

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2010  
**Report of:** Fraud Manager  
**Title:** Fraud Annual Report

1.0 **SUMMARY**

1.1 This report informs Members of the work of the Fraud Section for the financial year 2009/2010 and provides updates on developments for the current financial year.

2.0 **RECOMMENDATIONS**

2.1 That the contents of this report are noted.

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**Report approved by:** Bernard Clarke, Director of Strategic Finance

3.0 **DETAILED PROPOSAL**

3.1 Housing Benefit and Council Tax Benefit are national welfare benefits administered by the Council on behalf of the Department for Work and Pensions (DWP). A complex legal framework is in place to define who is entitled to benefit and to reduce fraud and error in the system.

3.2 The Council is committed to providing an Anti-Fraud Service which is supported by efficient policies, sanctions for those that offend and reflects legislative changes. Countering fraud is the responsibility of everyone working in or having responsibility for Housing Benefit (HB) and Council Tax Benefit (CTB). It is an integral part of that administration that everyone is aware of the risks. Unfortunately, however good the administration of benefits is it is always likely fraud will enter the system by deliberate acts.

3.3 Between them the Council and the DWP administer around 40 different types of benefits. The Council's expenditure on benefits totalled approximately £36m in 2009/10.

3.4 The DWP sets the standards which governs the effective and secure delivery of benefits and counter fraud activities which are called the Performance and Good Practice Guide. The purpose of the guide is to ensure that counter-fraud activities are properly managed. It is important to focus resources on fraud reduction, to identify, investigate and rectify administrative weakness and to assure Members of the integrity and quality of investigations.

3.5 The funding for counter fraud activities is paid via the general administration grant we receive from the DWP.

3.6 As part of the Shared Services initiative we co-located into one office in Rickmansworth in November 2009 but retain an office in the annex at Watford BC which we share with audit.

3.7 During 2009/10 the Council issued the following sanctions;

Action	No Of Cases
Administration Penalties	21
Formal Cautions	3
Successful Prosecutions	16

3.8 In 2009/10 a total of 253 investigations were completed.

3.9 A total of 91 interviews under caution were completed in 2009/10. These are tape recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with the remainder being conducted in a Police station. Generally, those conducted in a Police station are where the customer has been arrested and a search of their premises has been conducted.

- 3.10 | In 2009/10 a total of 231 referrals for investigation were received. A referral breakdown is shown below;

<b>Information Source</b>	<b>No Of Cases</b>
Housing Benefit Section	47
Other internal Council Departments	6
External sources including Police	35
National Fraud Initiative	11
Housing Benefit Matching Service (HBMS)	46
Fraud Hotline	72
Department for Works and Pensions (DWP)	13

- 3.11 New legislation followed the introduction of the Welfare Reform Act 2008 which provided new powers for local authorities to investigate and prosecute certain national benefits. In the past the Council has had to work jointly with the DWP in order to investigate other benefits. These new powers now enable us to investigate and prosecute more effectively and efficiently.
- 3.12 We continue to take part in various data matching exercises. These include the National Fraud Initiative (NFI) and Housing Benefit Matching Service (HBMS). The NFI an Audit Commission mandatory exercise matches data within the council and between participating bodies to prevent and detect fraud. These matches are not confined to just benefit fraud and include for instance concessionary travel passes matched with deceased person records and taxi drivers matched to Asylum Seeker records. We have now just received data that has matched single person's data from Council Tax against the electoral roll. The last exercise carried out two years ago achieved savings of £84k.
- 3.13 In respect of the HBMS this has suffered disruption. The disruption is a consequence of both the officer previously responsible for encryption of the data between the Council and HBMS leaving the Council and the implementation of the new Academy Revenues System and the data conversion. Procedures have now been agreed with ICT and Revenues and Benefits to address these issues. The consequence of this has meant we have not received any data since November 2009.
- 3.14 The Council has continued to work jointly with the DWP, the Police, Immigrations and other Local Authorities. One particular case investigated for benefit fraud by the Council resulted in the husband and wife finally receiving custodial sentences of 18 months and 22 months respectively. The case was compounded mid way through court proceedings by the husband absconding. The Council along with the court were advised by the defendant's solicitor that the defendant had died in a road traffic accident in Pakistan. Claims for life insurance also followed in sums of in excess of 1.5 million. This created additional extensive enquiries for the Council to prove that the co defendant was not in fact deceased. When

finally arrested the co defendant received a custodial sentence of 22 months. The losses to the Council alone were in excess of £50k. This case is one of many that demonstrates the complexities of investigations.

3.15 The investigation team in 2009/10 has raised overpayments in respect of fraudulent claims for benefit as shown below:

<b>Benefit category</b>	<b>Amount</b>
Housing Benefit	£155,411
Council Tax Benefit	£49,631
Income Support	£41,696
Other Benefits	£1,089
<b>Total</b>	<b>£247,828</b>

3.16 Performance indicators

	Target for Year	Outturn for 2009/10
Number of cases closed following investigation	186	253
Number of sanctions issued	35	40

The performance indicators for shared services are made up from the performance indicators of both Watford BC, shown above, and Three Rivers DC and are reported directly to the Shared Services Committee. In 2009/10 we considered the possible impact of the recession on the risk of fraud. We therefore as a consequence revised the Anti Fraud and Corruption Policy, Housing and Council Tax Fraud Policy, Sanction Policy and Whistleblowing Policy. We also created a Fraud Response Plan which deals with non benefit fraud. These policies were agreed by the Audit Committee in January 2010. These new policies were also harmonised across Watford BC and Three Rivers DC. As a consequence of these revised policies and Shared Services we hope to involve more collaborative working, carry out investigations objectively and by skilled investigations.

3.17 **Action to Date**

Since April 2010 we have issued a further 5 sanctions. We have a further 7 cases either at court or awaiting proceedings.

We have scheduled work to provide training on Fraud Awareness, Whistleblowing and Money Laundering. This training will be mandatory for all Council staff. All fraud staff now work generically on both matters relating to Watford BC and Three Rivers DC adding more resilience to our team and therefore combining expertise.

We have also commenced working with Flame TV that produces documentaries for the BBC on Benefit Fraud. They are keen to publicise potentially 3 of our cases. Prosecutions and publicity act as a deterrent.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no direct financial implications arising from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report.

4.3 **Equalities**

4.3.1 No Implications

4.4 **Potential Risk**

Potential Risk	Likelihood	Impact	Overall Score
The most significant potential risk relates to the possibility that Fraud is ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence.	1	4	4

4.5 **Staffing**

4.5.1 No Implications

4.6 **Accommodation**

4.6.1 No Implications

4.7 **Community Safety**

4.7.1 No Implications

4.8 **Sustainability**

4.8.1 No Implications

Appendices

No appendices

Background Papers

No papers were used in the preparation of this report.

File Reference

None