

Fraud Report

2011 - 12

Half yearly report for the Audit Committee to 31st October 2011

Management Summary

1. This report is a summary of the work undertaken during the first half of the 2011-12 financial year by the Council's Corporate Fraud, Risk and Investigations team (CFR&I).
2. The team has undergone significant changes since April 2011 when it changed from being the Investigation and Overpayment team to become Slough Council's Corporate Fraud, Risk and Investigations team. Further details regarding this change are set out in the introduction overleaf.
3. The new Head of the Corporate Fraud, Risk and Investigations team took up this role on 10 October 2011.
4. CFR&I has maintained a performance at the half yearly stage in line with the set target of 56 sanctions by the year end, whilst the number of Benefit fraud referrals is potentially running at 28% less than the previous year. The number of fraud reports originating from other areas within the Council at this stage has not shown any significant increases. The work of the Financial Investigation team continues at around the same referral rate as the previous year, again with a majority of these referrals originating from benefit frauds.
5. During the next six months the CFR&I team will work towards increasing awareness within the Council of its role and remit, as well as working towards reviewing and updating the relevant policies that support its work within the Council.
6. The CFR&I team work to support the Council's key priorities of Being Safe, Feeling Safe. In addition all investigations are conducted within the Legal framework as set out in Regulations of Investigatory Powers Act 2000, Criminal Procedure and Investigations Act 1996, Data Protection Act 1998, Human Rights Act 2000 and within the other legal gateways available to it.

1. Introduction

- 1.1 This report is a summary of the work undertaken during the first half of the 2011-12 year by the Council's Corporate Fraud, Risk and Investigations team (CFR&I).
- 1.2 The team has undergone significant changes in April 2011 when it evolved from the Investigation and Overpayment unit to become the Corporate Fraud, Risk and Investigations team. At this time the Insurance and Risk functions came within the teams remit and the overpayments and visiting officers functions went to the Revenue and Benefits team.
- 1.3 In addition the team has recently had a management re-structure with the appointment of a Head of Corporate Fraud, Risk and Investigations from 10th October 2011.
- 1.4 Previously the focus of the Investigations and Overpayment team was predominately around the investigation of Housing Benefit offences.
- 1.5 With the appointment of two Financial Investigators in 2009 there has been a focus on actively pursuing the recovery of criminal assets obtained through Fraud cases against the authority. In addition these two Investigators have powers to seek the recovery of criminal assets through compensation or confiscation in relation to a number of other criminal lifestyle offences committed in respect of local authority enforcement areas, such as Housing, Right to buy, Trading Standards and Environmental. There will be drive during the next six months to increase the awareness of this resource and look towards the other enforcement prosecution functions within the authority to utilise this resource when a criminal prosecution is instigated.
- 1.6 From April this year the team has also taken responsibility for Corporate Fraud investigations, whether committed against the authority by an internal or external source. Again this change in remit needs to be made more widely publicised within the authority's departments and a stronger emphasis needs to be placed on Corporate Investigations within the team, whilst still meeting the work that is generated by fraudulent Housing benefit claims.
- 1.7 To meet this new remit there has been a review of the units data recording mythology, which will in the future be able to produce in the future better information in relation to financial losses and recoveries across all areas investigated by the unit.
- 1.8 CFR&I also has responsibility for raising fraud awareness across the Council, providing advice and guidance in the areas of Fraud Prevention, Money Laundering, Bribery and Whistle Blowing, whilst ensuring that the various Council departments have their risk management in place. In addition it has assumed responsibility for managing participation in the Audit Commission's National Fraud Initiative project.
- 1.9 CFR&I will be seeking to strengthen its working relationships within the Council's departments, as well as strengthening relationships with the police and other partnership organisations to facilitate the effective combating of fraud directed against the Council.

2. Performance

- 2.1 The Council's Corporate Fraud, Risk and Investigations team is measured on outputs which at present are still mainly focused around previous Housing benefit Investigations targets.
- 2.2 In respect of Housing Benefit Council Tax and Tenancy Fraud the number of reported incidents at the half yearly stage is 423, which if this rate of reporting continues will result in a reduction of reported incidents by 28% at the year end. Of this 196 were accepted for investigation. **See Figure 1 and 2 in Appendix 1.**
- 2.3 The target for Housing Benefit sanctions during 2011-12 is 56, compared to 90 in the previous year. The reasons for this were set out in the Audit committee report submitted on 27 July 2011. To date 37 Housing Benefit sanctions have been obtained, which is 66% of the years target at the half yearly stage. In addition there have been two other sanctions obtained that sit outside the Housing Benefit arena. **See Figure 3 in Appendix 1.**
- 2.4 Disappointingly in the first half of the year there have been only five Criminal Prosecutions instigated to date, set against a target of 20 for the year end. This will potentially lead to a potential under achievement of 50% against this target. There are a number of factors, which largely sit outside the control of the investigation team, that effect whether a case being investigated is appropriate for criminal proceedings or not. In addition the current author feels that setting an actual criminal prosecution target is not the best method of measuring performance, which is better judged through the number of cases handled by each investigator and sanctions obtained. In addition setting a specific target could lead to allegations of charges being laid in respect of Criminal proceedings simply to meet that objective, where as they should only be instigated through following a standardised Prosecutions policy criteria, applied equally in each case.
- 2.5 It was hoped that it would be possible to report how debt was recovered through the various reported incidents of fraud to the CFR&I, but the only figures available relate to the amount of monies recovered during the first half of this financial year through the overpayments unit, which will relate to recoveries of monies from all benefit areas they deal with, which will include Housing benefit fraud recoveries and also include recoveries that are still be collected from previous years. To date this relates to £214,028 in relation to Rent Rebate (Council tenants) and £1,183,194 Rent allowance. It is hoped that in future more direct figures will be available in relation to the recoveries generated by the unit's work through internal collation of this figures.
- 2.6 Within the Financial Investigation area there have been eight referrals this half year to date, which compared to the 21 referrals overall at the end of last year, potentially could lead to a slight overall reduction at the year end. Having said that of these eight, seven relate to Housing Benefit cases, which compared to the 12 referrals from Housing Benefit cases at the end of last year, potentially could lead to an increase in referrals from this source, which is part of the CFR&I. Again Financial Referrals are not wholly within the control of the unit as Criminal Prosecutions are needed to trigger the possibility of pursuing a financial recovery through the criminal courts either in the form of compensation or confiscation. The financial investigators have made various

