

REVIEW & DEVELOPMENT REPORT

Type of Report: Full year report	Portfolio(s):- Performance
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OPEN	

PR&D Panel: Resources and Performance Panel – Audit and Risk Committee
Date: 23rd June 2015
Subject: End of Year Report of Benefit Investigations Unit and Internal Audit work on the National Fraud Initiative.

Summary

The Benefit Investigations Unit, undertook work to prevent and detect benefit fraud, and Internal Audit co-ordinates the investigation of matches returned by the National Fraud Initiative exercises. This report provides Members with information regarding the work undertaken in both areas during the 2014/2015 financial year.

Recommendation

To note the report

1. Purpose of the report

- 1.1 As from 1st April 2015 the investigation of Housing Benefit Fraud transferred to the Department of Work and Pensions (DWP). The Investigations Manager and one of the Investigations Officers chose to transfer with the work. This report is intended to advise the Audit and Risk Committee of the work undertaken by the Benefit Investigations Unit up to this point and will be the last report of this kind, although there may be some residual cases to report.
- 1.2 The remaining Investigations Officer has taken up a new post within the Audit and Fraud Team as an Investigations Officer/Internal Auditor. He will be providing the investigation support for Council Tax Support fraud and corporate fraud, as well as exploring the possibility of undertaking such work for external bodies.
- 1.3 Internal Audit will continue to co-ordinate the data matching exercises run by the National Fraud Initiative
- 1.4 Future fraud reports to the Committee will cover the last two areas of work.

2. Background

- 2.1 The administration of the national Housing Benefits Scheme by the Council is the biggest single service provided by the Council. Housing Benefit amounting to £40,857,100 (2013/14) and £40,609,826 (2014/2015) was paid claimants on low incomes to enable them to pay their rent. The number of people claiming as at the end of the financial year 2014/15 was 13,328, with an estimated Housing Benefit cost of £40,981,823 for 2015/2016.
- 2.2 Council Tax Support amounts to £10,797,946 (2013/14) and £9,514,857 (2014/15) and is currently £9,356,840 for this year.
- 2.3 Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud. Specified datasets are submitted to the NFI by Internal Audit at particular times via a secure web link. These are then cross matched to the same datasets, in the same format, submitted by other public bodies. Any matches are then returned to the relevant bodies for investigation. The last data submission took place in 2014 and the results were released in January 2015, with returned matches involving datasets on Payroll, Trade Creditor payments history, Trade Creditors standing data and Insurance claims.
- 2.4 The NFI also matches various datasets to Housing Benefit Claims. These results were investigated by the Benefits Investigation Unit and are included in the results reported below. Matches outstanding at 1st April 2015 remained with the Council to carry out preliminary checks and any that require further investigations are referred to the DWP.

3. Work undertaken by the Benefits Investigations Unit in the year 2014/2015

- 3.1 Every year, the Benefit Investigations Unit received fraud referrals from a number of sources. Each case was risk assessed for investigation. Some referrals were passed to the Department for Work and Pensions (DWP) as they involved Social security benefits. Referrals not investigated were logged within the Investigations Unit. Cases were investigated by the 3 Fraud Investigations Officers in the Unit.

The table below details the number of referrals and investigations.

Referrals/ Investigations	2014/15	2013/14
Referrals received	681	729
Referrals not investigated	96	213
Passed to DWP	145	102
Referrals investigated	440	414

- 3.4 Of the 440 cases that were formally investigated, 19 cases resulted in fraud being proven where formal action was taken, as the evidence gained was

considered 'beyond all reasonable doubt'. Details of the action taken are described below.

