

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE INNOVATION AND PROPERTY ADVISORY BOARD

24 September 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 FRAUD PREVENTION UPDATE

Summary

This report provides Members with an update on the performance of the corporate fraud prevention section for the period April 2014 to August 2014.

1.1 Brief summary of 2013-14

1.1.1 In May 2014, Members were provided with the annual report detailing the work undertaken by the fraud prevention team for the year 2013-14.

1.1.2 The following is a summary of the findings that were presented as evidence of performance;

- Benefit Fraud – Fraud proven in 22 cases and a further 50 cases where benefit overpayments were identified. Weekly housing benefit entitlements were reduced by £3,775.44, housing benefit overpayments totalling £307,325.12 and council tax benefit overpayments totalling £50,358.13 identified.
- Council Tax Fraud (including Council Tax Reduction (CTR)) – 3 cases were identified as having an incorrect discount or exemption. A civil penalty of £70 was applied in one case. Weekly CTR awards were reduced by £710.50 and overall an additional £3,590.81 of council tax revenue was identified. It was noted in the report that the true figure may have been higher and that improvements were to be made in relation to recording of statistical information.
- Housing Fraud – With the assistance of the housing needs team a fraudulent application was identified and led to a caution being issued for the supply of a false statement.

1.1.3 The following sections provide details of the work undertaken by the team for the period April to August 2014.

1.2 Investigating Fraud

- 1.2.1 The Fraud Team is responsible for investigating all allegations of fraud and corruption, whether this is through internal fraud, external stakeholders or customers.
- 1.2.2 In May 2014, the team's compliance officer transferred to the benefits department to take up a visiting officer position. The team now consists of:
- An Investigations Manager (shared with Gravesham Borough Council)
 - 1.6 Investigation Officers
- 1.2.3 Since April 2014, a total of 246 referrals have been received. Of these 187 have been accepted for investigation and 59 have been rejected on the basis of insufficient information or because they were more suitable for investigation by the Department for Work and Pensions (DWP).
- 1.2.4 The source of referrals and the types of fraud alleged was very varied and many allegations indicated fraud in more than one area, such as housing and benefits for example.
- 1.2.5 A total of 109 cases have been concluded since April across a range of areas and with varying results, which may have included fraud or errors in more than one area, benefits and council tax for example. The results of these cases are shown in more detail in their individual area of fraud.

1.3 Benefit Fraud

- 1.3.1 62 cases involving benefit fraud have been concluded and the results are shown in the table below

Closure Category	Number of Cases
No Fraud	36
Incorrect Benefit**	22
Fraud Proven	4

**The Department for Work and Pensions state that a benefit case may only be classified as fraud proven where a sanction is applied. Other cases where overpayments or other changes to benefits are identified but sanction action is not taken must be classified as customer error.

- 1.3.2 As a result of these cases, housing benefit entitlement has been reduced by £966.06 per week (£50,235.12 per annum). They have also identified housing benefit overpayments totalling £97,923.19 and council tax benefit overpayments totalling £16,678.57.

1.3.3 One person has received a caution in relation to benefit offences, four have accepted administration penalties totalling £2,816.78 and seven people have been successfully prosecuted.

1.4 Council Tax Fraud (including Council Tax Reduction (CTR))

1.4.1 Between April 2014 and August 2014, the team have received 74 referrals linked to CTR claims and 184 linked to council tax discounts or exemptions. This high volume is due to the National Fraud Initiative data matching that will be detailed later in this report.

1.4.2 45 cases involving CTR have been concluded and the results are shown in the table below:

Closure Category	Number of Cases
No Fraud	33
Incorrect Reduction	10
Fraud Proven	2

1.4.3 As a result of these cases, CTR entitlement has been cut by £203.52 per week (£10,583.04 per annum). They have also identified excess CTR awards of £4,566.49.

1.4.4 79 cases involving other council tax discounts and exemptions have been concluded and the result are shown below:

Closure Category	Number of Cases
No Fraud	16
Incorrect Discount	63
Fraud Proven	0

1.4.5 The removal of incorrect discounts has identified additional council tax revenue of £19,937.81.

1.4.6 Overall, these cases have identified a total of £24,504.30 additional council tax liability and 3 people have received civil penalties of £70 for negligently failing to report changes in circumstances that affected their entitlement to a discount.