presentations to the Council's departments and the unit will continue to promote their services and benefits of engaging them at an early stage in any criminal prosecution.

2.7 During this period Slough Council has received £2095.62 from the Home Office of the distribution of incentivised funds. In addition there have been four confiscation orders awarded during this period by the courts, the details of which can be found at **Figure 4 Appendix 1**.

2.8 The Financial Investigation Unit can recover funds through two methods:

- i) Compensation is where the Council is a victim. The figure can be adjusted for inflation. A typically area is benefit fraud.
- ii) Confiscation through incentivisation.
When a Court makes a confiscation Order, based upon a financial investigation hearing supported by statements, the value of the Order is split between all parties concerned. The Government takes 50%, The Prosecutor 18.75%, The Investigating body 18.75% and HMCS 12.5%. Therefore as a local authority we will receive 37.5% of any confiscation Order.

2.9 A number of cases that have recently come to conclusion during the period being reported on are shown at **Appendix 2**.

3. Conclusion

3.1 The half year to date results to date suggest that there is possibly a drop in the number of Housing benefit fraud referrals, with at this stage no real increase in the reporting of internal fraud issues being noted. It is not believed that this suggests that there are no incidents, but that potentially there is a lack of awareness of the units changed remit. Our aim is to increase the profile of the unit with the Council through the internal communications team, partnership meetings and working. There are a number of areas that we will seek to have a stronger influence within, areas such as tenancy fraud. It is hoped that with the resources available within the unit that through better management and case review that we will be able to better identify those cases that warrant investigation, whilst seeking to conclude those investigated in a timely fashion, making full resources of the units investigation capacity to met additional work from within the Council.

Appendix 1

Fig. 1 Cases opened, Rejected and closed in 2011-12

Fraud Area	Reported	Accepted	Rejected	Closed
Housing Benefit, Council Tax and Tenancy Fraud	423	196	227	142
Corporate or Internal Fraud	2	2	0	2
½ yr total	425	198	227	144
Financial Investigations – Housing Benefit	7	7	0	0
Financial Investigations – Trading Standards	1	1	0	0
½ yr total	8	8	0	0

Fig. 2 Cases opened, Rejected and closed in previous years

Fraud Area	Reported	Concluded	Rejected/referred to visiting officer
Totals 2010 - 11			
Housing Benefit, Council Tax and Tenancy Fraud	1168	338	513
Right to buy	11	11	0
Corporate or Internal Fraud	2	2	0
total	1181	351	513
Financial Investigations – Housing Benefit	12	7	0
Financial Investigations – Trading Standards	5	1	2
Financial Investigations – Planning	1	0	3
Financial Investigations – Tenancy	1	0	0
Financial Investigations – Right to buy	1	0	0
Financial Investigations – No HMO licence	1	0	0
total	21	8	5
Totals 2009 - 10			
Housing Benefit, Council Tax and Tenancy Fraud	854	300	483
Right to buy	10	10	0
Corporate or Internal Fraud	2	2	0
total	866	312	483
Financial Investigations – Housing Benefit	8	8	2
Financial Investigations – Trading Standards	4	2	2
Financial Investigations – Planning	1	1	1
Financial Investigations – Right to buy	1	0	0
total	14	11	5

Fig. 3 Performance outturn against target

Fraud Area	Prosecutions undertaken	Caution or Administrative Penalty	Positive Outcome/Action Achieved (i.e. Disciplinary)	Totals
Housing Benefit, Council Tax and Tenancy Fraud	5	32	0	37
Corporate or Internal Fraud	0	0	2	2
Total for ½ yr	5	32	2	39
Target 2011 - 12				56*
<i>Previous years comparisons</i>				
Totals 2010 – 11	26	64	N/A	90
Totals 2009 – 10	17	36	N/A	53

* explanation for the reduced target given in Audit report dated 27 July 2011

Fig. 4 Confiscation Orders

Date	Amount	Notes
11/07/11	£28,000	Housing Benefit fraud. Defendant repaid the sum direct to SBC, this included the overpayment and inflationary adjustment
29/07/11	£3,445.10	Benefits, joint working, DWP and Metropolitan Police
19/08/11	£105,000	Of these funds circa £81,000 will be paid direct to SBC as compensation (H/B plus inflationary adjustment). In addition £13,000 costs were awarded to SBC independent of the Order. The £105,000 has been paid to HMCS.
03/10/11	£93,000	Subject sentenced to 22 months in prison (default sentence) for non payment of £93,000 confiscation order. We are in the process of instructing a "receiver" to realise funds.

