

Report to: Audit Committee
Date of meeting: 30 June 2011
Report of: Alan Power Head of Finance
Title: Fraud Annual Report

1.0 **SUMMARY**

1.1 This report informs Members of the work of the Fraud Section for the financial year 2010/2011 and provides updates on developments for the current financial year.

2.0 **RECOMMENDATIONS**

2.1 The contents of this report are noted.

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Report approved by: Bernard Clarke, Head 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 £34.9m in 2009/10.

3.4 The DWP sets the standards which govern the effective and secure delivery of benefits and counter fraud activities. These standards are set out in 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, the Watford and Three Rivers Fraud teams are co-located into one office in Basing House, Rickmansworth. The team also occupy an office in the annex at Watford BC which is shared with internal audit.

3.7 During 2010/11 the Council issued the following sanctions;

Action	No of Cases
Administrative Penalties	13
Cautions	6
Prosecutions	17

3.8 In 2010/11 a total of 196 investigations were completed.

3.9 A total of 217 interviews under caution were completed in 2010/11 (Watford

BC and Three Rivers DC). A breakdown between the two Councils is not currently available. These interviews 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 2010/11 a total of 412 referrals for investigation were made. Of these 47 were rejected as they failed their risk assessment. A referral breakdown is shown below;

Information Source	No of Cases
Housing Benefit /Council Tax Section	29
Other internal Council Departments	9
External sources including Police	72
National Fraud Initiative	38
Housing Benefit Matching Service (HBMS)	201
Fraud Hotline and anonymous letters	39
Department for Works and Pensions (DWP)	24

- 3.11 The investigation team has raised the following overpayments in respect of fraudulent claims;

Benefit Category	Amount
Housing Benefit	£135,300
Council Tax Benefit	£41,611
Other Benefits	£74,769
Total	£251,680

- 3.12 The service continues to take part in various data matching exercises. These include the National Fraud Initiative (NFI) and Housing Benefit Matching Service (HBMS). The NFI is an Audit Commission mandatory exercise that 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. In January 2011 we received 1,409 matches from the Audit Commission in respect of the NFI. Of these matches 398 were classified as being recommended and therefore analysed. The exercise is continuing and to date 40 cases have been subject to a financial investigation. In December 2011 we are due to receive matches relating to Council Tax Single Persons Discounts (SPD).

- 3.13 In respect of the HBMS, we have experienced some disruption in receiving the matches in a timely manner. The matches are sent to ICT via a secure

encryption file known as PGP which is then de-encrypted and sent to Fraud. We are continuing to work with ICT to improve the process and identify the causes for the previous disruption.

3.14 The Council has continued to work jointly with the DWP, the Police, Immigrations and other local authorities.

3.15 Performance indicators for Watford BC only.

	Target for 2010/11 based on 60% of the service target	Outturn for 2010/11 based on 60% of the service target
Number of cases closed following investigation	191	196
Number of sanctions issued	36	36

3.16 The performance indicators for shared services are from those performance indicators of both Watford BC, shown above, and Three Rivers DC and are reported directly to the Shared Services Committee.

3.17 In 2010/11 we have continued to consider the impact of the recession on the continuing risk of fraud. Economic stress can increase the incentive to commit fraud. We have assessed the effectiveness of our current arrangements and focussed on high risk areas which include where customers fail to report changes in circumstances in a timely manner. We have also worked jointly on many cases to reduce fraud and the reputational damage it can cause. We have a specific Anti-Fraud and Corruption Policy, Housing and Council Tax Fraud Policy, Sanction Policy and Whistleblowing Policy. We also have a Fraud Response Plan which deals with non-benefit fraud. These policies are harmonised with our work with Three Rivers DC.

3.18 In January and May 2011 the Fraud team appeared twice on BBC1 Saints and Scroungers. The cases shown were selected due to the complexity of the frauds and the quality of the investigations and resulting prosecutions. As a consequence of these shows we received a number of referrals for investigation from the general public. This publicity is integral to enhancing the reputation of Watford BC and hopefully discouraging those individuals who may consider committing fraud. Some examples of publicity are shown at Appendix A.

Action to Date

3.19 Since April 2011 we have issued a further five sanctions. We have a further five cases either at court or awaiting proceedings.

3.20 We have just released an E-learning training package on Fraud Awareness, Whistleblowing and Money Laundering. This training will be

mandatory for all Council staff and will also be issued to Members.