6 cases were taken forward for prosecution and the following sentences were given:-

- 12 months Conditional Discharge, £100 costs and £15 victims surcharge
- 12 months Conditional Discharge, £300 costs and £15 victims surcharge
- 6 months prison sentence suspended for 12 months, a 6 month curfew order for 9pm to 6am and £250 costs to be paid within 3 months
- 12 weeks prison sentence suspended for 2 years, attendance of a Women's Emotional Well-being Specified Activity programme and £80 victims surcharge
- 18 months prison sentence suspended for 2 years and attendance of a Women's Emotional Well-being Specified Activity programme for 7 days
- 3 years Conditional Discharge, £85 costs and £15 victims surcharge

Prosecution cases were reported within the press.

7 cases were offered, and accepted, an Administrative Penalty. An Administrative Penalty is an alternative to prosecution at 30% of the total overpayment, which is added to the overpayment to be recovered.

Cases where an offence of benefit fraud has been committed wholly, or an attempt is made, but the fraud is discovered and stopped before any overpayment of benefit is made, the Council will offer a minimum penalty of £350 or 50% of the overpayment, whichever is greater (up to a maximum penalty of £2,000), as per the Welfare Reform Act 2012.

In cases of Council Tax Support from 1 April 2013, the Council will offer a minimum penalty of £100 or 50% of the overpayment, whichever is greater (up to a maximum penalty of £1,000) as per the Council Tax Reduction Schemes (Detection of Fraud & enforcement) (England) Regulations 2013.

6 other cases were offered, and accepted, a Simple Caution. The purpose of a Simple Caution is to deal quickly and simply with less serious offenders, to save unnecessary appearance in a criminal court and to reduce the chances of re-offending. A Simple Caution is a serious matter, which should be recorded and used in the future if a person should offend again. It may be cited in any subsequent court proceedings.

The table below summarises the action taken.

Formal Sanctions	2014/15	2013/14
Prosecution	6	13
Administrative Penalty	7	10
Simple Caution	6	9
Total Sanctions	19	32

The table below shows the 19 cases investigated by the type of fraud. Their sources of referral are shown in **Appendix A**.

Fraud Type	2014/15	2013/14
Working & claiming benefit	10	27
Undeclared capital	1	4
Living together	5	34
Student loan	2	5
Non residency	0	3
Contrived tenancy	0	8
Undeclared private pension	0	14
Undeclared income	1	14
Undeclared non-dependent	0	1

- 3.5 Of the 440 cases investigated, 143 cases resulted in a 'positive outcome/saving'. This records the number of benefit claims corrected, following the Investigation's Unit intervention where Housing and Council Tax Benefit/Support cases have either been stopped, or corrected and identified an overpayment that is not fraudulent.

The table below details the 143 cases investigated by the type of fraud. Their sources of referral are shown at **Appendix B**.

Fraud Type	2014/15	2013/14
Non residency	20	27
Student Loan	1	4
Working & claiming benefit	73	34
Undeclared income	1	5
Contrived tenancy	2	3
Undeclared capital	12	8
Living together	13	14
Undeclared private pension	4	14
Undeclared Industrial injuries Benefit	2	4
Undeclared non dependant	4	10
Undeclared Invalid Care Allowance	2	4
Undeclared Incapacity Benefit	0	0
Council Tax SPD	8	5
Counterfeit/ forgery	1	0

4. Financial implications

- 4.1 In the past, the work of the Investigations Unit was directly funded by the government with rewards for achievements of targets. Costs towards fraud prevention and detection are now all included within the Administration Subsidy that the Council receives to administer the Housing Benefit Scheme.

- 4.2 The Investigations Unit though did still generate income up to 31st March 2015, in addition to the government funding through the costs awarded against proven cases and the repayment of overpayments of benefit.

The table below details the overpayments identified for recovery.

Designated Overpayment	2014/15	2013/14
Fraud	£98,283.81	£130,091.09
Claimant	£235,606.65	£166,900.45
Local authority error	£2,980.19	£3,390.08
Admin Delay	£19.76	£1,052.24
Council Tax Support forward payment saved	£9,401.10	£3,032.56
Total	£346,291.51	£304,466.42

- 4.3 In many cases the individuals are low levels of income but the Council will make arrangements for repayment of benefits to be made over a period of time. This does not mean that the level of overpayments recovered in a period is not high. The percentage of monies recovered from the overall amount outstanding of overpayments in 2014/15 is 23% (22.9% in 2013/14).