Appendix 2

Cases of interest.

Benefit claims.

Dennis Patrick Kelly, aged 54, from Cippenham was charged with seven counts of benefit fraud after he failed to declare savings and pleaded guilty on October 22 2009 at Reading Crown Court. On November 27, 2009, Kelly was sentenced to four months imprisonment and the council requested confiscation proceedings against him. Kelly was released in January 2010, serving six weeks for fraudulently receiving £15,626.00 in benefits. On August 6, 2010 at Reading Crown Court, the Judge ruled Kelly had to pay a Confiscation Order obtained under The Criminal Justice Act 1988: Total criminal benefit figure of £93, 593.18. Of this figure compensation of £15,626.00 payable to Slough Borough Council for benefits received. He was given six months to pay and 22 months imprisonment in default sentence. On February 2, 2011, the six months time to pay expired and Kelly made an application to Reading Crown Court questioning the confiscation Order and requesting an extension. As a result, on March 21, 2011, a hearing took place at Reading Crown Court which determined the original Order was correct and the court did not have the requisite jurisdiction to deal with any further applications. All matters would need to be dealt with by Dover Magistrates Court - the South East regions confiscation enforcement court. On June 24, 2011 a hearing was convened at Dover Magistrates Court which Mr Kelly did not attend. As a result, Dover issued a warrant for Mr Kelly's arrest. Mr Kelly was arrested on September 30 and transferred to Folkestone Magistrates Court for a hearing where he was sent to prison for 22 months. Mr Kelly will serve the full term or until the confiscation order is paid. Even after the 22 months has been served, the money will still be owed and a receiver will be appointed to secure their recovery.

Benefit claims.

Mr Adewuyi attended Reading Crown Court on 18 April 2011 charged with 3 counts of knowingly failing to give prompt notification of a change in his circumstances namely that he had started work whilst in receipt of Housing & Council Tax Benefits , 2 counts of knowingly failing to give prompt notification of a change in his circumstances namely that he had started work whilst in receipt of Income Based Jobseekers Allowance & 1 count of knowingly making a false statement or representation, namely that he was not working, with a view to obtaining Jobseekers Allowance. Throughout his work Mr Adewuyi had continued to sign as unemployed. This last offence occurred on or about 23 April 2008 when he had been working for Overseas Courier Service since February 2008. The offences occurred between July 2007 & April 2008. He pled guilty & was sentenced to 100 hours community service for the 5 counts of knowingly failing to declare changes & 150 hours community service for the 1 count of knowingly making a false statement to run concurrently (so effectively only 150 hours). The Housing Benefit overpayment was £1916.77, Council Tax Benefit £356.36 and Jobseekers Allowance £1699.31; totalling £3972.44. £50 costs were also imposed.

Mr Adewuyi failed to attend for interview at SBC on 5 separate occasions. This sends out a clear message to the public that we will still take court action against individuals even if they fail to attend for interview.

Benefit claims.

As part of a joint operation involving Slough Borough Council, Thames Valley Police and the Department for Work and Pensions, entry was gained to a property in Alpha Street North, Slough on 12 September 2011. Mr Mourad Sakat, an Algerian national, was arrested and charged with offences relating to the possession and use of false identity documents as well as fraud offences.

Checks with the Border Agency revealed that Mr Sakat was an overstayer in the UK whose visa had expired in 2004. A number of identity documents in various names, (some bearing the photo of Mourad Sakat) were seized from the premises and found, on inspection, to be forged or counterfeit.

The documents had been used to make fraudulent applications for benefit to Slough Borough Council. As a result, Housing Benefit totalling £17,000 was paid and Council Tax Benefit in excess of £2,000 was awarded over a two year period. Mr Sakat entered early guilty pleas at Reading Crown Court on 7 October 2011. He was sentenced to 2 years imprisonment for the offences.

Benefit claims.

On 11 April 2011 Mr Panchal plead guilty to 5 counts of dishonesty involving an overpayment of Council Tax Benefit & Income Support (amounting to £4941.94) on his own behalf due to his failure to declare property owned and undeclared capital (repaid prior to trial). He also admitted his involvement in his father-in-law's (Mr N Patel) fraudulent claim to Housing Benefit amounting to £67,383.57. A confiscation order was made 13 May 2011 and it was agreed that this should be paid prior to sentencing on 11 November 2011. £105,000 confiscation payment was made to the court on 27 October 2011. We are awaiting final sentencing.