



# Protecting the English Public Purse 2016

 **TEICCAF** | The European Institute  
for Combatting  
Corruption And Fraud

## Foreword

### David Magor OBE, IRRV (Hons)

Chief Executive - Institute of Revenues Rating and Valuation



*The pressure on public finances continues to grow. The dual effect of ever increasing demand and the never ending need to save money means that every penny spent on local services must achieve both best and added value. The challenge of ensuring all services are delivered effectively and efficiently is the ultimate aim for all tiers of sub national government.*

*A critical element of the continuous battle to spend all revenues to gain maximum service quality and delivery is the fight against fraud and corruption. Those who choose to try and cheat the system must be stopped. All public and private sector bodies must put in place sufficient checks and balances to ensure the fraudster is both prevented from defeating the system and if they are successful they are brought to account.*

***“A critical element of the continuous battle to spend all revenues to gain maximum service quality and delivery is the fight against fraud and corruption.”***

*Over the last five years the range of services that are vulnerable to fraud and corruption has grown. Not a day passes without hearing of the latest attempt to defeat the system. The fraudster and thief are becoming more sophisticated in their approach. In the last two years the growth of tax avoidance has become alarming. Historically this has been a problem for Her Majesty’s Revenue and Customs, however we are now seeing a massive growth in avoidance of both non-domestic rates and council tax. The former can now be measured in figures that are now counted in billions. This new activity can be added to the difficulties experienced by those trying to administer social housing and benefits. There are of course many other areas of activity that are vulnerable to attack and these risks are increasing as the public sector becomes more susceptible to cyber exploitation.*

*In order to create the infrastructure to meet these weaknesses, local government in particular must recognise the need to make resources available to ensure there is an adequate response. The initial action must be to create a financial framework that will provide the funds to acquire the right calibre and quality of resources, both human and physical, to both investigate inappropriate actions and to put in place preventive measures to protect services. This funding should be built around clear recurring budget commitments rather than contingency based arrangement, even though any investment in fighting fraud and corruption is very easy to cost justify.*

*The need to provide adequate funding is highlighted by the content of this excellent report. Only with publications of this type can we highlight the need to maintain the importance of the resources that protect much valued services. The introduction of the Single Fraud Investigation Service in the Department for Work and Pensions did initially create confusion in local government concerning the need to develop corporate fraud and corruption services. However, this problem has dissipated and we are now seeing a significant growth in new and expanded teams.*

*The success highlighted in the subsequent pages of this report is also becoming more dependent on the effective use of “big data”. The use of multiple data sources and sophisticated matching software has added to the intensity of the fight against fraud. We have also seen the growth of “hubs”, which have given a new dimension to the sharing of information and resources. A pleasing aspect of this is the partnerships between the public and private sector that have evolved. These developments have been encouraged by funding vehicles that have been provided by Central Government. In particular, the Cabinet Office have led and encouraged numerous projects which have not only achieved significant savings, but have heightened the awareness of the need to place the fight against fraud and corruption at the top of the public and private sector operational agendas.*

**David Magor OBE, IRRV (Hons)**

## Introduction

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Welcome to the second Protecting the English Public Purse (PEPP 2016) report by The European Institute for Combatting Corruption and Fraud (TEICCAF).

Thank you for taking part in this year's Protecting the English Public Purse (PEPP) 2016 survey, the response has once again been incredible. We have made a number of changes to the look and feel of the report, including the questions asked and how the data was collected. We explored other areas that may not have been considered previously.

With this in mind, and the number of Local Authorities we have visited, the report has a "different" feel. This has been a new experience and learning curve for both yourselves and all at TEICCAF. The report aims to showcase Local Authority achievements, witnessing amazing innovation from a large number of councils.

TEICCAF aims to assist our public sector members to decide the best way forward to tackle fraud. We must 'Know Our Customers' to deliver services that are fit for purpose, providing 'Value for Money'. Meeting members at the "coal face" is most effective, be this as an individual, corporate team, hub or collective - at events and workshops.

**TEICCAF aims to assist our public sector members to decide the best way forward to tackle fraud.**

The effect of the Single Fraud Investigation Services (SFIS) has been dramatic. The closure of some Local Authority Investigation services, along with the loss of highly experienced Investigators, has left some areas of the country without ANY corporate investigative resources. These Local Authorities are now vulnerable and at risk in relation to financial irregularities and fraud.

With the backing of Chief Financial Officers and Members, Corporate Teams are being implemented around the country, establishing potential growth within their own rights. Risk is being drilled down, financial irregularities mitigated. We have seen numerous business modules, shared service, joint working and lone investigators expanding into different areas. The highlight has seen authorities generate a significant revenue stream, producing real cashable returns on investment. The increased revenue and savings have allowed Local Authorities to consider commercialisation, which does not just confine them to the Fraud Arena.



## New for this year!

In order to enhance this year's TEICCAF report and to provide a deeper depth to each category type, we have been fortunate enough to receive assistance from a number of experts. We would like to thank them for their participation and for sharing their knowledge, expertise and experience, which has been invaluable.

### **Our National report is designed to provide a snapshot of how Local Authorities are looking into Fraud, Risk and Financial irregularity.**

Our main Sponsors, and the country's leading solution providers have once again kindly made this report possible. Private companies, such as Intec for Business, have a direct link in assisting Local Authorities and how they wish to operate. Authorities are investing in new technology and services, with the "invest to save" mentality significantly improving performance and results.

The report contains Case Studies from a number of Local Authorities which showcase their investigative skills, sharing their immense efforts and hard work in tackling all types of fraud. Without the sheer will and determination from Counter Fraud Specialists our reports would not be possible.

Finally we have celebrated what matters when compiling, gathering, disseminating and producing a report such as this...YOU.

*So, thank you once again...*

## Summary

- ★ *PEPP 2016 has been developed by **YOU for YOU** based on your feedback and recommendations!*
- ★ *PEPP 2016 reports on national, regional and local fraud detection by English Local Authorities...*
- ★ ***For the first time** our report provides statistics for Housing Associations and the current general register (waiting lists).*

## Investigation Categories by Value

### Housing Benefit

***60% of Local Authorities still investigate Housing Benefit. The estimated value of these investigations is £52m.***

Approximately 13,000 cases were carried out with 80% of these in the North of England region.

### Social Housing

***69% of all Local Authorities investigate Social Housing Fraud at an estimated value of £50m.***

Approximately 2,700 investigations were carried out nationally. It is estimated that 34% of all Local Authorities joint work with registered providers of social housing.

### Right to Buy

***The amount of Right to Buy detected fraud is higher than ever and has now become a category in its own right. The estimated value being just over £46m***

The number of investigations have increased by over 400%. We have identified that approximately 57% of Local Authorities DO NOT use recommended discounts as a saving indicator, choosing to use more accurate values based on the discount they offer.

## Council Tax

*Council Tax investigations became one of the main growth areas with an estimated value of £31.4m, an increase of over 68%*

This is an increase in the number of investigations by around 65%. However, 31% of councils report NO Council Tax investigations.

# TEICCAF 2015/16

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## Our Achievements so far

- ★ We produced our first PEPP and PLPP reports.
- ★ We collated, assessed, disseminated, published and provided good practice guidelines in tackling financial irregularity with the first TEICCAF PEPP and PLPP fraud reports (2015).
- ★ Provided all who took part in the Protecting the English Public Purse 2015 survey with an individual fraud briefing.
- ★ We visited over 60% of Local Authorities around the country. Providing our Individual reports, assisting in team building, attending Leadership team meetings and assisting corporate teams.
- ★ Have attended Audit Committees on behalf of Local Authorities, enabling us to highlight and promote the innovative good practice that councils are developing.
- ★ Hosted Councillor and Chief Financial Officer awareness sessions as well as attending Councillor meetings.
- ★ Hosted our first TEICCAF Fraud Summit
- ★ We assisted in the creation of the National Data Hub group, which we now host and chair.
- ★ Asked to assist in creating a Data Analyst Working Group, which we now host and chair.
- ★ Have created, organised and facilitated successful workshops for our members. These have included;
  - Business Rates
  - Direct Payment and Social Fraud
  - Tenancy Fraud
  - Blue Badge
  - Right to Buy and VRTB
- ★ Provided our first ACFS training – giving affordable rates to our members.

- ★ TEICCAF are heavily involved in a number of Regional Groups and Audit Partnerships, attending meetings where requested.
- ★ Provided Consultancy to a number of external bodies.
- ★ Work closely with the Cabinet Office, NAFN.
- ★ Hosted our first Annual Conference.
- ★ Worked in Partnership with the IRRV and LAIOG.
- ★ Announced the merger between TEICCAF and LAIOG this year.
- ★ Spoken at various events over the year, including Fraud and Error 2015 and the IRRV Annual Conference.
- ★ Began dialogue with other Public Sector bodies to encourage further growth.
- ★ Attended meetings with the Cabinet Office, LAG and DCLG on your behalf.
- ★ Delighted to announce our sponsors include training providers, IT solution providers and Solicitors with more on the way.

## For 2017 TEICCAF will continue to:

- ★ Collate, assess and disseminate good practice further.
- ★ Work in partnership with councils across England to develop PPP style reports.
- ★ Work in partnership with national regulators and other key stakeholders to develop PPP reports for Scotland, Wales and Northern Ireland.
- ★ Work with metropolitan districts and unitary authorities to increase their participation rate in our annual detected fraud and corruption survey.
- ★ Work in partnership with councils to promote the importance of counter fraud activities in those regions where more can be done to strengthen fraud detection.
- ★ Develop guidance and provide support to tackle fraud and corruption, drawing upon the knowledge of national experts.
- ★ Work with partner organisations to develop new fraud prevention and deterrence tools.
- ★ Work with key stakeholders to develop a methodology to assess the financial impact of fraud prevention activities; and
- ★ Publish information and guidance to raise public awareness and understanding of good practice in tackling fraud.

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## The National Picture

*“Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors and members of the public. Fraud covers a wide spectrum of activities and can affect all departments.*

*Preventing and Detecting Fraud are key to minimising loss and ensuring that Public Funds are spent in the way that Tax Payers would expect. With ongoing pressure to cut costs, reducing loss of Public Funds through Fraud is an opportunity to make potentially significant savings.”*

**Fraud Landscape Review**  
Feb 2016 (National Audit Office)

*“Local and Regional Government expenditure in 2013/14 was £160 billion (HM Treasury, 2014). Total estimated fraud losses amounted to £7.3 billion.”*

**Annual Fraud Indicator 2016**  
(University of Portsmouth)

## Completing National Surveys

Local Authorities (LAs) stated that the timing of our survey was crucial. Members informed us that Fraud Surveys are time consuming and require cross departmental data gathering. This causes time delays on submission, having a knock on effect on other work commitments.

TEICCAF are liaising with main software providers to automate the process of data collection. This we hope will ease the collation and submissions of the TEICCAF survey in the future.

