

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 29 September 2016
Report for: Information
Report of: Counter Fraud & Enforcement Manager

Report Title

Fraud Investigation Service (FIS) & Counter Fraud & Enforcement Team (CFT) : 2015/16 Annual Report

Summary

<p>The report:</p> <ul style="list-style-type: none">• outlines the Councils' fraud prevention and detection performance and activities in 2015/16 and• outlines the teams' plans for 2016/17.

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

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Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 During 2015/16 the Council operated two separate fraud teams. One team was working as the Fraud Investigation team, whose primary remit was to investigate benefit fraud. All staff employed within that team transferred to the DWP on 1 March 2016 to join the national Single Fraud Investigation Service. The local authority powers to investigate and prosecute national benefits transferred at the same time.
- 1.3 Within the Fraud Investigation team was the Financial Investigation Unit (FIU), which conducted Financial Investigations in accordance with Proceeds of Crime Act legislation with the aim of providing a real deterrent by removing the financial incentive from fraud.
- 1.4 The second team, the Counter Fraud and Enforcement Team was created from 1 April 2015 to ensure the Council retained a residual fraud team with the relevant expertise following the transfer of the Fraud Investigation team. Their main remit in 2015/16 was to investigate Revenues related matters such as Council Tax discounts and Non Domestic rates liability avoidance.

2.0 Fraud Investigation Team

- 2.1 The objective of the fraud investigation service was to prevent, deter, investigate and detect fraud in order to significantly reduce benefit fraud in Trafford.
- 2.2 Acting on referrals received from numerous sources the team – based at Stretford Police station - conducted investigations identifying where offences have taken place that have resulted in benefit being claimed incorrectly and enabling the Council to recover such overpaid monies. Appropriate action was taken against those parties that deliberately defrauded the Council in this way.
- 2.3 The Financial Investigation officers working within this unit were tasked with conducting in-depth financial investigations into claimants who had already been identified as committing benefit fraud with a view to uncovering the fraudster's assets and identifying the extent to which they benefited financially from their criminal activity.
- 2.4 At the end of the investigation, an order could be obtained from the courts to require the criminal to repay any such assets back to the Treasury, a proportion of which is passed on to the prosecuting authorities.
- 2.5 Performance targets were set in both areas of work. The Fraud Investigation team had two main performance indicators which related to the number of sanctions or prosecutions achieved and the overall level of overpayments that

these cases attracted. Table 1 shows performance in these two areas in relation to the targets set, table 2 breaks down the type of sanction applied:

Table 1- Performance Indicators 2015/16

Performance Measure	2015/16 Target	2015/16.Actual Performance
No. of Sanctions/Prosecutions achieved	80	116
Level of benefit fraud overpayments identified	£735k	£1.17k

Table 2 - Types of Sanctions 2015/16

	2015-2016
Total Local Authority Cautions accepted	27
Total Administrative Penalties accepted	23
Total Prosecutions achieved	66
Total Number of Sanctions	116

Detailed below are some of the high value cases that were identified:

Case Study 1

The highest Housing Benefit overpayment identified resulted in a total overpayment (including DWP benefits) of c£47k being created. This case, which came to light as a result of a data matching exercise, identified that a tenant had been declaring that he was renting a room from his landlady for 7 years when in fact they were actually a couple. When interviewed, the claimant claimed that they were just friends, despite a large amount of evidence being uncovered to the contrary following a search of their house with the assistance of GMP officers, including holiday snaps and various greetings cards which clearly showed the true extent of their relationship. The defendant pleaded guilty before a trial could be set. He was given an 8 month custodial sentence suspended for 12 months and given a 5 month curfew order. His declared landlady, who at the time of the investigation was a Trafford Council employee was also dismissed from her employment

Case Study 2

Another significant overpayment was identified in the case of a male who had been claiming Council Tax benefit, Council tax Support and a variety of DWP administered benefits on the basis that he was unfit to work, when it transpired he had actually been running a number of businesses, resulting in a combined overpayment of c£62k. The case had originally been referred by GMP officers who had discovered a cannabis farm at his premises. The defendant claimed to have been letting the premises out but was nevertheless charged with cannabis production offences. The subsequent combined prosecution resulted in him being given a 2 year custodial sentence

