

## **AUDIT COMMITTEE**

**5 JULY 2011**

### **OUTCOMES OF COUNTER FRAUD INVESTIGATIONS**

Report from: Mick Hayward, Chief Finance Officer

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#### **Summary**

To inform Members of progress in investigating allegations of Housing and Council Tax benefit fraud and other non-benefit fraud. This report covers activity during the quarter ending 31 March 2011.

#### **1. Budget and Policy Framework**

- 1.1 Following the Council's decision to establish this committee, it is within the remit of this 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 caution
- Issue of an administrative penalty (fine).

#### **3. Outcomes of Investigations**

- 3.1 In the 2010/11 financial year, the investigations team identified £705,051 of fraudulent overpayments, comprising £483,654 Housing and Council Tax Benefit and £221,397 of Department for Work and Pensions (DWP) paid benefits.
- 3.2 In the quarter to 31<sup>st</sup> March 2011, there have been 12 successful prosecutions and 3 Cautions for benefit offences. There have been no Administrative

Penalties. In addition there was 1 case involving a fraudulent Decent Home Loans Grant that was successfully prosecuted. These cases are detailed at Annex A.

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

As at 14 <sup>th</sup> June 2011	Medway Council's Legal Services	Department for Work and Pensions
Cases put forward for prosecution	18	9
Of which:		
• Court proceedings commenced	8	1
• Preparing court proceedings	10	0
• Awaiting acknowledgement of preparation	0	8 (see note below)

Note: these are joint investigations and many of these cases are passed to DWP Prosecution Division (PD) by DWP FIS (Fraud Investigation Service). Consequently, it is FIS that receives communications from PD. Therefore, Medway Council does not hold precise dates to analyse these cases.

#### **4. Risk Management, Financial and Legal implications**

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

#### **5. Recommendations**

- 5.1 Members are asked to note progress in investigating benefit fraud in accordance with the approved sanction policy.

#### **Lead officer contact**

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#### **Background papers**

Prosecution Policy (revised 2006)

Prosecutions completed Benefit Cases							
Investigation case number	Fraud Type	Fraudulent overpayment £	Court	Court sentence and date	Current HB O/P outstanding £	Est. time to recover HB debt	Comment
10581 / 1038088	Non disclosure of partner	HB £4,259.49 CTB £344.60 JSA £1,519.05 IS £1,488.87	Magistrates' Court	36mth conditional discharge, £150 costs.  04/02/11	£2,483.24  Voluntary arrangement @ £25pcm	8yrs & 4 mths to recover assuming £25pcm continue.	Both claimant and partner were prosecuted.
11272 / 1038088	Dishonestly allowed / caused claimant to fail to declare cohabitation.	( See ref 10581 / 1038088 )	Magistrates' Court	2yr community order with supervision  10/01/2011	( See ref 10581 / 1038088 )	( See ref 10581 / 1038088 )	
11487 / 1028945	Non disclosure of partner.	CTB £265.55	Magistrates' Court	80hrs unpaid work & ordered to pay £200 costs  11/01/11	CTB O/P has been recharged to C/T a/c.	N/A	Note claimant was also prosecuted for non-benefit offences (as reported in the table below).
10230 / 1016155	Non disclosure of partner	HB £3,616.49 CTB £1,066.45	Magistrates' Court	2yr Conditional Discharge and ordered to pay £150 costs.  24/01/2011	£4,381.05 (Inc previous debt).  On 27/05/11 claimant offered repayment @ £2pw	42 years - Assuming £2pw continues.	Arrested under warrant and brought to court. The defendant pleaded guilty to Bail Act Offence for which she was fined £50 + £15 victim surcharge.
10427 / HU1976	Non disclosure of partner	HB £31,122.83 CTB £3,554.70 IS £29,866.22	Magistrates' Court	180 days suspended for 18 months and a 3-month curfew from 10pm to 6am. No costs etc awarded.  28/02/11	£31,306.10 (inc prev O/P)  Rec from ongoing benefit @ £13.20pw	45 ½ yrs to recover assuming £13.20pw.	

