

AUDIT COMMITTEE

11 JULY 2013

INVESTIGATIONS RELATING TO EXTERNAL FRAUD

Report from: Internal Audit

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Summary

To inform Members of progress in investigating allegations of external fraud relating to Housing Benefit & Council Tax benefit and discount, Blue Badges and Housing. This report covers concluded cases during the fourth quarter of 2012/13, ending 31 March 2013.

1. Budget and Policy Framework

1.1 It is in the remit of the Audit Committee to take decisions regarding accounts and audit issues.

2. Background

2.1 Medway Council has had a sanction policy since 2002 (revised in 2006) following changes to the way benefit investigations should be conducted. These changes resulted in a more rigorous investigative standard being adopted which lead to specific outcomes, known as sanctions. Namely, that Local Authorities should consider the use of one of the following courses of action following a successful investigation:-

- Prosecution
- Issue of a "Simple Caution"
- Issue of an Administrative Penalty (fine)

2.2 The Anti Fraud and Corruption Policy, updated 17 August 2012, forms part of the Council's Constitution and sets out the Council's commitment to ensuring the opportunity for fraud and corruption is reduced to the lowest possible risk.

3. Outcomes of Benefit Investigations

3.1 The total value of benefit & discount related fraudulent overpayments identified by the Corporate Anti Fraud Team (CAFT) in 4th Qtr of 2012/13: -

Type of overpayment / discount	4 th Qtr 2012/13
Housing & Council Tax benefit (HB/CTB)	205,954
Single Person Discount (SPD)	0
DWP benefits	40,319
Total	246,273

3.2 A comparison against the 4th Qtr in preceding years: -

Types of overpayment	4 th Qtr 2010/11 £	4 th Qtr 2011/12 £	4 th Qtr 2012/13 £
Housing & Council Tax benefit (HB/CTB)	164,373	285,795	205,954
Single Person Discount (SPD)	0	0	0
DWP benefits	88,011	255,397	40,319
Totals	252,384	541,192	246,273

3.3 The comparison of total fraudulent HB/CTB & SPD overpayments for years: -

01/04/10 – 31/03/11 £	01/04/11 – 31/03/12 £	01/04/12 – 31/03/13 £
483,654	803,558	855,133

3.4 The comparison of fraudulent DWP overpayments on joint worked cases for years. -

01/04/10 – 31/03/11 £	01/04/11 – 31/03/12 £	01/04/12 – 31/03/13 £
221,397	649,053	688,986

3.5 Gross Medway and DWP overpayments for years: -

01/04/10 – 31/03/11 £	01/04/11 – 31/03/12 £	01/04/12 – 31/03/13 £
705,051	1,452,611	1,544,119

3.6 In the 4th Qtr of the 2012/13 financial year there were 9 successful prosecutions for benefit offences and these cases are detailed at Annex A. There were no Cautions issued and 1 Administrative Penalty.

3.7 The following table shows the progress of current cases following a decision to prosecute.

As at 4/06/13:	Medway Council's Legal Services	Department for Work and Pensions
Cases put forward for prosecution	12	22
Of which court proceedings commenced	7	9

4. Cheque Fraud

4.1 In the process of routine bank reconciliations school staff at one of Medway's schools identified 16 cheques drawn on the school's bank account that had not been issued by the school. This was reported to the bank, police, and the council. The total was confirmed to be £28,071.42. A further two fraudulent payments were then identified by the bank and blocked. The total attempted fraud was therefore £31,564.63.

4.2 It is considered likely that a genuine cheque was intercepted in the post (one sent to a London address was not accounted for) and the next range of numbers was used to create fraudulent cheques.

4.3 The full amount has been refunded to the school by the bank. There has been no financial loss to the school, we are satisfied with the action taken by management throughout and no further action is necessary.

5. Risk Management, Financial and Legal implications

5.1 There are no risk management, financial or legal implications arising from this report.

6. Recommendations

6.1 Members are asked to note progress in investigating benefit fraud in accordance with the approved Anti Fraud & Corruption policy.

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Background papers

Sanction Policy (revised 2006) & Anti-Fraud & Corruption Policy (updated August 2012)

Prosecutions Completed during the 4 th Qtr 2012/13 – Benefit Investigations (O/P amounts outstanding as at 03/06/13)					
Case ref.	Fraud Type	Fraudulent overpayment £	Period of overpayment or Evasion of liability	Court, date and sentence	Comment
12670 / WH2389	LT & WC	£15,476.36 (HB/CTB) £3,105.98 (Incap.)	22/06/09 – 15/04/12 18/01/08 – 19/08/11	Medway Magistrates January 2013 120 days suspended for 2yrs, 80hrs unpaid work. £85 costs.	Medway led investigation, prosecuted by Medway. Housing Benefit overpayment is currently being recovered from ongoing Housing Benefit entitlement at the rate of £18.00pw. There is currently £12,346.35 remaining on the Housing Benefit overpayment.
12687 / 1028368	LT	£12,401.81 (HB/CTB) £4,958.02 (JSA)	08/02/10 – 12/01/12 06/08/10 – 09/01/12	Medway Magistrates February 2013 12mth Community Order with 30hrs unpaid work. £85 costs.	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service. HB O/P was being recovered from ongoing benefit but claim cancelled 03/03/13. On 15/05/13 made an arrangement to make two pmts over May and June totalling £34.24. Arrangement agreed on condition he increase the mthly pmts after 2mths. Current amount outstanding £12,174.24.
12326 / 39295	Inc	£11,473.04 (HB) £18,834.12 (IS / PC)	03/06/02 – 22/01/12 28/05/02 – 27/05/12	Medway Magistrates February 2013 24 mths Conditional Discharge. Costs of £250 to be recovered at £10 per fortnight.	Medway led investigation, prosecuted by Medway. Despite being invited to reapply for Housing Benefit she failed to respond. If she had re-applied it is probable she would have received full Housing Benefit and overpayment recovery could have been made at the rate of £18.00pw. Attempts to attach to her DWP benefits were unsuccessful due to their recovery of their own debts. There is currently £11,463.04 outstanding. The Housing Benefit debt was passed to Bailiffs who have made an arrangement with claimant. To date she has made one payment of £10 in April 2013.

