

Part A

**Report to:** Audit Committee

**Date of meeting:** Tuesday, 30 July 2019

**Report author:** 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 2018/2019 and provides updates on progress and developments for the current financial year.

**2.0 Risks**

2.1

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
Failure to note report or understand the emerging risks	A knowledge gap and lack of scrutiny could leave to a poor understanding of risks that could affect decision making.	Fraud Manager to attend committee to present report and answer questions arising.	Treat	4

**3.0 Recommendations**

3.1 To note the contents of this report.

**Further information:**

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23rd July 2019

PART I

## FRAUD ANNUAL REPORT

### 4.0 Detailed proposal

- 4.1 This report informs members of the work of the Fraud Section for the financial year 2018/2019 and provides updates on progress and developments for the current financial year.
- 4.2 The Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is a crime that affects everyone. The 2016-2019 Fraud and Corruption Strategy from CIPFA quotes fraud losses in local government of more than £2.1 billion a year whilst the annual fraud indicator 2017 estimates these losses to be £7.8 billion. The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale.
- 4.3 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures. The Councils fraud and corruption E learning training has recently been completely refreshed to reflect emerging risks as has the Councils Regulation of Investigatory Powers Act 2000 (RIPA) policy which provides a statutory mechanism for authorising covert surveillance. For information the Council may only authorise the use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco or nicotine inhaling products. Furthermore, where officers now conduct online monitoring or investigation covertly for the purpose of a specific investigation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance must now be considered. Authorising officers within the Council have all received specific training now and guidance is available with the policy on the intranet.
- 4.4 The Council has a responsibility to protect the public purse through proper administration and control of public funds. It is recognised we must have effective core arrangements in order for us to be effective and recognise the challenges we face. These include prevention and deterrence, investigation and detection, recovery and redress and openness and transparency. Minimising fraud and irregularity is a continual process.

- 4.5 The Council is committed therefore to providing a proportionate and efficient value for money anti-fraud service which understands and acknowledges our fraud risks. We must have efficient policies, have sanctions in place for those that offend and that reflect legislative changes and continually strengthen existing and new partnerships. Countering Fraud is the responsibility of everyone.
- 4.6 The Fraud Section is part of the Finance Service with Watford. The details below apply to both councils unless otherwise stated.
- 4.7 Fraud does not fit neatly within geographical boundaries of the Council. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity. This may also include responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime. It is also within the Council a centralised best practice hub.
- 4.8 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 4.9 During 2018/19 the Fraud Section issued 26 sanctions. These include prosecutions, cautions and financial penalties.
- 4.10 In 2018/19 a total of 176 investigations were completed.
- 4.11 Of these investigations where a customer is suspected of committing an offence they are interviewed under caution by officers. These interviews are digitally recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with many conducted in Police stations or other organisations with which we collaborate. Generally, those conducted in a Police station are after the customer has been arrested and a search of their premises has been conducted.
- 4.12 In 2018/19, a total of 371 referrals for investigation were made. Each referral is risk assessed based on a number of factors before proceeding to investigation. A referral breakdown of the major contributors is shown below;

<b>Information Source</b>	
Internal Council Departments	49
External sources including Police	27
Fraud Hotline and anonymous letters	101
Website referral	153

4.13 Overpayments in 2018/19 attributable to investigations relating to council tax reduction and consequential housing benefit adjustments amounted to £136,481 (£60,583 TRDC and £75,898).