5. Work completed on NFI matches

- 5.1 The data for the 2014/15 NFI exercise was submitted in October 2015 and the resulting matches were received by the Council in January 2015. Work commenced on checking the results of the Benefits matches first to try and clear as many as possible before the transfer of two of the Investigating staff to the DWP. It is anticipated that in future exercises, the Benefit matches will be sent direct to the DWP.
- 5.2 The reports are graded according to the quality of the matches achieved, and within the report some matches are highlighted as being 'Recommended'. The approach advised by the NFI is to look at the 'Recommended' matches in the High and Medium quality reports first, and then work on the remaining matches starting again with the High quality reports. This approach has been adopted by the Investigating Officer. The reports received from the NFI as part of the 2014/15 exercise have been summarised in the table shown in **Appendix C**, together with the progress made against each report.

APPENDIX A**REFERRALS – ‘BEYOND REASONABLE DOUBT’**

Source of Referral	2014/15	2013/14
Housing Benefit Data Matching Service	8	4
DWP	6	10
Hotline	0	1
Other Council	0	1
Housing Benefits Section	1	0
National Fraud Initiative	2	7
Overpayment Section	0	2
Investigations Unit	0	0
Recovery Section	0	0
CIC	0	2
Anonymous Letter	0	1
Press	0	1
Other LA Section	1	1
Online Referral	0	1
Housing Association	1	1
CTAX Section	0	1

APPENDIX B**REFERRALS – POSITIVE OUTCOME/SAVING**

Source of Referral	2014/15	2013/14
Housing Benefit Matching Service	71	48
DWP	6	14
Housing Association	3	3
Benefits Visiting Section	0	1
Hotline	8	8
Housing Benefits Section	15	8
Returned mail	12	17
National Fraud Initiative	6	10
BEU	5	3
Anonymous letter	2	1
CIC	6	2
CTAX Section	7	14
Online Referral	1	1
Other LA Section	0	0
Press	0	0
Other Council	1	0

NFI 2014/15 Exercise Data Matches
Summary of Progress

(Shaded grey = Closed)

Dataset	NFI Matches report	No. matches	Comment
Payroll	66.0 : Payroll to Payroll, between bodies	2	Both investigated and no issues arising. File closed.
Payroll	80 - Payroll to Creditors same bank account	26	4 recommended matches being investigated.
Payroll	81 - Payroll to Creditors address quality	14	No work commenced.
Insurance	180.6 - Insurance Claimants to Insurance Claimants	7	No work commenced.
Creditors Standing Data	701. - Duplicate creditors by creditor name	222	No work commenced.
Creditors Standing Data	702 – Duplicate creditors by address detail	176	No work commenced.
Creditors Standing Data	703 – Duplicate creditors by bank account number	41	No work commenced.
Creditors History	707.0 : Duplicate records by invoice reference, invoice amount and creditor reference	86	15 recommended matches have been investigated and closed. No issues arising.
Creditors History	708.0 : Duplicate records by invoice amount and creditor reference	339	58 recommended matches have been investigated and closed. No issues arising.
Creditors History	709.0 : VAT overpaid	4	No work commenced.
Creditors History	710.0 : Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	1	No work commenced.
Creditors History	711.0 : Duplicate records by supplier invoice number and invoice amount but different creditor reference and name	24	5 recommended matches have been investigated and closed. No issues arising.
Creditors History	713.0 : Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date	7	No work commenced.
Benefits	Results included in the body of the report.		
Market Traders	NO MATCHES RETURNED		
Taxi Drivers	NO MATCHES RETURNED		
Alcohol Licences	NO MATCHES RETURNED		