\* The local authority breakdown in England is as follows;

★ Metropolitan Borough & Unitary Councils	91
★ London Borough Councils	32
★ County Councils	27
★ District Councils	201
<b>Total</b>	<b>351</b>

\*Figures from Gov.uk – January 2016

Figures provided from last year’s PEPP indicated that over 40% of Authorities do not have a Fraud/Investigative presence.

*“Nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non-benefit fraud. However, this is not consistent across all regions. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team.”*

Protecting the English Public Purse 2015 (TEICCAF)

## 2015/16 Survey response rate –

★ Midlands	- 29% of returns
★ North	- 17% of returns
★ South & London	- 54% of returns

*For the first time London were not the main participants in the PEPP report. In previous years, unrealistic figures, (which weighed heavily on the Capital), seemed unworkable for others. This provided the rest of the UK an unrealistic target to compare themselves to.*

This year figures will provide a “more accurate reflection” as to how financial regularity, fraud and risk are being managed outside London.

## Total Value of Fraud Types 2015/16 (The total values by fraud type\*\*)

Fraud Type	No. of Cases Investigated			Value of investigation		
	2014/15	2015/16	% Var	2014/15	2015/16	% Var
Housing Benefit	27,300	13,830	-49.34	£ 109,707,000.00	£ 52,500,000.00	-52.15
Tenancy	2,993	2,787	-6.89	£ 53,874,000.00	£ 50,200,000.00	-7.32
Right to Buy	411	2,253	448.26	£ 30,200,000.00	£ 46,400,000.00	34.91
Council Tax	48,000	79,283	65.17	£ 18,600,000.00	£ 31,400,000.00	68.82
Business Rates	171	233	36.45	£ 1,100,000.00	£ 2,700,000.00	145.45
Procurement	86	167	93.80	£ 2,300,000.00	£ 3,850,000.00	67.39
Insurance	473	787	66.31	£ 9,200,000.00	£ 7,500,000.00	-18.48
NRPF	444	183	-58.71	£ 7,100,000.00	£ 5,700,000.00	-19.72
Other		2,407			£ 11,800,000.00	
Councillor/Employee		367			£ 330,000.00	

\*\* Variable figures used and RTB and Tenancy split in this table.

\*\* Fraud stats are calculated based on the 60% sample we achieved.

\*\* RTB is calculated on the figure provided by the LA, NOT the Notional Figure.

## Investigation Officers

The National average of investigators per local authority is 2.2. This is a reduction of 50% on figures collated prior to the introduction of Single Fraud Investigation Service.

### Average number of Investigation Officers – By LA Type

- ★ District and Borough Councils = 1.3
- ★ Metropolitan Borough Councils & Unitary LA's = 3.1
- ★ London Borough Councils = 5.7
- ★ County Councils = 1.9

London has the most concentrated number of officers per Local Authority, having double the National Average, the District and Counties have around 40% less than the National Average. **For the second year running Investigation Officers within District Councils dropped by nearly 50%.**

### Average number of Investigation Officers - Regionally

- ★ East Midlands & West Midlands = 2.1
- ★ London = 5.7
- ★ North West & North East = 1.2
- ★ South West & South East = 2.0

## Types of Fraud (by Value)

1. Housing Benefit
2. Tenancy & Social Housing
3. Right to Buy
4. Council Tax Discount Exemption

## Housing Benefits

### Foreword - David Magor OBE, IRRV (Hons)

#### Chief Executive -Institute of Revenues Rating and Valuation

David Magor OBE, IRRV (Hons) Chief Executive of the Institute of Revenues, Rating and Valuation, formerly Director of Housing and Revenues at Oxford City Council, David is a past President of the IRRV and became its CEO in 2001. His knowledge of the theory and practice of Housing, Revenues and Benefits is held in high regard, and he has been a frequent advisor to Government departments such as the Department for Work and Pensions, Department for Communities and Local Government, and the Ministry of Justice. He is also a member of the OECD training group, and has been an advisor to the Northern Ireland Assembly and the Local Government Association. Amongst his many public and media appearances, he has been a speaker on BBC Radio's Money Box and a guest on the Radio 4 Reunion programme.

*The fiduciary duty placed upon the Chief Financial Officer by Section 151 cannot be subordinated, and whilst local government has a statutory duty to administer housing benefit, there is no possibility of avoiding this important responsibility. The financial consequences of any withdrawal of any resources could be catastrophic. The need to maintain an effective service both in terms of administration and investigation is best highlighted by the financial penalties associated with administrative failure. Too many local authorities are losing significant sums through subsidy loss arising from qualified returns."*

David Magor OBE, IRRV (Hons)

Despite the introduction of SFIS and the continuing roll out during 2015/2016, our survey indicated that over 60% of local authorities still investigated housing benefit fraud.

*Our members explained that time delays, with DWP prosecutions services, made Local Authorities reluctant to hand over high value Housing Benefit prosecutions (where there is another Corporate Fraud attached), thus providing the high percentage and value of Housing Benefit cases.*

#### Council Type;

- ★ District and Borough Councils 68%
- ★ Metropolitan Borough Councils & Unitary LA's 63%
- ★ London Borough Councils 56%
- ★ County Councils 10%

These figures fall in line with the national average.

#### Regional Area;

- ★ East Midlands & West Midlands 50%
- ★ London 56%
- ★ North West & North East 79%
- ★ South West & South East 59%

Over 13,800 cases of Housing Benefit investigations were carried out last year. A decrease of 50% on previous years. We would assume that this is a direct effect of the roll out of SFIS and the release of a number of officers.

We have calculated the average value per investigation by council type and region as follows:

#### The average value of a housing benefit investigation by Council Type

Council Type	Average Value
District & Borough Councils	£2,864.93
Metropolitan Borough & Unitary Councils	£4,078.58
London Boroughs	£7,417.06
County Councils	£7,080.00

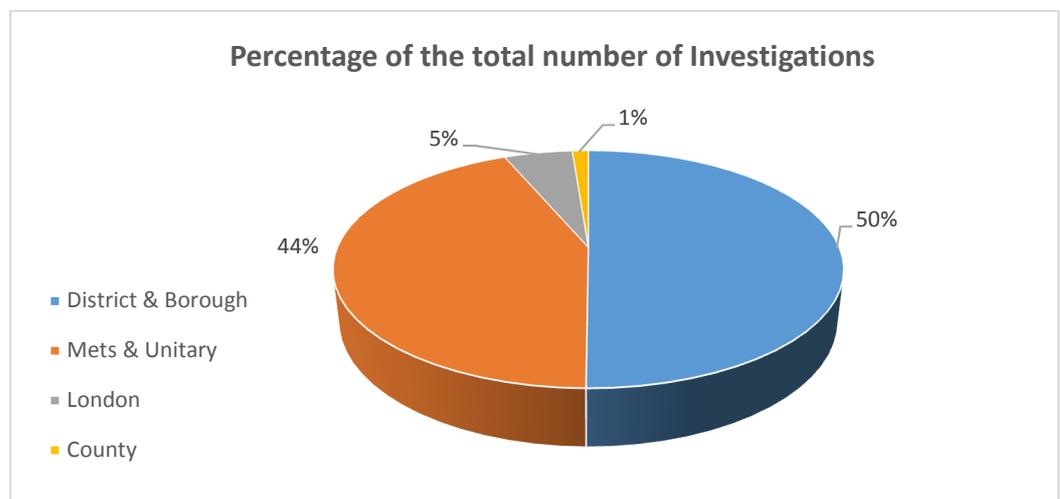
The average value of a housing benefit investigation by region

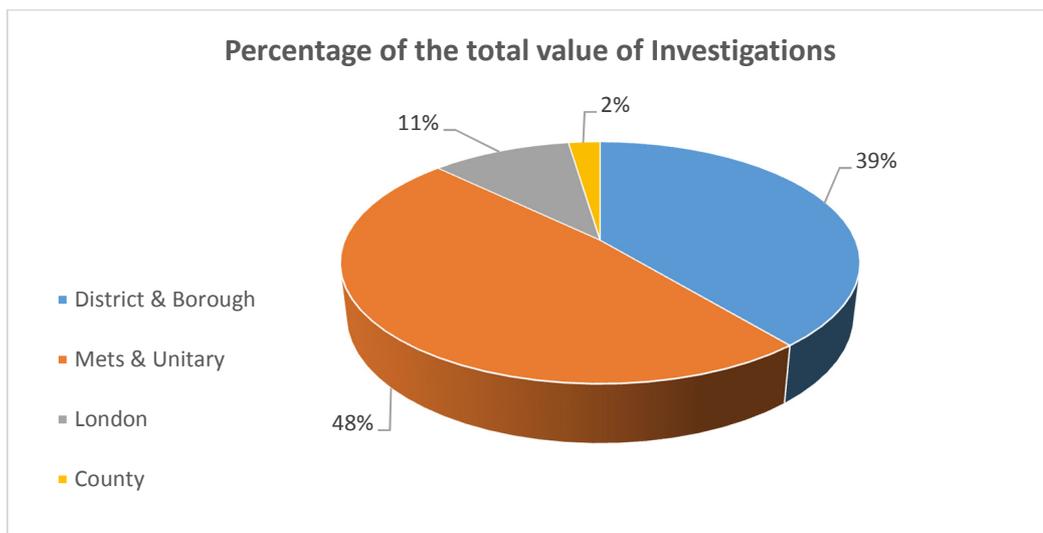
Region	Average Value
East Midlands & West Midlands	£2,806.87
London	£7,417.06
North West & North East	£2,975.97
South West & South East	£4,142.13

**Approximately 80% of Local Authorities within the North of England still look at Housing Benefit Fraud.** Housing Benefit continues to be the main Investigation type in wide areas of the country.

A number of LAs have kept historical Housing Benefit cases or have Corporate Investigations that also included a Housing Benefits element.

London recorded 56% of investigations undertaken had an element of Housing Benefits. An estimated 48% of all revenue from HB fraud investigations came from the Metropolitan Boroughs and Unitary LAs





## Case Study (1) – Lambeth V Adeyemi



### (Housing Benefit and Proceeds of Crime Act (POCA))

#### Huge PoCA Award for Lambeth

Lambeth Counter Fraud Team started an investigation in March 2013 when an appeals officer from Lambeth Benefits Service noted concerns about the benefit payments a claimant was receiving and referred this for investigation. After a lengthy investigation it transpired that the tenant, Ibrinke Adeyemi actually owned the property she was purporting to pay rent for, and that she had provided a fraudulent tenancy agreement in order to facilitate the fraud. It transpired that she had purchased the property from Lambeth under Right to Buy legislation in 2002, but made the claim for rent using a different name than that under which she purchased the property.

To make matters worse, the investigation also uncovered a second property owned by Adeyemi in Croydon that she rented out for £1,100 a month.

Adeyemi protested her innocence throughout, first stating she thought the Council knew she owned the property and later stating that she simply held the property in trust for her children, however the investigation found that she had committed multiple frauds, for example declaring just one bank account in one name when in fact she held 8 further bank accounts in other names.

During a seven year period stretching from 2006 to 2013, Adeyemi received in excess of £96,000 in housing benefit payments to which she was not entitled.