1.5 Housing Fraud

- 1.5.1 Five referrals have been received since 1 April in relation to applications for housing. Three cases have been concluded in the same period, although no evidence of fraud was found in any of them.
- 1.5.2 In addition to this, the team have undertaken pro-active exercise in relation to persons who have approached TMBC as homeless. This involved early morning visits to Bed & Breakfast that the authority uses to temporarily house families in order to verify that the individuals in question were residing in the accommodation provided and were not falsely claiming to be homeless.
- 1.5.3 The exercise identified one person who was suspected to possibly not be resident at the temporary accommodation. The individual was not at home when visited at 7am but as the visit took place the day before a property was offered by Russett Homes, it was not possible to conclusively verify a residence elsewhere. It also identified that residents were not signing the register on a daily basis to confirm their residence for rental charges.
- 1.5.4 The exercise has demonstrated that Tonbridge & Malling is committed to tackling all forms of fraud against the authority. This has acted as a deterrent to would be fraudsters and strengthened prevention measures as it has prompted the Bed & Breakfast manager to ensure that tenants are signing the register and promoted daily checks to stop people simply attending the residence to collect mail and sign for the whole week in advance.

1.6 National Fraud Initiative (NFI) Update

- 1.6.1 Members will be aware that the Council participates in a national data matching exercise, originally undertaken by the Audit Commission. The benefits exercise runs every two years and an exercise matching council tax single person discount records to electoral register data in alternate years.
- 1.6.2 The 2012-13 benefit exercise resulted in 974 matches being received by Tonbridge & Malling. These matches covered a variety of different areas, indicating undeclared income and household residents, as well as connections to council housing in other boroughs
- 1.6.3 As of August, checks into 950 of these matches have been concluded and 24 remain ongoing. Cases identified by the exercise have produced the following results**
- Weekly housing benefit entitlement reduced by £1,226.60
 - Weekly council tax reduction entitlement reduced by £245.93
 - Housing benefit overpayments totalling £70,461.52 and council tax benefit overpayments totalling £3,176.28

- Excess council tax reduction of £3,405.06
- 1 person cautioned and 4 accepted administration penalties

**The exercise commenced prior to 1st April 2014. Some of these figures will be incorporated in the statistics for the 2014-15 financial year but most form part of the 2013-14 results.

- 1.6.4 Matches from the 2013-14 council tax exercise were received in March 2014. Matches were received in relation to 549 council tax accounts that received a 25% single person discount.
- 1.6.5 As of August, 320 matches have been closed and 229 have ongoing enquiries. The concluded cases have resulted in the removal of the single person discount from 64 council tax accounts (alternative equivalent discounts have been applied in 22 cases) creating additional council tax revenue of £18,934.40. Many of these accounts were amended on the basis of information already held within the benefits department.
- 1.6.6 While no sanctions have been applied in relation to criminal offences, 2 civil penalties of £70 have been applied for negligent failure to report changes in circumstances. It is anticipated that there will be further cases suitable for penalties or sanctions as enquiries into the outstanding cases progress.

1.7 Legal Implications

- 1.7.1 The Section must comply with a strict legal framework within the legislation regarding criminal investigation in order to progress prosecutions for offences.
- 1.7.2 In addition there is a requirement to follow strict legislation in relation to conducting criminal investigations. Failure to comply with this could lead to evidence being deemed an un-admissible in court resulting in unsuccessful prosecutions and a loss of credibility in court with a potential for damages claims.
- 1.7.3 The Council also has a Prosecution Policy that requires consideration of the “public interest test” in order to avoid any potential inappropriate prosecutions.

1.8 Financial and Value for Money Considerations

- 1.8.1 The Council has a duty to ensure that public money is spent correctly and that those who receive benefits or discounts are entitled to receive them. A failure to investigate allegations of fraud could result in excess benefit being paid or a failure to collect council tax owed.
- 1.8.2 The Council will consider all appropriate action in order to recover any overpayments of benefits or council tax owed.

1.9 Risk Assessment

- 1.9.1 A failure to have an effective fraud investigation service in place exposes the council to a risk of loss and could lead to a failure to meet external inspection requirements.
- 1.9.2 A poor performance in fraud investigation could lead to an increased level of external audit if it were considered to be failing.

1.10 Equality Impact Assessment

- 1.10.1 The investigation of potential benefit fraud is carried out under the Police & Criminal Evidence Act 1984 Guidance. This makes provision for the protection of vulnerable groups. In addition any sanction action arising from an investigation will consider the “public interest test” which also considers vulnerable groups.
- 1.10.2 All cases are dealt with in accordance with the evidence available and on its own merit using consideration of the safeguards above in order to avoid any impact on any groups.

Background papers:

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Corporate Fraud Records

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