- 3.21 All fraud staff from our Shared Services team now work generically on matters relating to Watford BC and Three Rivers DC, adding more resilience to our team and therefore combining expertise. In addition to investigating benefit fraud, the fraud team investigates corporate fraud which includes internal investigations and other areas within the Council affected by fraud.
- 3.22 In November 2010 we investigated and prosecuted a housing officer. Information was received from a member of the public expressing concerns. Following our enquiries and intelligence checks the officer was arrested and interviewed by the fraud team. He was subsequently prosecuted for offences relating the Fraud Act 2006. The officer had provided false information on his application for employment and was found to be a director of a lettings agency company. Some of this work for his company was found to have occurred whilst he was employed by Watford BC. The officer following conviction was sentenced to a fine and Watford BC was awarded £400 in compensation. The reputational damage for the Council could have been severe had we not acted immediately.
- 3.23 In October 2010 a new Fraud and Error Strategy was published. The strategy focuses on reducing fraud and error across all the welfare benefit programmes including tax credits administered by HMRC. The report estimates that of the £190 billion the Government pays out in benefits, tax credits and child benefit, £5.2 billion is lost to fraud and error. The plan has proposals for the creation of a new single replacement benefit known as Universal Credit. The proposal is that this scheme will replace a number of different benefits currently operated by local authorities, HMRC and the DWP including housing benefit. It is proposed a new council tax rebate scheme will be developed. Additionally, the new strategy proposes the creation of a new single fraud investigation service. The time scales proposed are currently between October 2013 and 2018. A new Welfare Reform Bill is being presented to Government to consider these changes. There has been a lot of opposition to these proposals by the Local Government Association and the National Fraud Authority. The Communities Secretary, the Rt Hon Eric Pickles MP has also issued guidance to Councils on adopting a more aggressive strategy to reduce fraud generally. It is proposed a further report updating Members is presented when more information becomes available.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Head of Strategic Finance comments that there are no financial implications in 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.

Appendices

Appendix A examples of publicity.

Background Papers

No papers were used in the preparation of this report. Details were obtained from the Fraud Management system.

File Reference

None

Watford benefit cheat given community order

9:13am Wednesday 23rd June 2010

By Neil Skinner

A benefit cheat has been sentenced to a 12 month community order and ordered to pay £250 costs to [Watford Borough Council](#).

Antonietta Ferrazanno, of Woodford Road, Watford, had continued to claim housing and council tax benefit after starting work in December 2006 – when she started to receive working tax credits as well.

As a result she was overpaid to the tune of more than £7,000.

Ferrazanno appeared at Hemel Hempstead Magistrates Court this month, where she was sentenced to a 12 month community order and ordered to carry out 100 hours of unpaid work. She was also ordered to pay £250 costs.

Councillor [Andy Wylie](#), responsible for financial issues, said: “This prosecution and conviction demonstrates that [Watford Borough Council](#) will always investigate claims of benefit fraud and take a firm line on all benefit offences.”

Group <http://www.watfordobserver.co.uk>

Benefit cheat from Watford escapes jail

2:59pm Thursday 9th December 2010

By Michael Pickard

A benefit cheat who wrongly claimed housing and council tax allowance has escaped jail.

Alan Grace, from Abbey View, Watford, continued to claim the benefits, alongside income support, after starting work.

Following an investigation by [Watford Borough Council](#) and the Department for Work and Pensions (DWP), Grace admitted failing to notify both agencies about his change in circumstances.

Last month he appeared at Watford Magistrates Court where he pleaded guilty to four offences. The amount of housing and council tax benefit wrongly paid to him was £5,079.40 and income support was £14,357.73.

Then at Hemel Hempstead Magistrates Court on November 29, he was sentenced to 12 weeks in prison, suspended for 12 months, with a 12 month supervision order. He also had to pay £60 costs to [Watford Borough Council](#) and £40 to the DWP.

Councillor [Andy Wylie](#), cabinet member with responsibility for financial issues at Watford Borough Council, said: “This successful prosecution highlights the close cooperation between council officers and the Department of Work and Pensions. Pooling our intelligence means that benefit cheats are more likely than ever to be found out.”

To report a fraud, telephone the council’s Freephone Fraud Hotline on 0800 4589200, email fraud@watford.gov.uk or write to the council’s Fraud Section at the Town Hall, Watford, Hertfordshire WD17 3EX.

Group <http://www.watfordobserver.co.uk>

Benefit cheat from Watford must repay £4,000

8:10am Tuesday 21st December 2010

By Michael Pickard

A benefit cheat from Watford has been handed a 12 month community order and must repay more than £4,000 after admitting fraud.

Marco Martins, 42, claimed £4,764 in housing benefit and council tax benefit between 2005 and 2009 but failed to declare his wife had been working. He had also accepted additional work.

It was during a data match exercise with the Department of Work and Pensions that [Watford Borough Council](#) discovered an "inconsistency".

An investigation then found Martins was employed by Manpower Recruitment Agency, and had also taken extra work from Extrastaff Employment Agency.

Martin, from Cecil Street, admitted the offence in an interview under caution and then appeared at Watford Magistrates Court on December 6, where he pleaded guilty to two charges of dishonestly failing to notify the council of a change in his circumstances.

He was sentenced to a 12 month community order with a work requirement of 120 hours, ordered to pay costs of £430 to the council and repay the full amount of overpaid benefit.