12575 / 103223 7 / TU27	LT & Cap	£16,987.96 (HB/CTB) £16,053.13 (IS)	13/06/05 – 05/07/09 07/06/05 – 21/11/11	Medway Magistrates February 2013 36 months Conditional Discharge. No costs.	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service. Housing Benefit overpayment was being recovered from ongoing Housing Benefit; however recovery was suspended when an appeal was lodged. Claimant entered a guilty plea in court. Her plea and the conviction would be notified to the Tribunal Service and would be taken into consideration in their deliberations. However all the time the appeal remains outstanding the O/P recovery remains suspended. Benefits will write to claimant to confirm if she wishes to pursue her appeal in light of her recent plea. The Housing Benefit debt is currently £14,040.73.
12235 / 103200 5	LT	£18,308.78 (HB/CTB) £16,231.39 (JSA / IS)	05/03/07 – 17/07/12 28/02/07 – 17/07/12	Medway Magistrates February 2013 250 hours unpaid work. £814.50 costs.	Medway led investigation, prosecuted by Medway. Recovery of the Housing Benefit overpayment is being made from ongoing Benefit entitlement. However the weekly entitlement is only £2.39pw and whilst the full amount is being used to repay the debt the current balance is £12,627.80.
12815 / 106597 0	False Tenancy	£0 (No O/P as fraud identified at initial claim stage)	N/A	Medway Magistrates March 2013 24mths Conditional discharge. £600 costs.	Medway led investigation, prosecuted by Medway. An owner occupier attempted to claim Housing Benefit by completing an application and supplying supporting documentation indicating he had a rent liability. No benefit was paid as suspicions were alerted due in part to information supplied in the 2011/12 NFI – Single Person Discount data match exercise.
12727 / 31482	Partner working	£2,881.52 (HB/CTB)	24/11/08 – 05/07/09	Medway Magistrates January 2013	Department for Work and Pensions led prosecution, prosecuted by Crown Prosecution Service.

		£4,644.03 (JSA)	24/11/08 – 26/04/10	£350 fine.	Claimant is no longer in receipt of benefits so unable to recover the debt by an attachment. The Housing Benefit debt has been passed to Bailiffs who appear to have made an arrangement with the debtor. The current Housing Benefit debt is £2,150.
12460 / 104131 5	LT	£14,394.37 (HB/CTB) £5,295.36 (IS)	22/02/10 – 04/09/11 15/02/10 – 31/08/11	Dartford Magistrates January 2013 120hrs Community Service. £450 costs.	Department for Work and Pensions led investigation prosecuted by Crown Prosecution Service. Claimant is no longer in receipt of Housing Benefit. The debt has been passed to Bailiffs who have collected a total of £400. The current Housing Benefit debt outstanding is £12,699.58.
12250 / 104293 3	Inc	£10,043.15 (HB/CTB)	23/03/09 – 02/10/11	Medway Magistrates January 2013 £350 Fine. £150 costs plus £15 Victim Surcharge.	Medway led investigation, prosecuted by Medway. Claimant is no longer in receipt of Housing Benefit. He made an arrangement to repay the Housing Benefit debt at the rate of £40pm. The current Housing Benefit debt outstanding is £8,517.12.
Totals (£)		£101,966.99 (HB/CTB) £69,122.03 (DWP)			

Administrative Penalty Issued in 4th Quarter 2012/13					
Case Number	Fraud Type	Overpayment / Evasion of liability £	Period of Overpayment / Evasion of liability	Adpen £	Comment
12706 / 1061474	WC	£824.26 (HB) £253.56 (CTB) £3,449.50 (JSA)	09/05/11 – 29/04/12	323.30 1,034.85	Medway Administrative Penalty – Accepted 14/01/13. This was a joint worked case with DWP, who subsequently issued an Adpen on the JSA overpayment.

Key: -

Clmt Claimant

LT Living together as husband & wife

WC Working & claiming

CAP Failure to declare capital

ND Non Dependent

CofC Failure to report a change in circumstances

Inc Failure to declare income

QB9 Employer prosecuted for failing to supply information requested under Social Security Legislation.

SPD Single Person discount

Note re costs – Medway no longer receives details of Costs awarded where Crown Prosecution Office take proceedings on behalf of DWP / Medway Council.