She was initially charged with offences under the Social Security Administration Act 1992 and the Fraud Act convicted 2006 and had pleaded not guilty to all offences. A trial commenced on 26 October 2015, and on the second day of the trial she changed her plea when she pleaded guilty to five of the eleven offences. On 21 December 2015 Adeyemi was sentenced to 30 months in prison.

After a long and protracted Proceeds of Crime Act investigation an award was finally made on 20 October 2016. A confiscation order totalling £475,632.07, which included a compensation payment covering the total benefits overpayment, was ordered to be paid within three months with a default custodial sentence of four years. The Court also awarded Lambeth costs totalling £11,411.00

*Michael O'Reilly*  
Counter Fraud Manager

Cllr Paul McGlone, Lambeth council's deputy leader, said:

*"The council prioritises tackling this kind of offending, and I welcome the court's decision to make such a significant confiscation order and to also award the council's costs in bring this case.*

*"This individual committed multiple offences over an extended period of time. It's a testament to the council's work that we were able to expose her deceit and to eventually secure a guilty plea."*

## Social Housing

Social housing fraud occurs when a home is occupied by someone who is either not legally entitled to be there, or obtained use of the property fraudulently. Social housing fraud deprives legitimate and deserving tenants access to affordable homes and has a direct impact on local people, their families and their communities. Common examples are;

- ★ Application/allocation fraud
- ★ Key-selling fraud
- ★ Subletting fraud
- ★ Succession fraud

The national average of Local Authorities with housing stock is 54% rising to 70% for London. This makes social housing fraud one of the largest areas of investigations.

70% of unitary and metropolitan boroughs have housing stock, decreasing to 52% for district councils.

33% of Local Authorities without housing stock investigate social housing fraud on behalf of their Housing Providers.

**A total of 70% of all authorities investigate social housing fraud.**

2,700 investigations of social housing fraud generated an estimated £50,200,000 worth of savings across the country. In comparison to last year there is a 7% reduction in the number of investigations and a 7% reduction in the value associated to social housing fraud.

### **New for this years report - Properties Recovered.**

The national average of properties recovered per authority is 34. The split between illegal subletting and other social housing fraud\* is 50/50 at 17 properties each.

Average number of properties per authority (by Type):

Authority Type	Subletting Fraud	Other Tenancy Fraud
District & Borough Councils	4	10
Metropolitan Borough & Unitary Councils	24	19
London Boroughs	28	28

Average number of properties per authority (by Region):

Region	Subletting Fraud	Other Tenancy Fraud
East Midlands & West Midlands	34	21
London	28	28
North West & North East	9	25
South West & South East	5	9

\*Other social housing fraud types are: abandonment, succession assignment, Anti-social behaviour and fraudulent application

- ★ The North of England reported 40% less than any other region
- ★ London recorded the highest number of cases (per authority) for “Other Tenancy Frauds”

TEICCAF has explored proactive methods for investigating social housing fraud. The main methods used were;

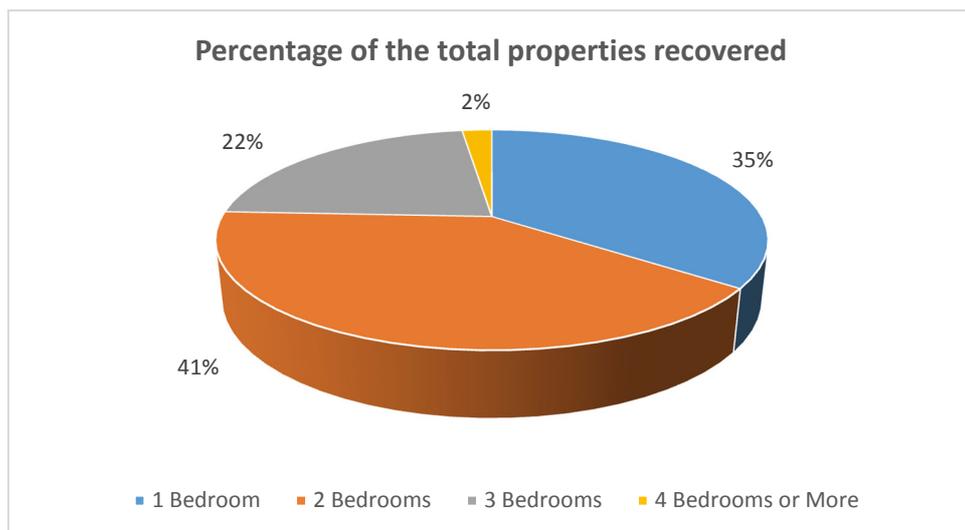
- ★ Offering a Key Amnesty
- ★ Audit/Data checks not using Credit Reference Agency Data
- ★ Audit/Data checks using Credit Reference Agency Data
- ★ Other

The most common types of Social Housing fraud that occurred during 2015/2016 were;

- ★ Subletting
- ★ Succession/assignment
- ★ Abandonment
- ★ Other

Fraud Type	Percentage
1 <sup>st</sup> Abandonment	34%
2 <sup>nd</sup> Subletting	32%
3 <sup>rd</sup> Succession/Assignment	19%
4 <sup>th</sup> Other	15%

Properties recovered

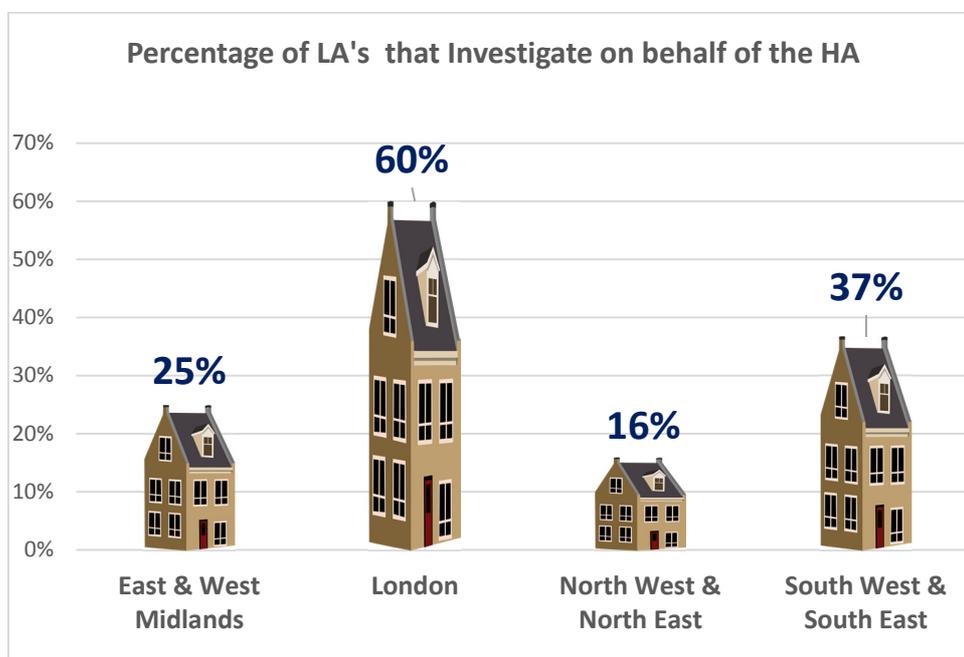


Across most council types 41% of properties recovered were 2 bedroom.

## Working with Housing Associations to detect Social Housing Fraud

Joint working and shared services are becoming a more integral part of the way local authorities work. TEICCAF asked – Do you investigate social housing fraud on behalf of your Social Landlord Providers?

- ★ 34% said yes.
- ★ 50% of the above also have their own stock, (however this increased to 70% for London Boroughs)



Results indicate that the North are below the National average.

London appears to have a closer working relationship with their Social Landlord providers.

Subletting is the main referral type, with an average of 75%

Average number of properties per authority (by Type):

Authority Type	Subletting Fraud	Other Tenancy Fraud
District & Borough Councils	3	3
Metropolitan Borough & Unitary Councils	3	1
London Boroughs	23	1

Average number of properties per authority (by Region):

Region	Subletting Fraud	Other Tenancy Fraud
East Midlands & West Midlands	4	3
London	23	1
North West & North East	0	5
South West & South East	4	3

TEICCAF encourage every Local Authority to create a working relationship with all their registered providers. In assisting your registered providers with fraud awareness training and investigative support we hope that future surveys will see these figures dramatically increase throughout the country.

## Case Study (3) LB Southwark- Operation Bronze



### Tenancy Fraud Investigation

#### Southwark's Operation Bronze ends with prosecution of defendants

All those defendants linked to Trudy Ali-Balogun case including a prosecution under Prevention of Social Housing Fraud Act.

One of Southwark Council's biggest fraud investigations, Operation Bronze, has ended with the successful prosecution of three defendants linked to Trudy Ali-Balogun.

Theresa Okondunjokanma, Florence Allen and Raphael Djeugam were all in receipt of council homes obtained using fraudulent documentation processed by Trudy Ali-Balogun. All three were found guilty of obtaining services by deception (Theft Act 1978) at Woolwich Crown Court. Ms Okondunjokanma was also sentenced to 18 months imprisonment; this included a first for the council, as Ms Okondunjokanma was also sentenced for illegally subletting a secured tenancy (Prevention of Social Housing Fraud Act 2013). The new law was introduced by the government to give local authorities greater powers to tackle housing fraud. The court heard that as part of Ms Okondunjokanma's homeless application, she had provided three false child birth certificates, false bank statements, false child benefit letter and false indefinite leave to remain vignette in her Nigerian passport.

As a result, Ms Okondunjokanma was offered a property in Peckham which was then illegally subletted to her sister and her family. Ms Okondunjokanma was then moved to another Southwark tenancy in Camberwell. The property has since been returned to the council. Florence Allen and Mr Raphael Djeugam were ordered to serve 15 months and two years respectively in prison for their crimes. Ms Allen was offered a tenancy in Bermondsey after producing false child birth certificate, false bank statements, false Nigerian passports with indefinite leave to remain vignettes, false national insurance numbers and false utility bills, to support her homeless application. The property will now be recovered by the council. Mr Djeugam was offered and accepted a tenancy in Peckham using fraudulent documentation. The property will also be recovered by the council.

Mike Pinder

Head of Audit and Risk

Councillor Fiona Colley, Cabinet Member for Finance, Strategy & Performance, said:

*“Housing fraud costs tax payers millions of pounds and deprives those in real need of a council property. Operation Bronze was set up to combat this and ensure that anyone found profiting from council resources was brought to justice. “Today I am pleased to say that we have accomplished much of what we set out to do. The operation has resulted in 38 convictions and has recovered 42 properties which can be reallocated to genuine applicants. Crucially, we’ve now developed a culture of accountability and greater scrutiny of council resources with improved measures for preventing and identifying fraud.” The council will be looking to take action under the proceeds of crime act where possible. Operation Bronze started based on the review of datasets from the Audit Commission’s National Fraud Initiative (NFI) and the Metropolitan Police Operation Amberhill.”*

## Housing Waiting Lists

Housing waiting lists emerged as an area for development in last year’s report. Our survey has shown there are approximately 1,200,000 people on waiting lists in England. The numbers have fallen in recent years due to authorities auditing, mainly with the introduction of the 2011 Localism Act.

