation by SFIS
 - Amendment to any Housing Benefit claims and the collection of any overpayments
 - Participation in the National Fraud Initiative (NFI) for both benefits and Council Tax
 - Corporate fraud and error investigations, including tenancy fraud, Council Tax discount fraud and Business Rates avoidance.
7. The CFIT is based within the Revenues and Benefits service and the officers appointed to this team are all from the former Benefits Fraud Investigation Team. The team consists of 3 full time investigators and are supported by a Team Leader and Senior Manager who both have other responsibilities within the service area. All staff on the team are fully trained counter fraud officers, holding their Professionalism in Security accreditation from Portsmouth University. Investigators have attended advanced investigative interviewing training to build on and improve their current skills.
8. The CFIT works closely with the Internal Audit Team, with CFIT focussing primarily on customer facing fraud and the Internal Audit Team dealing with internal related fraud within the Council.

Corporate Fraud Work Programme

9. As the service is relatively new it was agreed that the team's initial focus would be on building the team, raising awareness of corporate fraud and establishing internal and external partnerships.
10. The work programme, which is jointly delivered by the CFIT and Internal Audit, was developed in May 2015 and has been used to underpin the work of the team during 2015/16. The plan has been updated and the main work areas for 2016/17 will be as follows:

Local Council Tax Support (LCTS)

Local Council Tax Support is funded directly by the Council therefore any reduction or withdrawal of a claim can be viewed as a direct saving to the Council. LCTS discrepancies were investigated in conjunction with Housing Benefit investigations as both claims are usually linked by entitlement and very similar qualifying criteria based on the claimants personal circumstances. However, post SFIS the

CFIT will now only investigate LCTS fraud and will target resources towards high risk cases that can provide direct savings.

Housing Fraud

Housing fraud arises when people occupy social housing, or attempt to obtain housing unlawfully and can include:

- Failing to use a property as the principal home; subletting or abandoning the property, or selling the keys to a third party.
- Providing false information in a Housing application to a tenancy
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant
- False application for homelessness support.
- False Right to Buy application

Blue Badge Fraud

Blue Badge fraud is where a badge is misused or obtained unlawfully and can include:

- Using a Blue Badge when the disabled person is not present in the car
- Using the Blue Badge of a deceased person
- Providing false information on an application form
- Selling a Blue Badge

We have recently started working jointly with the Blue Badge and Parking Enforcement Teams, so that we have a robust approach to fraud. Early work for example includes staff training, process for Parking Enforcement staff to be the “eyes” of CFIT and reviewing information on the website to focus on fraud and how the public can report it.

Continued fraud awareness activities across the Council

This will include articles in staff magazines, attendance at Departmental Management Teams to raise awareness of topical issues and to explain the support the CFIT and Internal Audit Team can offer to different service areas. Awareness sessions have been arranged for 17th February with the Direct Payments Teams and 11th March for the Local Welfare Provision Teams, Housing & Homeless and Disabled Facilities Grants teams.

Disabled Facilities Grants, Direct Payments and care home fees

These frauds are where income and or capital are not declared or the circumstances declared are false. We will continue to accept referrals and give advice as and when needed

School Admissions

School Admissions fraud is where the parent declares a home address which is false and they live elsewhere.

Having met with the School Admissions Team we arranged for them to have Council Tax system access to verify addresses. On the day of this system access training a small number of real applications were

used which uncovered one which needed to be investigated – it actually transpired to be some one avoiding Council Tax and resulted in us issuing a demand notice.

Council Tax and Business Rates fraud

Council Tax and Business Rates are of significant monetary value to the Council.

Fraud in these areas can be where for example the person or business liable to pay puts forward the name of a false tenant or occupier in order to evade payment. It also includes discounts such as the Single Person Discount. A successful Council Tax Single Person Discount review using data matching which compares our data with Credit Reference Agencies data was undertaken in 2015. This review resulted in 1,064 discounts being removed and an additional £281,000 of Council Tax being billed.

Proactive Counter Fraud Work

11. The work of the CFIT has been widely publicised internally via the staff newsletter “Staff Central” and presentations given to Departmental Management Team meetings across the Council.
12. Plans for both internal and external pro-active work are being developed to concentrate on the following areas:
 - a. We will continue our work on Single Person Discounts with a rolling programme of reviews, rather than carrying out a major review every 2 or 3 years as was the previous practice.
 - b. Right to Buy fraud within our own Housing stock. We have already seen promising results from the team’s intervention in the application process, which led to the rejection of 1 application due to fraud where a cheque was about to be issued and 14 applications being rejected that had a bad debt history and as such we unlikely to sustain mortgage repayments.
 - c. Expansion of Right to Buy fraud investigations to other Registered Social Landlords (RSL’s).
 - d. Housing tenancy fraud, such as illegal sub-letting, in our own Housing stock which it is envisaged may also be expanded to include other RSL’s.
 - e. A joint “Enforcement Day” with our Parking Enforcement Team in relation to Blue Badge fraud. This would be a platform on which to advertise and promote an anti-fraud culture.
13. Members of the team have also attended a number of conferences and seminars during the last 12 months to publicise the new team and gain additional knowledge and experience.