### Data Matching

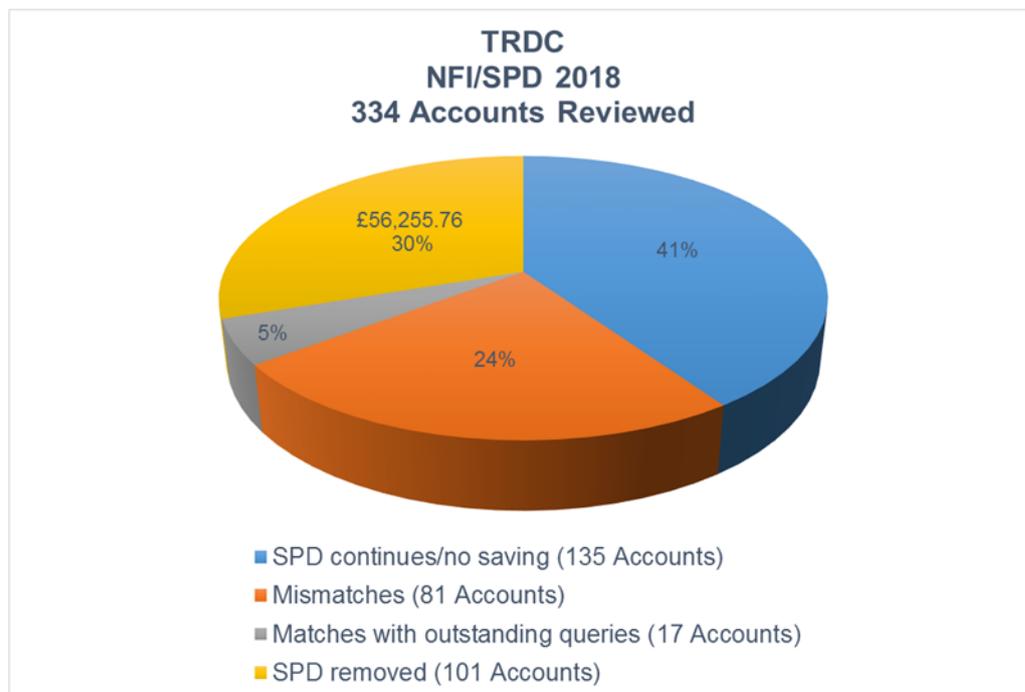
4.14 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI include 1200 organisations that include for instance other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. Examples of some matches are shown below;

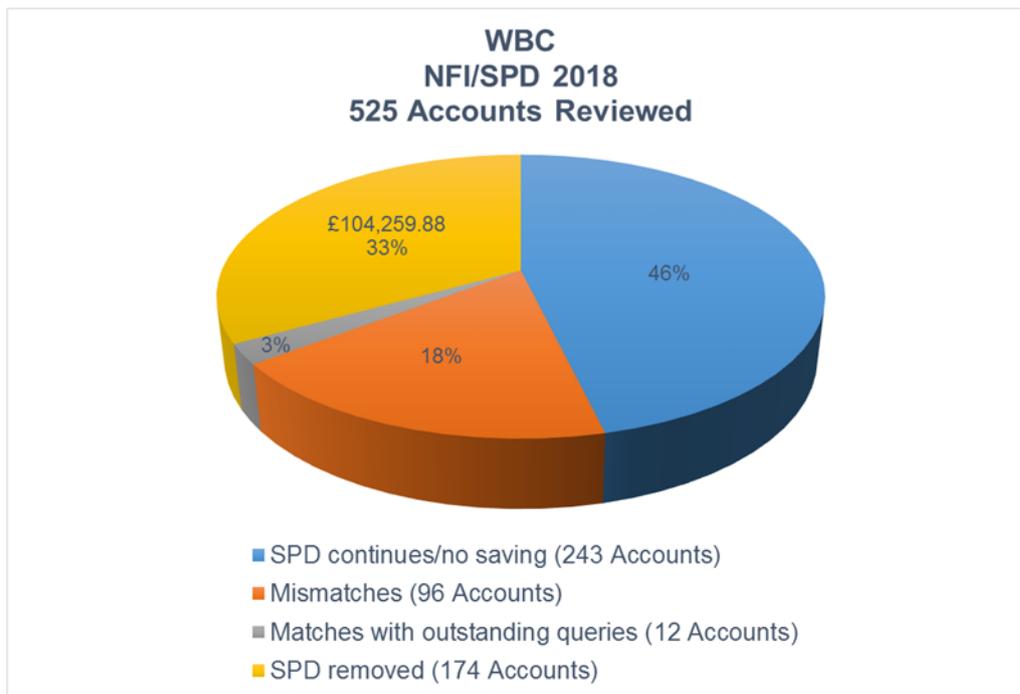
Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for TRDC/WBC but has employment elsewhere that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two different addresses. For example where an address differs from the one they have declared on their waiting list application

4.15 Only duplicate creditor matches have been completed to date which identified 4 duplicate matches totalling £7000. Outcomes attributable to the remaining NFI data

matches, 607 for TRDC and 861 for WBC, are ongoing and will be reported at their conclusion in the 2020 report to Members.