Approximately 50% of Local Authorities could not provide information regarding their Audit process or waiting lists.

Average number of families (by Type of Authority):

Authority Type	Avg. No. of Families
District & Borough Councils	1,896
Metropolitan Borough & Unitary Councils	9,256
London Boroughs	13,552
County Councils **	12,270

\*\* Out of all County Councils surveyed, 1 replied with a value for the waiting lists. We have since been advised that this is a shared service working on behalf of various LA’s.

Average number of families (by Region):

Region	Avg. No. of Families
East Midlands & West Midlands	5,044
London	13,552
North West & North East	6,073
South West & South East	3,418

Auditing Methodology;

- ★ Home visit - 35%
- ★ Internal data matching - 33%
- ★ Using Credit Reference Agency - 20%
- ★ Automated Internal Data Matching- 12%

Audit Process;

- ★ 78% of Local Authorities audit their housing waiting lists once a year
- ★ 20% - less than once a year
- ★ 9% - never
- ★ Local Authorities who do not audit their list annually have a 43% higher waiting list than those who carry out regular audits.

*One Local Authority placed a value of £4,000 for a family removed from their general register (housing waiting list). Using this value we could estimate a saving of £6.4 million pounds for those authorities who audit their list more than once every six months.*

When checking other Annual Reports we found the following figure had also been used;

*NFI – Fraud Report (November 2016)*

*“In the previous reporting period one London council removed 1,482 applicants from the social housing waiting list and estimated fraudulent losses prevented at £18 million (£12,000 per case - the estimated financial benefit relates to the reduced temporary accommodation costs). In this reporting period the pilot was expanded and 726 housing waiting list applicants were reported as being removed. However, very few reported an estimate of losses prevented. The overall total prevented was £1 million. This has resulted in a potential under reporting of up to £8 million, when compared to the £12,000 per case applied by the London council in the previous reporting period”*

## Right to Buy

Right to buy fraud happens when tenants apply for a discount to purchase their home:

- ★ Giving false information.
- ★ Unlawfully applying for a discount where the property has been subject to tenancy fraud such as sub-letting
- ★ Having entered into an agreement with a third party to buy the property on the tenants behalf for a cash incentive

Right to Buy (RTB) fraud is one of the largest emerging threats in the country. The number of Right to Buy applications have increased significantly.

The estimated number of investigations in 2015/16 was over 2,253 with an estimated value of £46,400,000.

- ★ A number of authorities recorded that they had successfully prevented/detected Right to Buy cases however they could not give an associated value for these cases.
- ★ Nationally 43% of LAs use the standard value provided.
- ★ 86% of London boroughs use the standard figure provided for them (£103,000 approx.)
- ★ 57% of the country do not use the standard discounts.

A number of Local Authorities do not to use the "maximum discount" generated for outside London (£77,000), due to market values varying from region to region.

Results received have provided more realistic average figures in certain areas of the country.

Average figures used:

- ★ North £44,300.00 (44% less than the standard discount)
- ★ Midlands £48,300.00 (38% less than the standard discount)

The national average of all RTB applications passed to the investigation team for further verification checks was 33%.

A third of local authorities carry out verification checks on 100% of their RTB applications. Whilst this may not lead to the highest value in terms of reporting RTB fraud, it certainly ensured that fraudulent applications were stopped before the claim was processed.

RTB applications passed for investigation;

#### Council Type

- ★ District and Borough Councils 51%
- ★ Metropolitan Borough Councils & Unitary LA's 25%
- ★ London Borough Councils 39%

#### Region Area

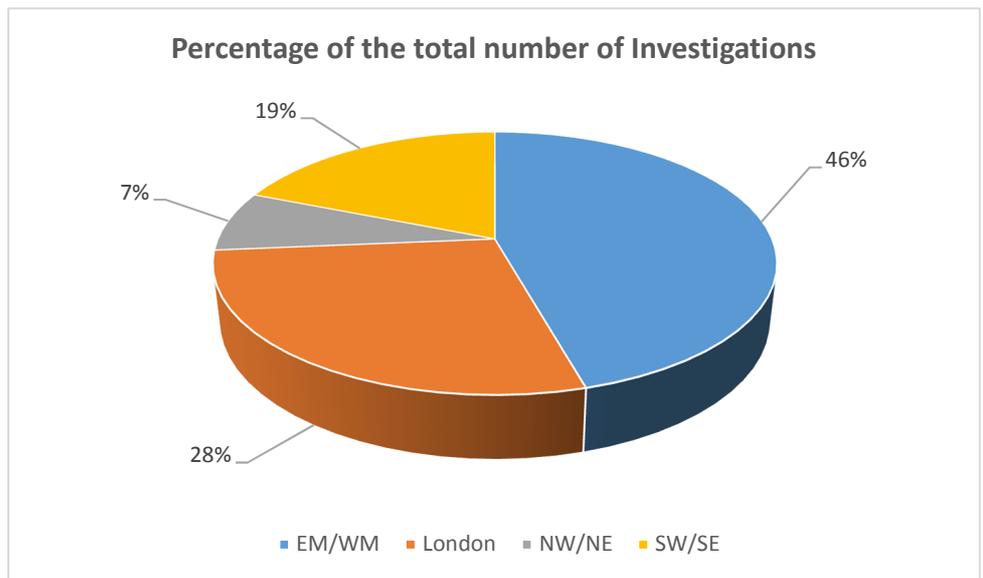
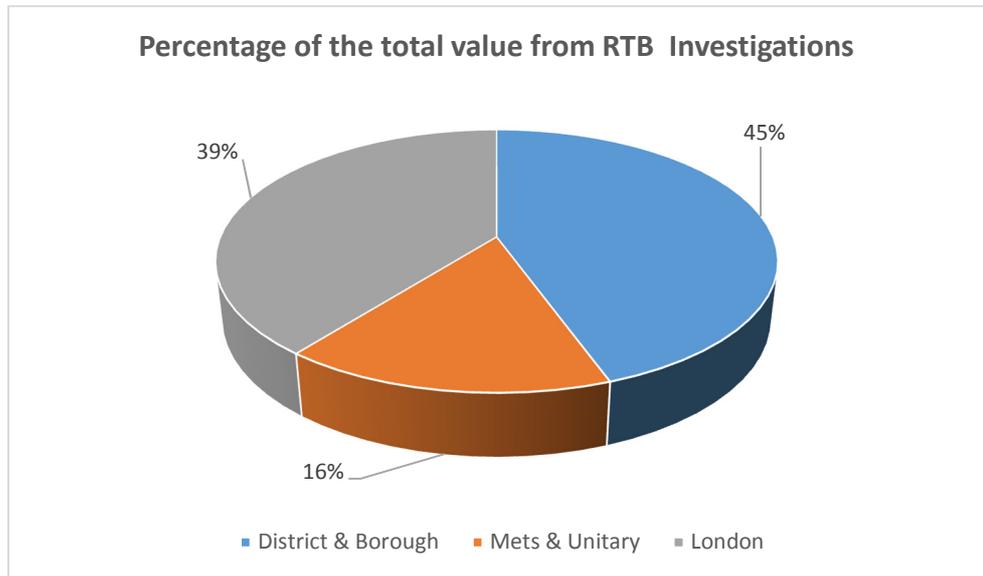
- ★ East Midlands & West Midlands 38%
- ★ London 39%
- ★ North West & North East 12%
- ★ South West & South East 36%

Looking at the value of RTB investigations, we asked the following question:

*“If the national average (for percentage for RTB applications passed to the investigations team) is around 33%, and the value of these investigations was approximately £50,200,000...*

*Is it fair to assume that if all authorities vetted 100% of their applications, a potential additional saving of £102,000,000 could be achieved?”*

Value of Right to Buy



## Case Study (2) Sandwell – Right to Buy



### Right to Buy Fraud Application withdrawn

#### Anti-Money Laundering plays a part in stopping RTB Application

Sandwell's Counter Fraud Unit investigated a potential tenancy fraud a few years ago which was brought back into view by the unit in 2015. A man was being investigated for tenancy fraud however during our investigation he was arrested and charged with murder. There was also an attempt to steal over a quarter of a million pounds, with an excess of £50,000 untraced.

The man's wife continued to live in Sandwell and sometime later put in a right to buy application. That team referred it across to the counter fraud unit as there appeared to be a fair amount of information suggesting that she had not been living at the address as required, to qualify for the right to buy. When her husband was arrested they were both living at his brother's property, not the council property at which she was the tenant.

No assets could be found for the husband. There was, however, the suspicion that he passed some of this money on to his wife. No proof was found of that.

The discount notified to the wife for the right to buy was £43,750 – the property was valued at £125,000 and the price that the wife could purchase was therefore £81,250.

The council started requesting information about where her funds originated from in early 2015 to satisfy our anti money laundering responsibilities. One of these forms was sent out to the wife also requesting evidence of the funds that she was providing for the purchase.

She completed the form but did not evidence the source of the funds. The form was issued twice more to her, but on both occasions she failed to evidence where she was obtaining the cash from. An investigator was in touch with her by this point, at which she asked to withdraw from the right to buy process. She gave no reason for this however it is felt that she couldn't prove the source of the funds was "clean".

Ian Scarrett

Counter Fraud Lead

Cllr Steve Eling, Leader of the Council says:

*“Sandwell Council is totally committed to creating and maintaining an environment where fraud and corruption will not be tolerated. All instances will be investigated and the perpetrators will be dealt with in accordance with established policies. In particular we will continue to tackle tenancy fraud including right to buy fraud. Action will be taken to recover all monies stolen from the authority.”*

## Council Tax Discount Exemption

Avoiding to pay Council Tax by giving false information or by not declaring changes that might affect how much Council Tax is due can be classed as fraud.