- 2.6 The financial investigation unit's focus was on income/costs awarded to the Council, the table below shows their performance:

Table 3- Financial Investigation Unit Income

2015/16	Amount
No. of Confiscation orders Obtained	5
No of Compensation Orders Obtained	2
Total Value of Orders	£151,800
Amount Due from Orders to TBC	£7000
Costs Awarded to TBC	£11000
Total Income Generated	£18000

3.0 Counter Fraud and Enforcement Team

- 3.1 The objective of the Counter Fraud & Enforcement team - based within Exchequer Services located at Sale Waterside – was to focus on non-benefit related work. It also reinforced the Council's zero tolerance to fraud.
- 3.2 In addition to effectively investigating allegations of fraud, the teams remit is also to provide an effective service to support and enhance the enforcement of money already owed to the Council as well as reduce Council expenditure and/or generate income within Exchequer Services.
- 3.3 To achieve these goals, the team initially focused on Council Tax Discounts. In late 2014 the authority had engaged a 3rd party company to conduct a review of the authorities Single Person Discounts (SPDs) by way of credit data matching cases where the Council Tax Payer was incorrectly receiving a discount.

- 3.4 Initially the data that was supplied related only to those accounts where Council Tax Support had not also been awarded. This exercise resulted in just over 1000 discounts being removed. Of these, just over 200 had the SPD removal backdated to an earlier period as the evidence supported it should have ceased from an earlier date creating a total additional Council Tax liability of £128,000.
- 3.5 The exercise was repeated later in 2015, this time focusing on accounts where Council Tax Support was included in the account. creating additional liability of over £20k .
- 3.6 In addition to the main areas of work undertaken as shown above, there was also some work undertaken in relation to Adult Social Care financial assessments. This resulted in the Council securing its first criminal conviction for these type of offences, see case study 3 below:

Case Study 3

A data matching exercise highlighted the case of a lady who was receiving Direct Payments intended for providing care for her father who had in fact died over 12 months earlier. This resulted in an overpayment of c£9k When interviewed, the defendant admitted the offence, and was subsequently prosecuted by the authority. She received a 12 month community order with a requirement to undertake 100 hours unpaid work. The overpaid monies are currently being repaid by monthly instalments.

Table 5 below shows the amount of income generated by the team during the 2015/16 financial year:

Table 5 – Counter Fraud & Enforcement Team

	Amount (£)
Council Tax Discount Cancellations	140K
Council Tax Support/ Council Tax Benefit Overpayments	62K
Adult Social Care Enforcement	21K
Total	223K

4.0 Partnership Working

- 4.1 Over the last 12 months the team has continued to build on the closer working partnership between various departments within Trafford Council (e.g. Fraud Investigations, Trading Standards, Licensing, Environmental Health, Community Safety) and Greater Manchester Police (GMP) together with support from external agencies such as the DWP, HMRC, Probation Service & Immigration Services set up under the name Operation Bank.
- 4.2 During the last 12 months the team completed one of the most high profile cases to come out of the partnership by helping to secure the conviction of a major drug dealer who had managed to purchase an £800k house in the borough despite not having had any legitimate income for a number of years. Whilst the benefit fraud overpayment of over £44k was relatively small in comparison to the seriousness of the other criminality, which also included mortgage fraud, the joint investigation enabled the full picture of the defendant's activities to be uncovered. This resulted in the defendant now serving a 16 year jail sentence, and having lost his property.

5.0 Planned activity for 2016/17

- 5.1 Over the next 12 months it is anticipated that the Counter Fraud and Enforcement Team will continue to develop into other areas of investigation. The main priorities for the unit will be to:
- **Work closely with Internal Audit and Exchequer Services to use our joint expertise to help combat other types of fraud being perpetrated against the Authority, in particular in relation to Non Domestic Rates & Adult Social Care**
 - **Review existing Anti-Fraud policies to ensure that an anti fraud, security aware culture is developed and promoted within the borough.**
 - **Continue pro-active & reactive working in relation to investigating irregularities affecting Council Tax liability**
 - **Continue to develop the work of the multi-agency partnership project aimed at tackling serious organised crime in the borough.**