- 4.16 Additional data mining is continuing in respect of Single Persons Discount (SPD). Data matching/mining allows us to better target existing and new frauds with increased volume and frequency of data. Embracing new technologies and techniques improves detection. SPD is available to Council Tax payers who are the only countable adult, over the age of 18, living at their property. People who qualify for the discount have their Council Tax bill reduced by 25%. We match Council Tax records against a variety of other data and identify addresses where the householder is in receipt of Single Persons Discount on the basis that they live alone yet intelligence suggests there is at least one other person aged 18 or over in the household.
- 4.17 The 2018 SPD data matching exercise identified combined savings of £160,515 for Three Rivers DC and Watford BC, broken down as follows:





These figures do not include estimates of the ongoing losses that would have occurred if the wrongly claimed discounts hadn't been identified and removed.

All wrongly claimed discounts have to be repaid in full. In addition 72 civil penalties were issued. A civil penalty is to be applied when a council tax payer fails to notify the council that an exemption or discount should have ended, or if they have deliberately provided false information to the council.

## Other

- 4.18 The Fraud Section continues to work collaboratively with many organisations including the DWP, the Police, Immigrations and Border agencies and other local authorities. It is vital in terms of being efficient to work jointly with other partners and not in silos.
- 4.19 Work continues on proactive Blue Badge exercises. The statistical information estimates that 20% of badges issued are misused. This includes badges that are forged, stolen, renewed after a person has died and simply misused sometimes without the badge holders knowledge. Whilst the loss in parking revenue may be assessed as quite small, the individual harm caused is significant. Fraudulent use of Blue Badges causes inconvenience and direct detriment by depriving an individual in genuine need and entitlement to disabled parking facilities. It may also have a reputational damage to the Council. The penalty if prosecuted for blue badge abuse generally is a level 3 fine for which the maximum penalty is £1,000. Some drivers are cautioned and some badges seized. Only the most serious cases are prosecuted.
- 4.20 For the period 2018-19 8 cases were prosecuted and 2 matters received a caution.

4.21 The cabinet office reported that blue badge misuse had increased reversing a previous trend. This statistic in my opinion may of course be a consequence of improved methods in tackling misuse. It is estimated that the national monetary value associated with Blue Badge misuse and fraud has increased from £13.2m to £18m (Department for Transport 2018).

## **5 Implications**

### **5.1 Financial**

5.1.1 The Shared Director of Finance comments that there are no financial implications in this report as expenditure is contained within existing budgets.

### **5.2 Legal Issues (Monitoring Officer)**

5.2.1 The Head of Democracy and Governance comments that there are no specific legal issues contained in this report.

### **5.3 Equalities, Human Rights and Data Protection**

5.3.1 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

### **5.4 Staffing**

5.4.1 No implications.

### **5.5 Accommodation**

5.5.1 No implications.

### **5.6 Community Safety/Crime and Disorder**

5.6.1 No implications.

### **5.7 Sustainability**

5.7.1 No implications.

## **Appendices**

Case Studies

## **Background papers**

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

2016-19 Fighting Fraud Locally

## Case studies

1. NFI match received indicating Mr xxxxx had a Transport for London Taxi License with effect from the 6th August 2015, valid for 3 years. On checking the claim Mr xxxxx had only declared earnings from CRM catering as a driver, no taxi driver work declared. Interviewed under caution and subsequently prosecuted. See following publicity extract:

### **Watford Uber driver convicted of benefit fraud**

A resident in Watford has been ordered to pay £619 for falsely claiming benefits after he failed to declare his current occupation and earnings on the form...