Examples of the different kinds of Council Tax fraud include:

- ★ Providing false or incorrect information when applying for Council Tax Support
- ★ Claiming a Single Person discount when other adults are living at the property
- ★ Claiming a Student discount or exemption when not enrolled on a course of full-time education or not declaring non-students are resident at the property
- ★ Giving false information to claim a discount, exemption or other reduction
- ★ Not telling the Council when a discount or other reduction should be cancelled

As of the 1<sup>st</sup> April 2013 Local Authorities became responsible for administering their own Council Tax Reduction Scheme (CTRS)

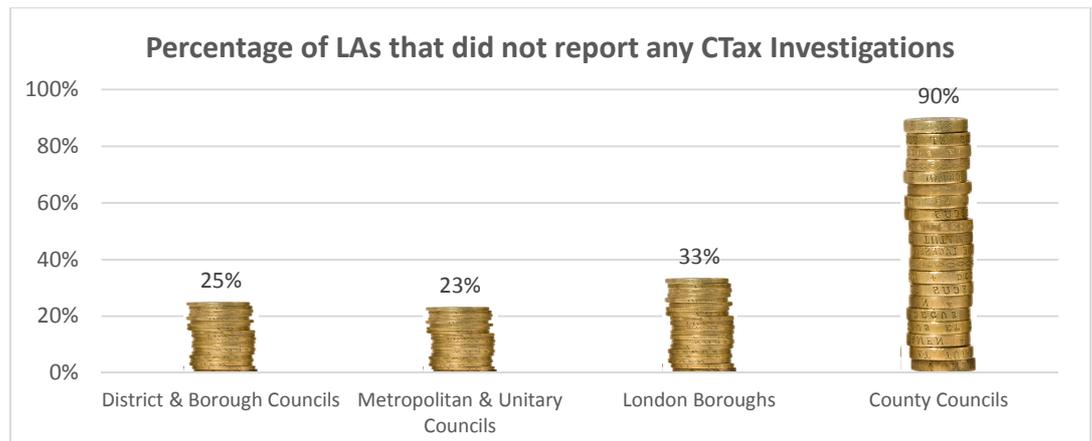
TEICCAF have placed Council Tax into 3 categories;

Council Tax Category	Number of Cases	Value
Single Person Discount	61,283	£ 19,550,000
Council Tax Other	2,380	£ 1,550,000
CTRS	15,620	£ 10,300,000
<b>Totals</b>	<b>79,283</b>	<b>£ 31,400,000</b>

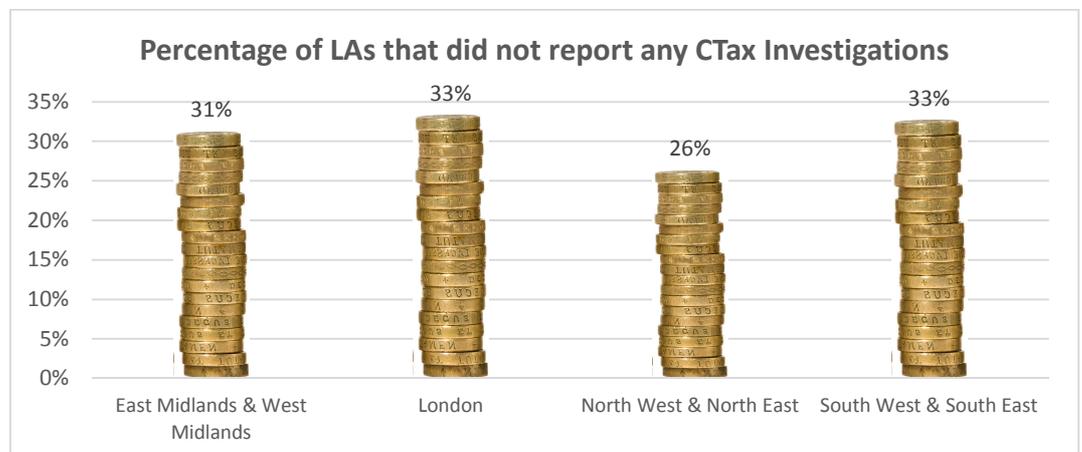
- ★ Investigations have increased by 65% with a,
- ★ 41% increase in value compared to last year.

**It is estimated that 31% of Local Authorities are not investigating any type of Council Tax Related Fraud.**

### Results by Council Type



### Results by Region



## Average return on Council Tax Fraud (by Type of Authority):

Authority Type	Value
District & Borough Councils	£ 88,000
Metropolitan Borough & Unitary Councils	£ 123,000
London Boroughs	£ 264,000
County Councils **	£ 176,000

## Average return on Council Tax Fraud (by Region):

Region	Value
East Midlands & West Midlands	£ 151,000
London	£ 264,000
North West & North East	£ 143,000
South West & South East	£ 77,000

Figures published on Gov.Uk provide the average Band D council tax value as follows:

- ★ Shire Areas = £ 1,547
- ★ Unitary Areas = £ 1,518
- ★ Metropolitan Areas = £ 1,451
- ★ London Areas = £ 1,298

## Other Fraud Investigations

Nationally a number of other areas have now started to make their way into the limelight. These areas have generated over 4,100 cases and have returns of over £31,800,000.

The main areas of risk, financial irregularities, avoidance and activity are:

- ★ Business rate retention
- ★ Procurement
- ★ Insurance
- ★ Social Care
- ★ Councillor/Employee

It is estimated that 24% of Local Authorities have reported no savings outside the 4 main Investigation Types.

## Business Rates Retention

### Foreword - Janet Alexander IRRV

Professional Services Manager – Institute of Revenues Rating and Valuation

Janet Alexander IRRV (Hons) worked in local taxation for 15 years before joining the IRRV's Policy and Research Department in 2000. During her time at the Institute she has sat on numerous working groups and committees for the Department for Communities and Local Government, Department for Work and Pensions, Valuation Office Agency and Ministry of Justice. Jan worked with the Office of the Deputy Prime Minister and the Association of Town Centre Managers for over two years on Business Improvement Districts and has spoken at numerous seminars for the Pilot Authority steering groups and conferences. During 2009, Jan worked closely with the Department for Communities and Local Government on the changes for Business Rates and has also been heavily involved with the Ministry of Justice on the implementation of the Tribunals, Courts and Enforcement Act. She is also an Institute lecturer/trainer, and well known public speaker and consultant on local taxation

*The ever increasing interest in Business Rates is in part due to the changes in Local Authority funding. The fifty percent rates retention system currently in operation is due to move to one hundred percent by 2020 which means it is essential to the funding of Local Government in England and therefore continues to increase the profile of Business Rates within Local Government.*

*When the Government changed its view on unoccupied rate liability back in 2008 'avoidance' began to increase in terms of both the number of cases and the types of scheme. Business rates are a huge burden on businesses and also on landlords of unoccupied premises and therefore they will seek ways to minimise liability particularly in a difficult economic climate.*

*With the outcome of previous High Court cases acknowledging that minimising your tax liability (within the limits of the law) is legal, the avoidance problem continues to increase in both the number of cases reported and the financial gain for ratepayers. This obviously results in a significant loss of income for Local and Central Government by affecting the overall yield from Business Rates.*

*Maximising income can only be achieved by improved administration and monitoring. This obviously is resource intensive, particularly for smaller authorities with limited staff resources. Fraud teams can be of use here to support business rates teams by assisting in the monitoring and reporting of changes and therefore its inclusion in this PEPP report is both a sensible approach and a welcome step forward.*

*As 2020 approaches more cases will reach the High Court for decision but with no guarantee what the Courts will determine it may be that Central Government will have to stop discussing the 'avoidance issue' and start legislating for it!*

**Janet Alexander IRRV**

**Professional Services Manager**

**Unlike other areas, business rates retention presents a unique challenge. This is a new area of financial irregularity and can be classed as tax evasion or avoidance. There are a number of professional organisations legally trading in the UK that specialise in reducing the amount of business rates their customers have to pay. These professionals are often legally or financially trained on how to reduce rates.**

In 2015/2016 there were approximately 230 cases involving business rates returning an estimated £2,690,000. This is a 35% increase in the number of investigations on the previous year and a 59% increase in the associated values.

Average return per authority (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 89,700
Metropolitan Borough & Unitary Councils	£ 25,900
London Boroughs	£ 8,925
County Councils	£ 64,000

Average return per authority (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 101,100
London	£ 8,925
North West & North East	£ 64,000
South West & South East	£ 25,100

- ★ The Midlands have the highest return by region
- ★ The District and Boroughs appear to be the most the most pro-active in Authority type.

## Case Study 4 – Oxford City Council



### Non Domestic Rates – Business Rates

#### A proactive approach to business rate Avoidance/Evasion

Following the delivery of Fraud Awareness training and liaison with the Council's Business Rates section by the Corporate Investigation Team, it was decided to undertake a proactive initiative on business properties that were recorded as empty.

Data was extracted and relevant intelligence checks were made prior to the properties being visited to help determine a level of risk.

Two properties that were deemed as high risk were located in the city centre with high rateable values.

One property had been showing as empty following the previous occupiers going into liquidation. At the visit it was found that a hairdressers and nail bar were trading from the premises. The tenant was contacted and details of the date of occupation were obtained. An invoice was raised for the whole period he had been liable.

The tenant lodged an appeal stating that the property had been sub-let for two periods and therefore he was not liable. Tenancy agreements for the two periods of sub-let were provided to the Council; however attempts to locate the sub tenants were not successful.

The tenant was subsequently interviewed and informed that the liability rested with him and the outstanding business rates were recovered. Value - £31,800.

The second case also involved a property in the town centre, which had supposedly been empty for some time.

When visited by the Corporate Investigation Team it was found that the premises had been split into two separate businesses.

The upper floor tenant had notified the Council that he had moved in but the tenant of the ground floor shop had not. The building was reassessed for NDR and an invoice was sent to the tenant of the ground floor premises. The invoice was paid in full. Value £299,600.

The combined value of these cases were £331,400 which illustrates the value of making the best use of data, as well as regular inspections of business premises.

Oxford City Council has since employed a Property Inspector in its Revenues department. The Corporate Investigation Team are running innovative proactive data-matching initiatives around NDR relief and exemptions.

**Scott Warner**

**Investigations Manager**

*Nigel Kennedy, Head of Financial Services – Oxford City*

*It's known that some businesses actively go out of their way to avoid paying Non Domestic rates, and this is an issue for Local Government. The work of the Investigation Team includes detection of these businesses to ensure that they pay their way. This ensures fairness and consistency with other businesses in Oxford who do pay their rates. The team are employing various techniques to locate those abusing the system, including innovative use of an in-house data matching system."*

# Procurement Fraud

## Foreword – Greg Braysford

### Consultant - ITS Training

Greg Braysford is one of ITS Training's leading consultants; he specialises in corporate and financial investigation and delivers procurement fraud training to public and private sector clients. A qualified Financial Investigator, he has worked in local government, the social housing sector and the police service, working in CID and the economic crime unit. Working with ITS, Greg runs regular training in all areas of corporate fraud, including briefings, courses and masterclasses in procurement fraud, housing fraud and NNDR fraud.