Case Studies

14. Below are examples of some of the recent cases that the CFIT have investigated and in some cases prosecuted. Every effort will always be made to maximise the recovery of any losses to Central Bedfordshire Council by:

- Asking for realistic court costs
- Instituting recovery proceedings under Proceeds of Crime legislation where the defendant has realisable assets (i.e. property or capital) and is in a position to settle the debt promptly.

Case 1 – This case involves a council tenancy.

We received an anonymous allegation that the tenant was sub-letting her property and living elsewhere.

During the early stages of the investigation it transpired that the tenant had applied for a “right to buy” discount: It had been granted just before our investigation started. This discount was £77,000 allowing her to purchase a property with a value of £130,000 for £53,000.

There is no issue with an ex-tenant renting out an ex- council property, which they have purchased. However it is a criminal offence to sub-let your council property, whilst you are the council tenant. Likewise it is a criminal offence to falsely declare you reside at your council property on the basis you wish to acquire a “right to buy” discount.

We established evidence that the tenant was living elsewhere and had been doing so for (at least) several months before she purchased the council property: The tenant was privately renting a home with her new partner and using a different surname to conceal her tracks. We also established the details of the people she was renting her council house to.

When interviewed under caution the tenant strongly denied the allegation and refuted the evidence established: Basically she said she continued to live at her council property and had convoluted financial and family arrangements for various reasons. The tenant said she had moved out and rented the council property only once the purchase had completed and again there were convoluted reasons why arrangements had been made with her tenants before they moved in.

The job of a Corporate Fraud Investigator is to establish facts/information – all information obtained and received must be considered. In this case the weight of evidence was against her. A summons was served for her to appear at court for criminal offences relating to the illegal sub-let and the false right to buy discount.

The tenant pleaded guilty and is due to be sentenced on the 19th February. We have arranged for the property to be returned to the Council. (A verbal update on the sentence imposed will be provided).

Case 2 – This case involves Local Council Tax Support.

Upon reviewing a claim a processing officer referred the case for investigation: Local Council Tax Support is means tested.

It is a criminal offence to knowingly fail to declare a relevant change in personal circumstances e.g. started work, or make a false statement to obtain Local Council Tax Support.

We established that the claimant had 2 jobs (not at the same time) which she had not declared.

Of particular interest were the claimants previous claim records. These showed she completed a Local Council Tax Support claim form which was dated 2 months before the date she handed it in at the Council Offices: At the time the claimant handed it in she was working and 2 months earlier she was not.

Also there were times the claimant had queried her husband's earnings (which she had declared), when she was working and didn't use the opportunity to tell us about her work. This was pertinent as the claimants husbands income was being declared for the claim which she was clearly aware of yet she still failed to mention her own earnings.

When interviewed under caution the claimant said she is, and had been, on medication for depression and had a lot of problems with her son, due to his illness. The claimant could not understand why she had not declared the work – it was a genuine mistake – she had been confused. She strongly refuted that it had been done deliberately and said she was not a dishonest person.

The overpaid Local Council Tax Support was not significantly high, being just under £1000.

We progressed this case for prosecution mainly because the second job the claimant had failed to declare was working for Central Bedfordshire Council, in which she was still employed: We believed that the claimant had deliberately incorrectly dated the application form which she handed in at the Council offices after her job at Central Bedfordshire Council had started. Her assertion that it was a mistake due to her health and medication didn't correspond with some one who at the same time applied for and obtained a new job with the Council. The nature of her employment meant that trustworthiness was especially important.

A summons was served for the claimant to appear at court for criminal offences relating to Local Council Tax Support.

The claimant pleaded guilty, was fined £160 and ordered to pay £160 prosecution costs and a £20 victim surcharge. Human Resources were made

aware of this and she was dismissed: It is gross misconduct if you receive a criminal conviction for fraud, whether or not the fraud is against the Council.

Case 3 – This is broadly speaking like case study 2, in that it involves undeclared work for Local Council Tax Support. Again it was referred when a processing officer was reviewing the claim.

The claimant is in her 60's and her husband is in his 70's.