**Published:** Thursday, 31st January 2019

After Watford Borough Council fraud investigators made checks through the National Fraud Initiative (NFI), it was discovered in 2018 that Mr xxxxx from Turnstones, Watford, made applications for benefits, without declaring that he had a Transport for London Taxi Licence and had in fact been an Uber driver since 2015.

On 11 May 2018, Mr xxxxx was interviewed under caution where he admitted to falsely claiming £2,355 in benefits. He pleaded guilty to one charge under the Fraud Act 2006 at St Albans Magistrates Court. Mr xxxxx received a financial penalty of £335, plus costs of £284 for prosecution and victim surcharge. Arrangements are being made to repay the benefits.

Peter Taylor, Elected Mayor of Watford, said: "Our consistent success in prosecuting benefit fraud sends a clear message that it will not be tolerated. It is a great example of how we ensure money is not taken illegally out of the public purse." If you suspect that someone is committing fraud, please report this to the Fraud team by emailing [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) or calling 0800 458 9200.

2. A parking permit application was investigated following data matching. False documents and applications were submitted to the Council. See following publicity extract;

### **A man who pretended to live in Watford so he could apply for a parking permit has been fined.**

Xxxx told [Watford Borough Council](#) he lived in Whippendell Road, when in fact he had moved out of the property some years ago.

Now based in Houghton Regis, Luton, he also used a false car rental agreement as well as an insurance document showing he lived in Watford. There was already a parking permit allocated to that address so investigators made checks with the landlord. Mr xxxxx received a financial penalty of £195 per offence (£390), plus costs of £350. He pleaded guilty to two charges of fraud at St Albans Magistrates Court.

In order for a resident to obtain a resident parking permit from the council, the applicant must live at the property and has to complete an application and provide proof of residency and proof of vehicle ownership.

If you suspect that a motorist is fraudulently using a permit, please report this to the Fraud team by emailing [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) 01923 278890.

3. Blue badge exercise – the online comments are fully supportive and complimentary of the action taken by the Council. See following publicity extract;

**Several drivers have been prosecuted after they misused blue badges.**

Following a fraud investigation, three people have been fined and their badges seized after parking illegally in Watford.

xxxxx from xxxx was fined £250 and ordered to pay £170 in prosecution costs as well as a £30 victim surcharge after she was caught in Wellstones in the town centre.

xxxxxx, of Harwoods Road, Watford, was fined £150 and ordered to pay £170 in prosecution costs and a £30 victim surcharge at St Albans Magistrates Court. She was also caught in Wellstones.

xxxxxxx of Northwood was fined £100 and ordered to pay £170 in prosecution costs and a £30 victim surcharge, after she was caught in George Street.

All court hearings took place at St Albans Magistrates Court.

4. Three Rivers received a planning allegation that a tenant Mr xxxxx Hampermill Lane, Watford, was renting a self-contained studio flat from Mrs xxxxxx since September 2017, paying her £800 per month. The property was a converted garage. The rental income was not declared on the householders council tax reduction claim nor did the property receive planning or building regulations approval.

Enquiries and intelligence was gathered and subsequently the house owner Mrs xxxx attended an interview under caution represented by her legal advisor.

Following admissions made at interview Mrs xxxx was cautioned for failure to declare the income. Furthermore, planning enforcement action commenced based on the joint working and intelligence gathered.

5. Spam emails and fraudster alleging to be an employee of the Council. In January 2019 the Council became aware that residents had been approached by a fraudster claiming to be an employee of the council's Revenues and Benefits department and working on behalf of the council. This fraudster is known to have contacted residents who own property; asking for personal information relating to property ownerships, the purchase of properties, lease details, and pension scheme

membership. The fraudster also claimed to be working with HMRC. Also the email address being used by the fraudster was set up to fool people into thinking it was a genuine Council email address.

Publicity was firstly issued warning residents of the scam. To date the investigation has confirmed that the name being used by the fraudster was an alias. We have identified the perpetrators real identity. We are concluding extensive Communications Data checks on the mobile phone number, email addresses, domain name and location history to consider criminal charges and prevent further loss and reputational damage.