*When you consider the issues that the private sector acknowledges in the procurement arena, it worries me to see how few cases of procurement fraud we see identified and investigated in Local Government. We know that when times are hard, fraud (or attempts to commit fraud), will rise. We also know that the amounts of money involved in procurement are huge and, therefore, attractive to serious and organised crime (to say nothing of its attractiveness to the opportunist!). When we learn that one authority has uncovered the use of such techniques as disposable mobile phones, we have to realise that serious criminal gangs are viewing procurement fraud as an area worth investing in.*

***When you consider the issues that the private sector acknowledges in the procurement arena, it worries me to see how few cases of procurement fraud we see identified and investigated in Local Government.***

*Another problem we regularly see is that, outside procurement professionals, there is a lack of knowledge of procurement rules and process: combine this with the ever decreasing number of staff who do specialise in procurement and the growing delegation of procurement to managers, (often under- or un-trained in the subject) and it is obvious that things can go wrong.*

*Consider these examples:*

- ★ *A member of staff makes weekly purchases from the same company, each one under the limit for quotes or tenders ; taken together, the spend amounts to around £150K over a four year period – well in excess of the organisation's tender limit.*

- ★ *An organisation requires a full tender process for the purchase of a service valued at under £5K; as a result, suppliers, who would have charged around £2K for the service decline to tender; the organisation ends up spending £5K on the service and having the cost of undertaking a full tender process.*

*Another key element of the process is monitoring the tender, to check that the product or service is as specified. I have discovered, however, that it is common for this process to be 'forgotten', perhaps due to a cut in staffing or lack of awareness. Whilst the first order of toner cartridges provided by "Tony's Toners" are top quality, the third and fourth order are refurbished cartridges, acquired at a fraction of the cost with Tony happy to pocket the difference. Who checks this? Will anyone pick up on this and if it is detected, what is done?*

*A recent snap poll I undertook showed that of the six authorities asked, only one had ever been involved in a procurement fraud. The case was ultimately dealt with by the audit department, which had a total of zero trained fraud investigators, and the case went nowhere.*

*We're also seeing a growth in the number of external companies providing 'a procurement service' actually increasing the cost to Local Authority, without adding any value.*

*Given that it is obvious that all corporations (whether public or private sector) are being seen as likely targets, it is a real shame that more is not being done to educate staff, and to secure and investigate this area. Procurement fraud, contrary to all the evidence and advice, appears often to be deemed to be 'not an issue' and has become an area to which many authorities are shutting their eyes.*

**Greg Braysford**

**Consultant**

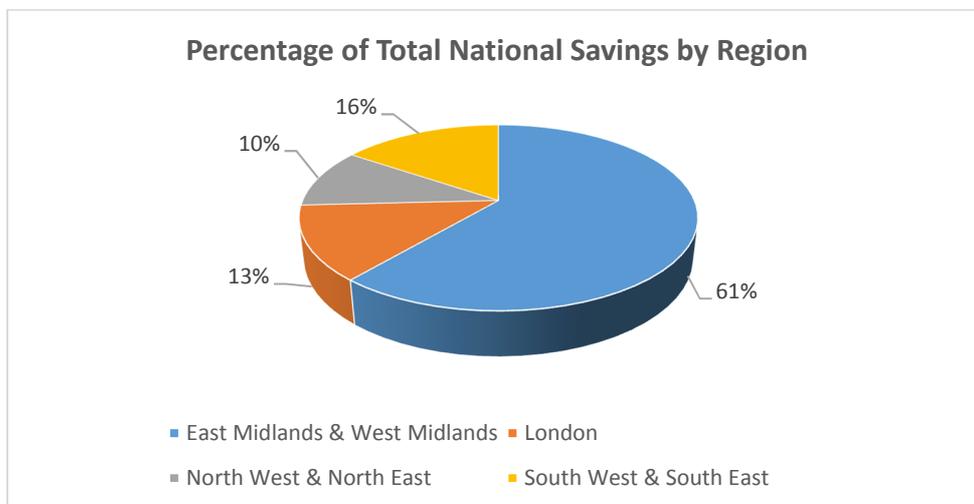
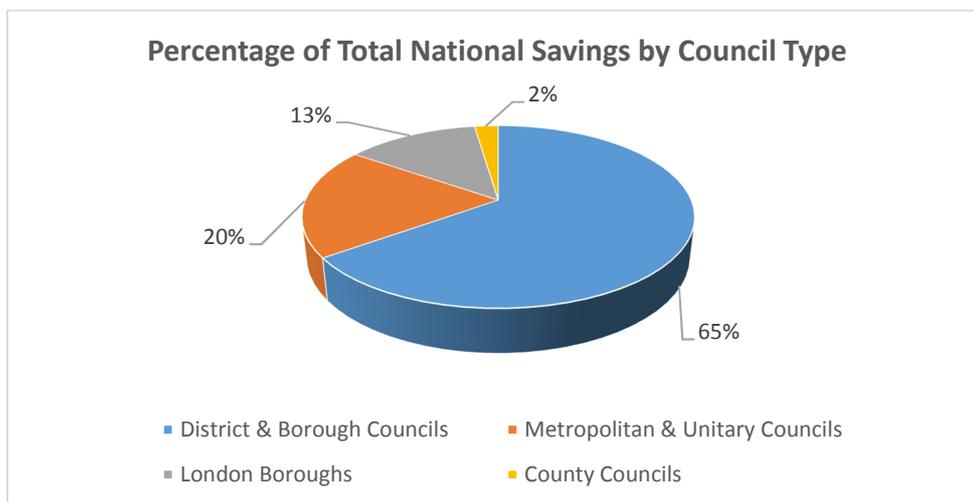
Gov.Uk stated that in 2015/2016, English authorities had a "Net Current Expenditure" of £111,689,388. Based on our figures, this would suggest that 3% of fraud was detected with the Net Current Expenditure.

### **Reported Procurement Fraud cases increased by 94%**

67 cases were reported, a 94% increase, with a value of £3,850,000 which is an increase of 40%.

An estimated 85% of authorities have not investigated Procurement Fraud.

The average number of investigations is 2.7 per authority with the average values of procurement investigations as:



- ★ The average number of investigations is 2.7 per authority
- ★ 67 cases reported – 94% increase with a 40% increase in value at £3,850,000.
- ★ 85% of Local Authorities did not report Procurement Fraud cases during 2015/2016

Average return (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 187,800
Metropolitan Borough & Unitary Councils	£ 28,400
London Boroughs	£ 150,000
County Councils	£ 5,400

Average return (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 117,900
London	£ 150,000
North West & North East	£ 29,700
South West & South East	£ 25,600

- ★ County Councils reported a vastly lower average value of investigation at £5,400.

## Insurance Fraud

### Foreword – Mike Neumann

#### Chief Executive Officer – ITS Training

Mike is the Chief Executive Officer of ITS Training – a company that has been at the forefront of corporate investigation training for many years. The company has provided training on Insurance Investigation and Insurance Fraud Prevention to Local Authority insurance teams and investigators, and to commercial insurance companies. Mike is a regular speaker at counter-fraud conferences and seminars nationally. He is a fellow of the Institute of Training and Occupational Learning and has been involved in fraud prevention and detection for over thirty years.

*There's been considerable press coverage, over last few years, surrounding the growing slip and trip culture (and, in particular, the impact this has had on the retail sector). Insurance professionals will tell you that this is just the tip of an iceberg and that the industry as a whole is susceptible to fraud – from false vehicle incidents through claims for damaged property to accidents at work. Public sector is no less vulnerable to this type of fraud.*

*One problem that we see, throughout this risk area, is the historic tendency for Local Government to assume a significant part of the risk by often carrying significant levels of excess.*

*In the main, however, there tends to be little or no claims investigation internally, with what is done being confined to claims management; insurers are commonly relied upon to carry out any investigation of suspected frauds.*

***Insurance professionals will tell you that this is just the tip of an iceberg and that the industry as a whole is susceptible to fraud***

*The other issue is that, in common with the entire insurance sector, there tends to be a 'cost – benefit' approach to investigating suspicious claims ; given the cost of investigations compared to the often relatively low value of claims, it is often deemed to be 'better' to pay the claim than to 'waste resources' on an in-depth investigation. Unfortunately, the public know that this is the case, which only raises the sector's vulnerability.*

*Finally, in common with all work areas in the public sector, staffing levels are low. Given the strict 'Woolfe' timescales on claims management, this exacerbates the issue as it tends to place the focus on dealing with claims quickly.*

*Some of the common scams we have seen are:*

- ★ *staged accidents being used to generate a claim ('slip and trip')*
- ★ *a genuine injury being toured around a number of local authorities, each of whom are then subject to a claim*
- ★ *vehicular damage, for example to suspension, being blamed on a convenient pot-hole*
- ★ *a small water leak managing to soak and damage every item in a social tenant's home*
- ★ *members of staff claiming for injury at work caused by a failure to follow safety rules*

***Clever fraudsters will keep claims low, typically under £1,000, knowing that there is a fair chance that it will be deemed cheaper to pay them than it is to investigate the claim.***

*and*

- ★ *false allegations of damage to vehicles caused by council vehicles. (A common one is the old refuse truck clipping your car...)*

*Clever fraudsters will keep claims low, typically under £1,000, knowing that there is a fair chance that it will be deemed cheaper to pay them than it is to investigate the claim.*

*In common with all frauds, prevention is key, and a key part of prevention is the occasional very public prosecution of those who attempt to rip us off. In order for that to happen, Authorities need the services of a professional investigation team that is able to follow the rules for criminal investigation. It is simply not possible to rely on the police, they do not have the resources to investigate and prosecute what they see as low level frauds.*

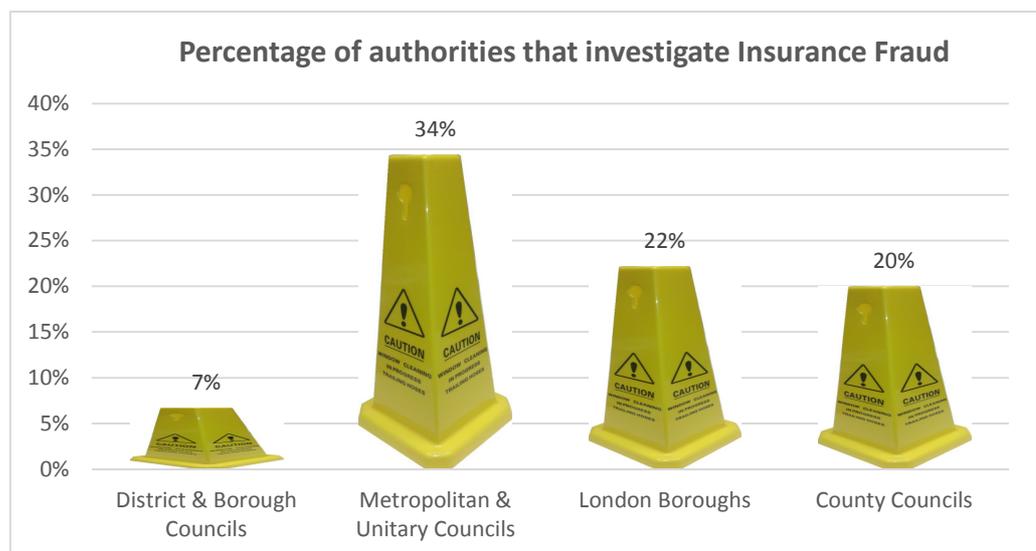
**Mike Neumann**  
Chief Executive Officer

Insurance fraud is another emerging threat (as mentioned previously).