Prosecutions completed Benefit Cases							
Investigation case number	Fraud Type	Fraudulent overpayment £	Court	Court sentence and date	Current HB O/P outstanding £	Est. time to recover HB debt	Comment
11276 / 1040124	Non disclosure of capital	HB £10,452.86 CTB £2,086.09 IS £4,174.24	Magistrates' Court	3 year conditional discharge and £100 fine.  07/03/11	£9,760  Voluntary arrangement @ £20pw	9 ½ yrs to recover assuming £20pw continue.	Claimant is back on benefits but has chosen to continue repaying debt at £20pw rather than prescribed amount of £13.60pw.
11562 / 60796	Failure to declare working whilst claiming	HB £1,523.06 CTB £323.66 IS £2,068.92	Magistrates' Court	12 month conditional discharge and ordered to pay £100 costs.  07/03/11	£1,323.06  Voluntary arrangement @ £20pcm	5 ½ yrs to recover assuming £20pcm continue.	
11051 / 1039418	Failure to declare working whilst claiming	CTB £471.26 IS £998.90	Magistrates' Court	Conditional discharge for 24 months and ordered to pay costs of £200 (£20 every 14 days)  14/03/11	No HB O/P. CTB O/P has been recovered.	N/A	
11096 / WA3645	Non disclosure of capital	HB £1,700.00 CTB £342.09 IS £1,281.00	Magistrates' Court	2 year conditional discharge & ordered to pay £150 costs  21/03/11	£924.68  £13.60pw from ongoing HB entitlement	1yr 16wks to recover assuming £13.60 continues.	£13.60 is the maximum prescribed recovery rate from ongoing benefits where claimant is in receipt of a "passported" benefit.
11790 / WA3645	Non disclosure of capital	See above – 11096 / WA3645	Magistrates' Court	2 year conditional discharge  21/03/11	See above – 11096 / WA3645	See above – 11096 / WA3645	Both claimant & partner were prosecuted for the non-disclosure of capital.

Prosecutions completed Benefit Cases							
Investigation case number	Fraud Type	Fraudulent overpayment £	Court	Court sentence and date	Current HB O/P outstanding £	Est. time to recover HB debt	Comment
10559 / 1034530	Non disclosure of partner	HB £6,589.59 IS £2,024.43	Magistrates Court	12-month Community Order, unpaid work of 150hrs. Costs £250.  23/03/11	£6,589.59	Being sent to new Bailiffs.	Previous recovery action was unsuccessful. Returned from Bailiffs 31/05/11. Debt will now be sent to a different firm of Bailiffs.
10436 / 1031321	Non disclosure of partner	HB £6,249.10 CTB £865.41 IS £3,739.87	Magistrates' Court	90 day prison sentence that was suspended for year with £150 costs  28/03/11	£6,209.10  Debt passed to Chandlers Ltd Bailiffs	Currently subject to Bailiff action.	

Prosecutions completed Non Benefit cases					
Investigation case number	Fraud Type	Fraudulent overpayment £	Court	Court sentence and date	Comment
11487	See 11487 / 1028945 – Benefit case above.  In addition to CTB fraud the offender was prosecuted for false application for a Decent Home Loans Grant & for Council Tax Single Person Discount fraud.	SPD £1,367.35  Decent Home Loan Grant – An attempt that would have resulted in an O/P of £11,812	Magistrates	80hrs unpaid work & ordered to pay £200 costs  11/01/11	

Unsuccessful Prosecutions	
Investigation Case number	Comment
10555	Case dropped by DWP Prosecution Division as there was mention of a possible alternate address for the alleged partner.
10733	Non Benefit case - Crown Court case withdrawn on advise of Counsel after defence raised question relating to witnesses possible bad character.

<b>Cautions or Administrative Penalty Issued</b>			
<b>Case Number</b>	<b>Fraud Type</b>	<b>Overpayment £</b>	<b>Comment</b>
11476 / 1039095	Working & Claiming	HB £500.77 CTB £98.55 DWP £667.08	Claimant cautioned.
11527 / 1029765	Working & Claiming	HB £608.78 CTB £3486	Claimant & partner cautioned (see below).
11876 / 1029765	Knowingly allowing / causing claimant to fail to declare work.	See above	See above.