We established that both the claimant and her husband had undeclared earnings. Her husband's earnings also extended to a time where they claimed at Bedford Borough Council before moving to Central Bedfordshire.

When interviewed under caution the claimant said a) she had written to the Council when she had started work – not her problem if we “lost” her letter and she was not worried that we didn't respond to it and b) she was sure her husband had not been working when they came to Central Bedfordshire and completed an application form with us.

We did not accept that the claimant sent us a letter about her job, not only was there no trace of any such correspondence; it was not plausible that she did not expect anything from us in response.

In terms of the claimant's husband's earnings, his employer confirmed that he had been working for years before moving to Central Bedfordshire. What also helped our case was Bedford Borough Council provided a witness statement that these earnings were not declared to them whilst claiming benefits with them.

A summons was served for the claimant to appear at Court for criminal offences relating to Local Council Tax Support.

The claimant pleaded guilty, was fined £120 and ordered to pay £640 towards the prosecution costs and a £20 victim surcharge.

Case 4 – Having worked with the “right to buy” team the CFIT agreed to check all applications made under the Social Mobility Fund (SMF). This is where Council Tenants apply for a £30,000 grant to purchase any house – to get onto the housing ladder.

A particular SMF payment was on the brink of being paid when CFIT undertook to do these checks.

This applicant was of interest because she was claiming Local Council Tax Support (and Housing Benefit) as a single person; however the mortgage for the new home was going to be in joint names with a partner.

The CFIT interviewed the applicant and it became apparent that the information she gave on her original homeless application form was false. That application had been made 4 years earlier: At the time she stated she was pregnant and living with her aunt.

People who give false information tend to forget what they said such a long time ago. When we interviewed the applicant about the SMF she said at the time of her homeless application she had just split up with her partner whilst they lived together in their home after the birth of their first child, the partner being the same as for the joint mortgagee on her proposed new home. The applicant had forgotten that she had said she was living with her aunt, and sleeping on a sofa (quite an unusual thing to forget).

The SMF offer was withdrawn immediately.

The case is not suitable for criminal prosecution action in terms of a false homeless application as we could not obtain any other information to support this case and the applicant could withdraw her statement.

The applicant maintained that the partner had not been living with her at her Council house, however a couple of weeks after the interview she contacted us to say he had moved in. Local Council Tax Support (and Housing Benefit) were subsequently cancelled.

The matter is currently with the Housing service to determine if further proceedings are warranted. In the event of a conviction in this type of case the Courts can agree that Housing can repossess the applicant's home.

Summary of Results in 2015/16

Description	Number	VFM Saving*	Real Saving / Income
Council Tax			
Council Tax Single Person Discounts removed	1,064		£281,000 CTAX £7,000 LCTS
Local Council Tax Support	22		£22,000 LCTS
Council Tax Benefit	11		£25,000 recoverable over-payments
General change in liability, discount removed, empty property levy applied.	33		£53,000
Housing Benefit			
Housing Benefit cancelled / reduced	21		£92,000 HB recoverable over-payments
Housing			
Illegal succession	1	£18,000*	
Illegal sub-let	1	£18,000*	
Fake rent payments	1		£3,000
Right to Buy fraud – applications withdrawn	2	£155,800** (2 x £77,900)	

Right to Buy fraud, property recovered	1		£77,000
Social Mobility Grant applications withdrawn	15	£450,000 (15 x £30,000)	
Non Domestic Rates	2		£3,100
TOTAL	1,174	£641,800	£563,100

***Value for Money Savings** - The Audit Commission estimates the value of a returned property or removal from register as equivalent to the cost of temporary accommodation for a family for a 6 month period.

Nationally this figure is estimated as £18,000 and is the recognised Value For Money saving for a case of tenancy fraud.

** The VFM saving equates to 2 applications for Right to Buy discounts that were withdrawn.

15. **Options for consideration**

16. None.

Reasons for decision

17. N/a

Reason for urgency

18. None.

Council Priorities

19. The activities of the Corporate Fraud Investigation Team are crucial to protecting public money and the finances of the Council. Good anti fraud management ensures we adopt a planned and proactive approach to the identification of fraud that threatens the delivery objectives, protection of assets, or the financial wellbeing of the Council.

Corporate Implications

Risk Management

20. Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Council through fraud.

Legal Implications

21. Investigations by the CFIT may have legal implications depending upon what action is taken or decided against in respect of those investigations

Financial Implications

22. There are no financial implications arising directly from the recommendation in this report, although 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. The issues set out in the report demonstrate that the council is taking appropriate action to protect the public purse.

Equalities Implications

23. There are no equalities implications arising from this report.

24. Conclusion and next Steps

25. None.

Appendices

None.

Background Papers

None.