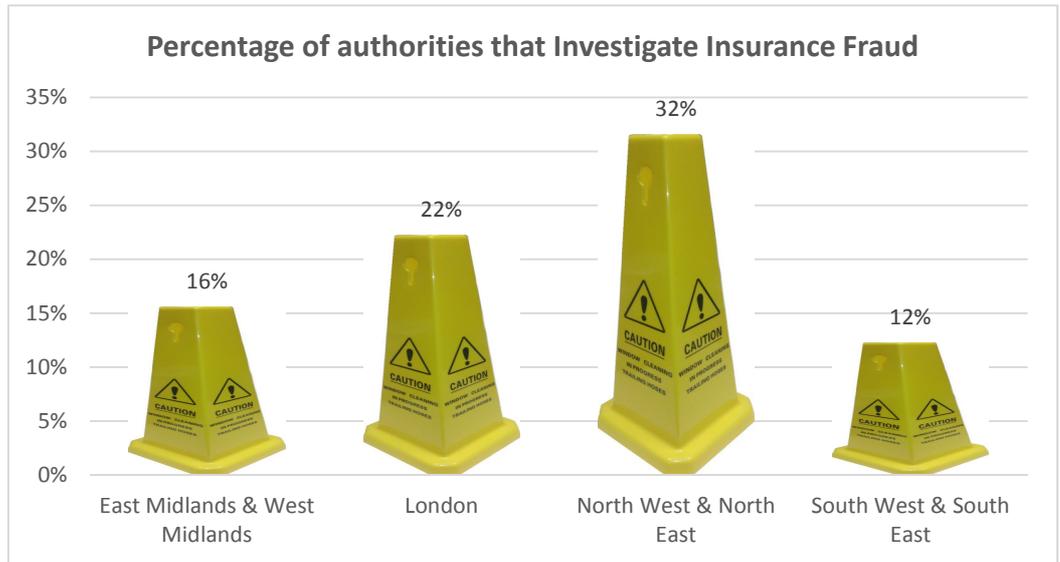
780 reported cases with an estimated valued of £7.5m were reported this year.

This is a 63% increase in the number of investigations with a 23% decrease in the value.

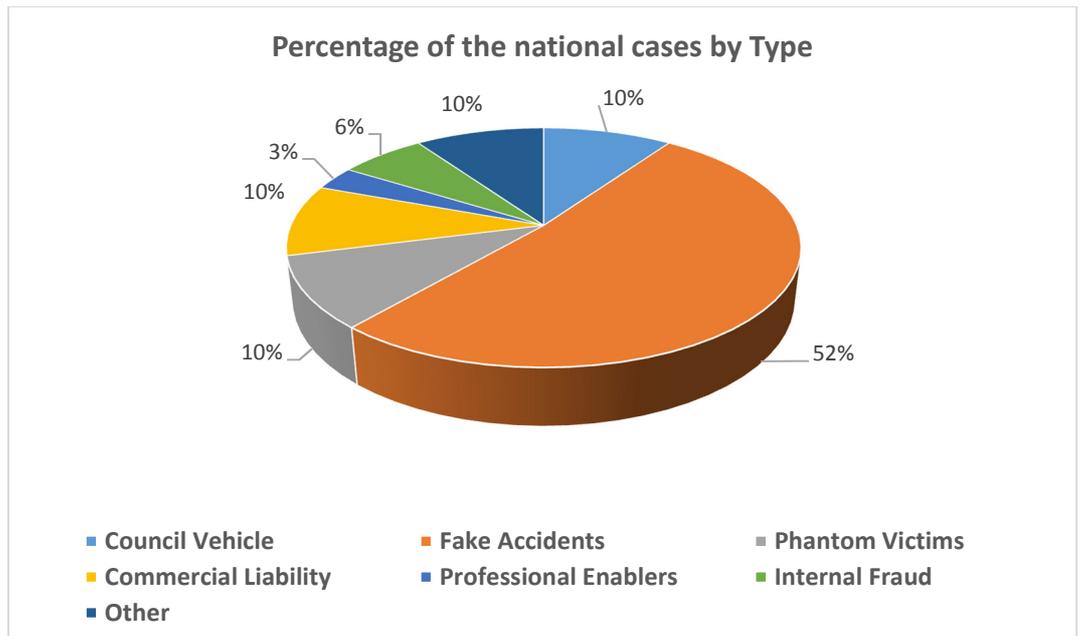
### By Authority Type



By Region:



Types of Insurance Cases



On the figures estimated, the average cost of an insurance investigations is:

Average return (by Type of Authority):

Authority Type	Approximate Value
District & Borough Councils	£ 44,600
Metropolitan Borough & Unitary Councils	£ 106,300
London Boroughs	£ 398,500
County Councils	£ 172,000

Average return (by Region):

Region	Approximate Value
East Midlands & West Midlands	£ 44,300
London	£ 398,500
North West & North East	£ 237,000
South West & South East	£ 15,000

- ★ London remains the highest value in terms of savings in Insurance Fraud.

## Case Study (5) – Leicester City Council



### Insurance Fraud – Liability Claim

#### Miss Monika Hazy Liability Claim due to fall & injury to her foot

A claim was made to Leicester City Council obtain payment of up to £25,000.00 in settlement of a claim for a broken left foot due to a trip and fall at the entrance of Local Park near the claimant's home address.

Leicester City Council's Risk Management Services received a Public Liability Claim Form a solicitors firm representing the claimant seeking compensation up to £25,000 as a settlement for a broken left foot which they claimed was as a result of tripping on a paving slab and the asphalt surface near a public park.

The application indicated that the claimant had attended the Leicester Royal Infirmary to seek medical attention. No other injuries were mentioned that would be consistent with the type of fall indicated.

Social media checks were conducted & Facebook entries show the claimant stating to her friends that she had a slip down the stairs due to the fact she was in a rush. The claimant had also requested on Facebook details of any personal injury companies her friends may be aware of.

During the course of the investigation, records were obtained from the University Hospitals of Leicester East Midlands Ambulance Service (EMAS) which showed an incident statement that the patient had been running to the shop and inverted her left ankle, she subsequently hobbled back home. The Emergency Department attendance records were also consistent with the injury being due to running and tripping.

A transcription of the emergency call made to East Midlands Ambulance was also obtained. The transcription showed that the request was made by the Police as they had attended an incident at the claimant's home. A copy of the emergency call incident report was obtained from Leicestershire Police. The report showed that the Police were called due to a domestic incident on the same day.

Photographic evidence obtained of the park entrance, the position of the park gates also lead to doubts that the injuries were as a result of the incident described in the claim.

The claimant's Solicitors ceased to represent her due to the investigation and the evidence obtained.

Leicester City Council were successful in obtaining a formal caution on 11 May 2016 against the claimant following the fraudulent claim.

**Stuart Limb**

**Corporate Investigation Manager**

*Director of Finance (Section 151 Officer) Alison Greenhill said:*

*Leicester City Council has a zero tolerance policy to fraud. Whilst councils face continuing financial pressures they must remain vigilant and resourced to prevent and detect fraud. At Leicester we have created a specialised fraud team with wide-reaching powers to investigate and prosecute fraudulent activity. We actively publicise successful prosecutions such as this to get the message out that we will not tolerate this behaviour and that we will, in all cases, prosecute.*

# Social Care Fraud

Personal Budgets (aka Direct Payments) are offered by your local authority to give more flexibility over how care and support is arranged and provided. Personal Budgets enable people to purchase the assistance or services that the Council would otherwise provide and are designed to promote; Independence, Choice and Inclusion.

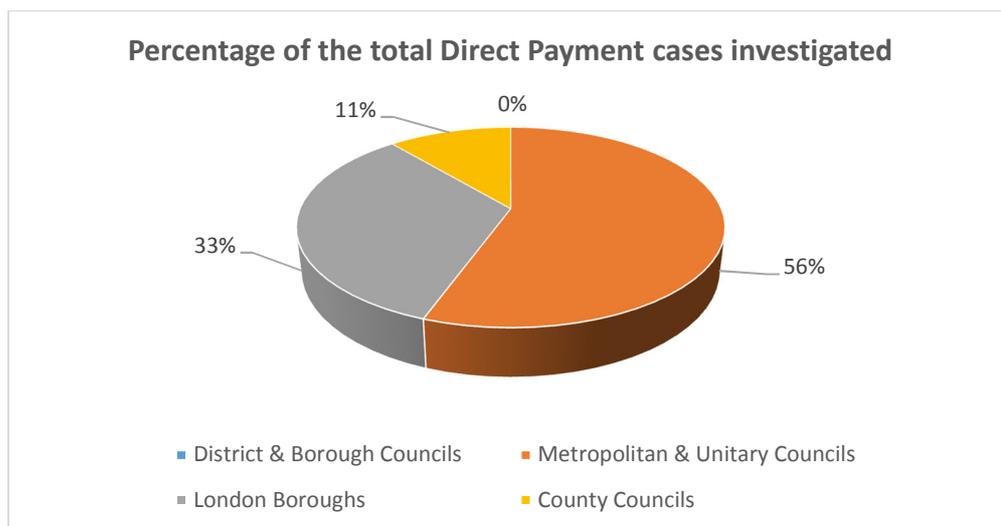
Personal budgets can be paid to the individual, family or friend as a direct payment, or can be managed on the individual's behalf by the local authority or another organisation such as a care agency or user-controlled trust.

Unfortunately greater freedom also brings greater risk, not only to the individual but to public funds.

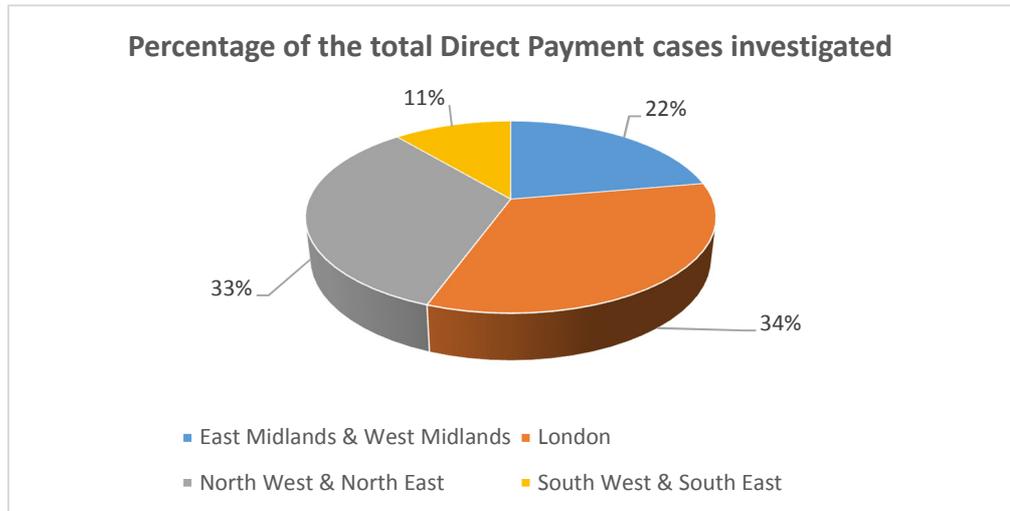
The high risk areas are;

- ★ false claims or overstatement of needs
- ★ budget mismanagement
- ★ Multiple claims across Authorities and
- ★ Posthumous continuation of claim.