Councillor [Andy Wylie](#), cabinet member responsible for financial issues, said: "The council carries out monthly data matching exercises with the Department for Work and Pensions, which helps identify potentially fraudulent claims and payments. Where a match is found it indicates there is an inconsistency that requires further investigation."

To report a fraud, telephone the council's freephone fraud hotline on 0800 458 9200, email fraud@watford.gov.uk or write to the council's fraud section at the Town Hall, Watford WD17 3EX.

Group <http://www.watfordobserver.co.uk>

Trio from Watford guilty of benefit fraud

4:59pm Wednesday 12th January 2011

By Michael Pickard

Two men and one woman from Watford have been convicted of benefit fraud, after illegally receiving about £7,000 between them.

Roseca Ansu, of Leavesden Road, was fined £135, costs of £100, a £15 victim surcharge and repay more than £2,300 after failing to tell [Watford Borough Council](#) she had started work while continuing to claim housing benefit.

She was sentenced at Watford Magistrates Court on Friday, January 7 after pleading guilty to the offence.

On the same day, Paras Leonidas, from Haydon Road, also pleaded guilty to claiming council tax benefit and Jobseekers' Allowance after his partner started work.

Leonidas refused to be interviewed by investigators and at Watford Magistrates', he pleaded guilty. He was fined £65, ordered to pay £50 costs, and repay £766.84 for Council Tax benefit and £1,243.41 for Jobseekers' Allowance.

Meanwhile, on Monday, Peter Grice, formerly of Grover Road, Oxhey, pleaded guilty after failing to inform the council he had started work but still received housing benefit, Council Tax benefit and Jobseekers' Allowance.

At Hemel Hempstead Magistrates' Court, he was sentenced to six weeks in prison per offence, suspended for 12 months, ordered to pay prosecution costs and repay more than £3,600.

Councillor [Andy Wylie](#), cabinet member responsible for financial issues, said: "The council carries out monthly data matching exercises with the Department for Work and Pensions, which helps identify potentially fraudulent claims and payments. Where a match is found it indicates there is an inconsistency that requires further investigation. These three new successful prosecutions demonstrate clearer than ever that [Watford Borough Council](#) is taking tough action and will not tolerate benefit cheats."

To report a fraud, telephone 0800 4589200, email fraud@watford.gov.uk or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

Group <http://www.watfordobserver.co.uk>

Benefit fraudster from Watford must repay £4,000

10:42am Wednesday 2nd February 2011

By Michael Pickard

A fraudster bought a £500,000 house in Watford while falsely claiming benefits.

Celleste Teizeria, from [St Albans Road](#), Watford, had bought a house in Swiss Avenue whilst continuing to receive housing and council tax support.

However, following an investigation by [Watford Borough Council](#), she pleaded guilty to charges of failing to notify the council of a change in her circumstances that would affect her entitlement to benefits.

She must now repay the benefits, worth more than £4,850, complete an 18-month community order, including 120 hours of unpaid work, and pay £350 costs to the council.

To report a fraud, telephone the council's freephone fraud hotline on 0800 4589200 or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

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Community order for benefit cheat from Northwood after Watford Borough Council investigation

8:50am Thursday 3rd February 2011

By Michael Pickard

A benefit cheat must repay more than £6,000 after claiming support for a house he was no longer living in.

Mircea Paduraru claimed housing benefit for a property in Kelmscott Crescent, Watford, between December 2008 and June 2010.

However, he failed to notify [Watford Borough Council](#) that he had left the property in August 2009.

The council launched an investigation after another tenant subsequently applied for housing benefit for the same address.

Paduraru, now of Addison Close, Northwood, admitted to fraud officers in August 2010 that he failed to declare he had moved and he pleaded guilty to charges at Hemel Magistrates Court last month.

He was ordered to repay the full amount of overpaid benefit - £6,458 - complete an 80 hour community order and pay £350 costs.

To report a fraud, telephone the council's Freephone Fraud Hotline on 0800 4589200 or write to the council's Fraud Section at the Town Hall, Watford, Hertfordshire, WD17 3EX.

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Watford woman admits benefit fraud

11:04am Tuesday 1st March 2011

By Michael Pickard

A woman has been given a curfew, and must wear an electronic tag, after being convicted of benefit fraud.

Chloe Thompson, from Tibbles Close, claimed housing benefit.

But she failed to tell [Watford Borough Council](#) she received additional income and that her partner, who lived with her, was employed - all details that would have affected her entitlement.

Thompson pleaded guilty to benefit fraud at Hemel Hempstead Magistrates Court on Monday, February 21.

She was handed a six month community order and a curfew that requires her to be at home between 7pm and 7am, which will be monitored by an electronic tag.

Costs of £150 were awarded to the council and Thompson must also pay back £4,600 in overpaid benefit.

To report a fraud in confidence, telephone the council's freephone fraud hotline on 0800 4589200, email fraud@watford.gov.uk or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

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