By Council Type

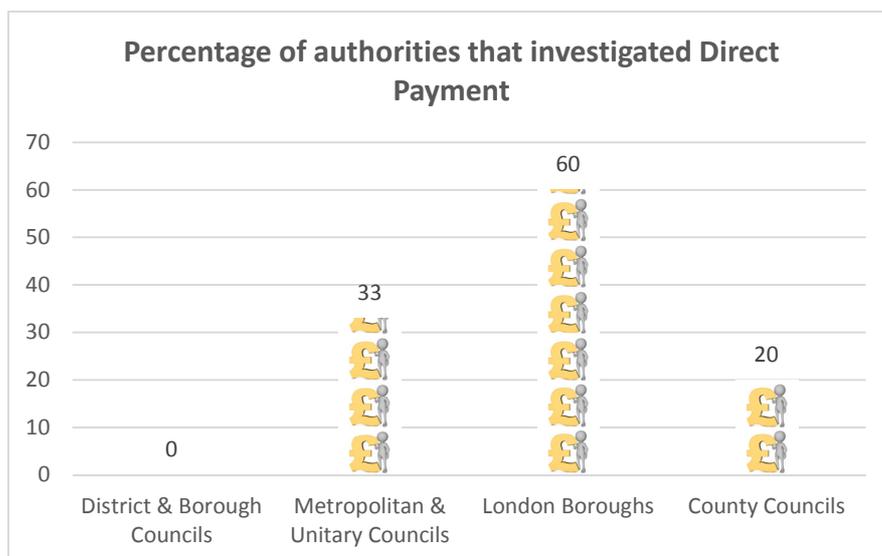


By Region

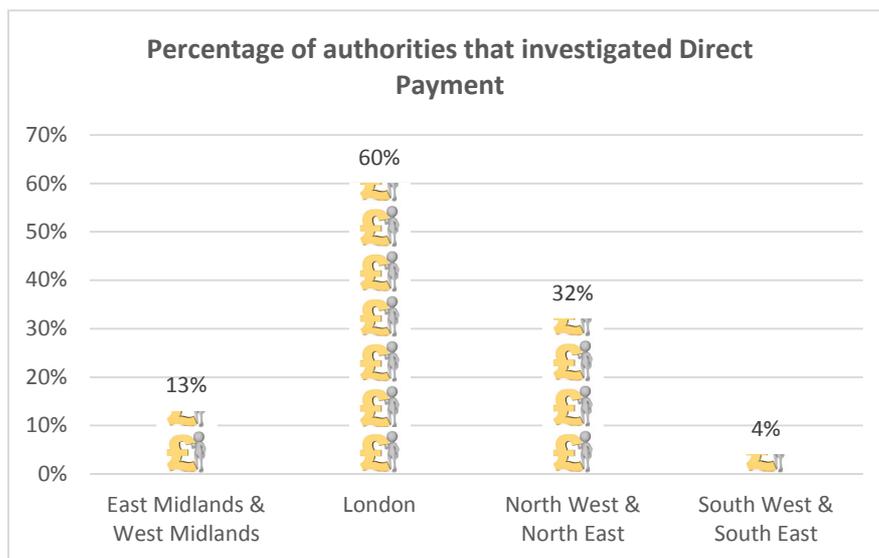


- ★ London and the North of England share almost equal percentages
- ★ The South and Midlands make up the remaining third
- ★ Just over 10% of investigations were received from the South of England

By Council Type



By Region



- ★ London appears to be leading the way with 60% of their authorities investigating Direct Payment.
- ★ The South of England reported 4% of Direct Payment Investigations.

## Case Study (6) Birmingham City Council



### Social Care and Direct Payment

#### Proactive work identifies online Gambler using Direct Payment

Birmingham City Council undertook a proactive exercise that data matched recipients of Direct Payments to individuals on its social care system who were recorded as being their carer. The main purpose of the exercise was to identify any instances where carers were family members living with service users, contrary to Direct Payments guidelines.

During the course of the exercise, through a review of case notes, it was identified that a service user had contacted social work staff to inform them that they had spent over £6,000 of their Direct Payments on online gambling.

A review of bank statements for the Direct Payments account confirmed that the amount stated had indeed been removed, but also identified that the service user had previously taken other monies from the account but had subsequently paid it back in. Paperwork provided by the service user showed that monies removed and not paid back went through at least two other accounts, were mixed with other monies, and the audit trail of how exactly it was spent was effectively lost.

This led to concerns about if, and how, the service user had managed to pay for their care given the misuse of over £6,000 as well as concerns that their care needs were actually as great as had been originally assessed. Attempts were made to speak to the named carers but none of them responded to requests to attend an interview.

Steps were taken to recover the money that was confirmed as being misused by the service user and management of the Direct Payments account was taken out of their hands

Neil Farquharson  
Group Auditor

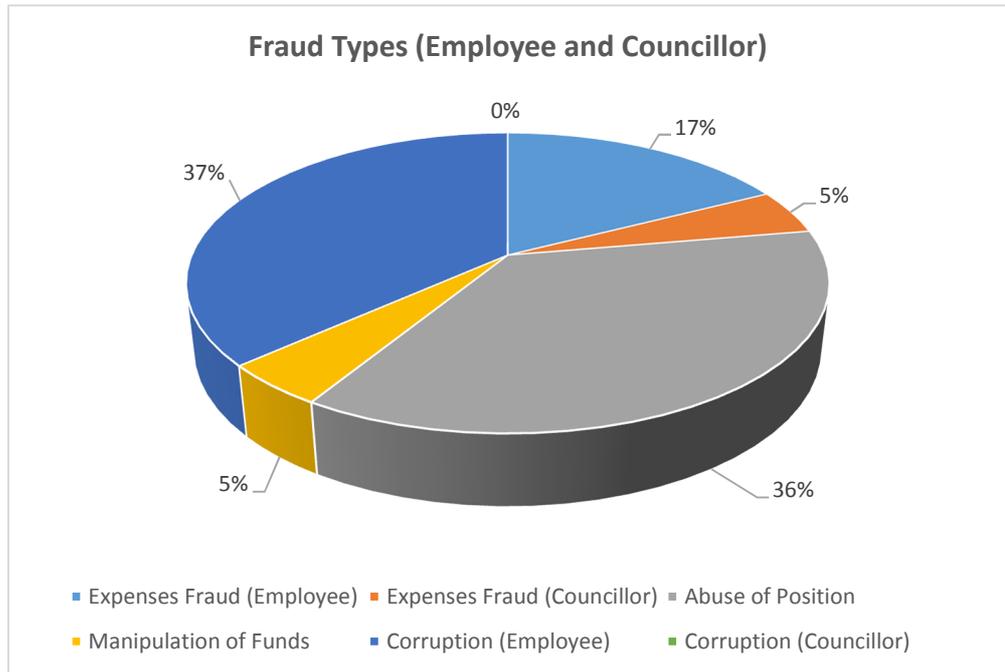
## Councillor/Employee

**Councillor or employee fraud occurs when a member of staff wrongfully fails to disclose information, dishonestly makes false representation, or abuses a position of trust for personal gain, or to cause loss to others.**

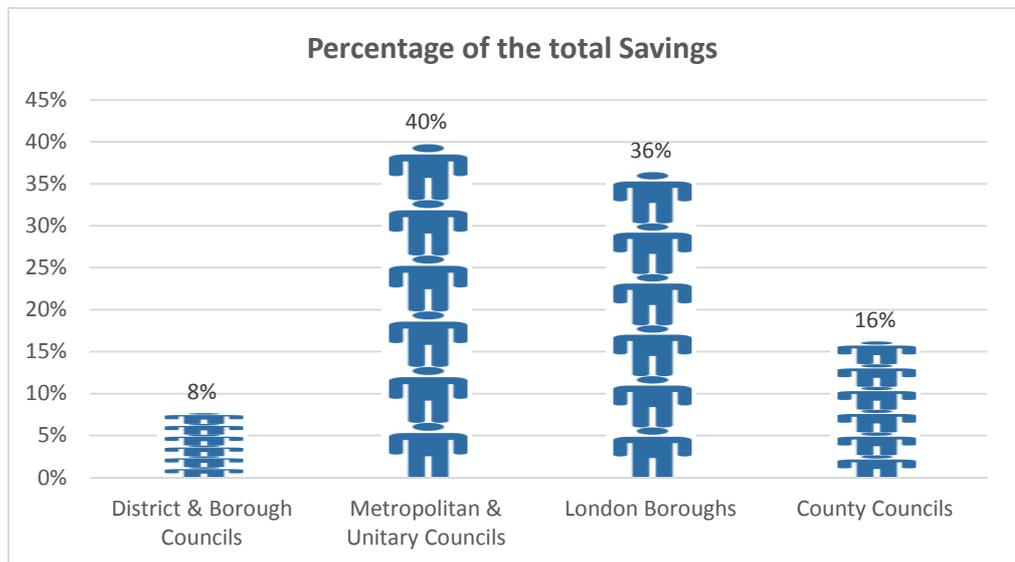
A fifth of Local Authorities reported Councillor or Employee fraud cases.

Corruption by Council Staff (37%) was the main type of Employee and Councillor Fraud followed by Abuse of Position (36%). These two categories alone counted for almost 75% of the report cases.

The total breakdown is as follows;

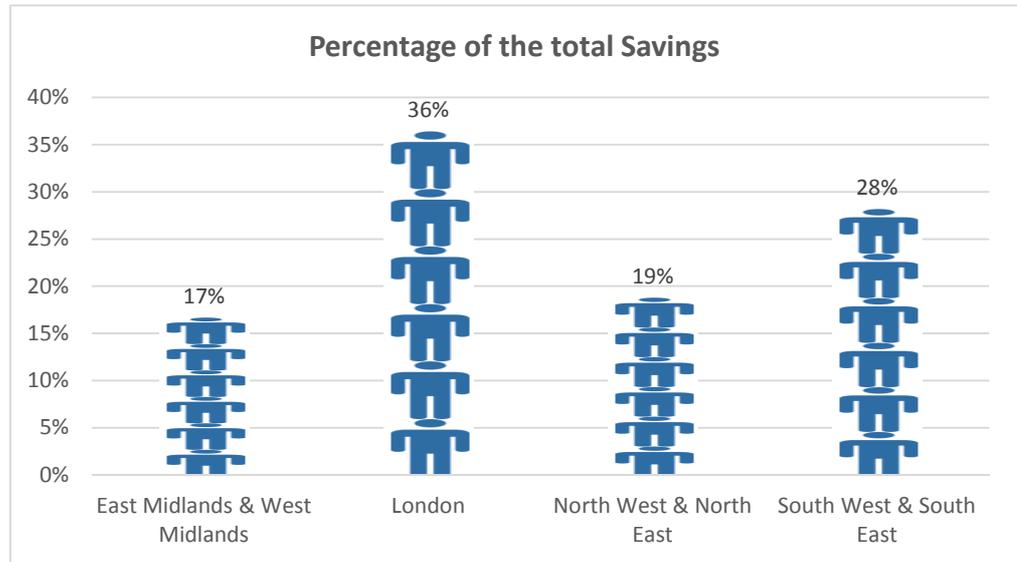


By Authority Type:



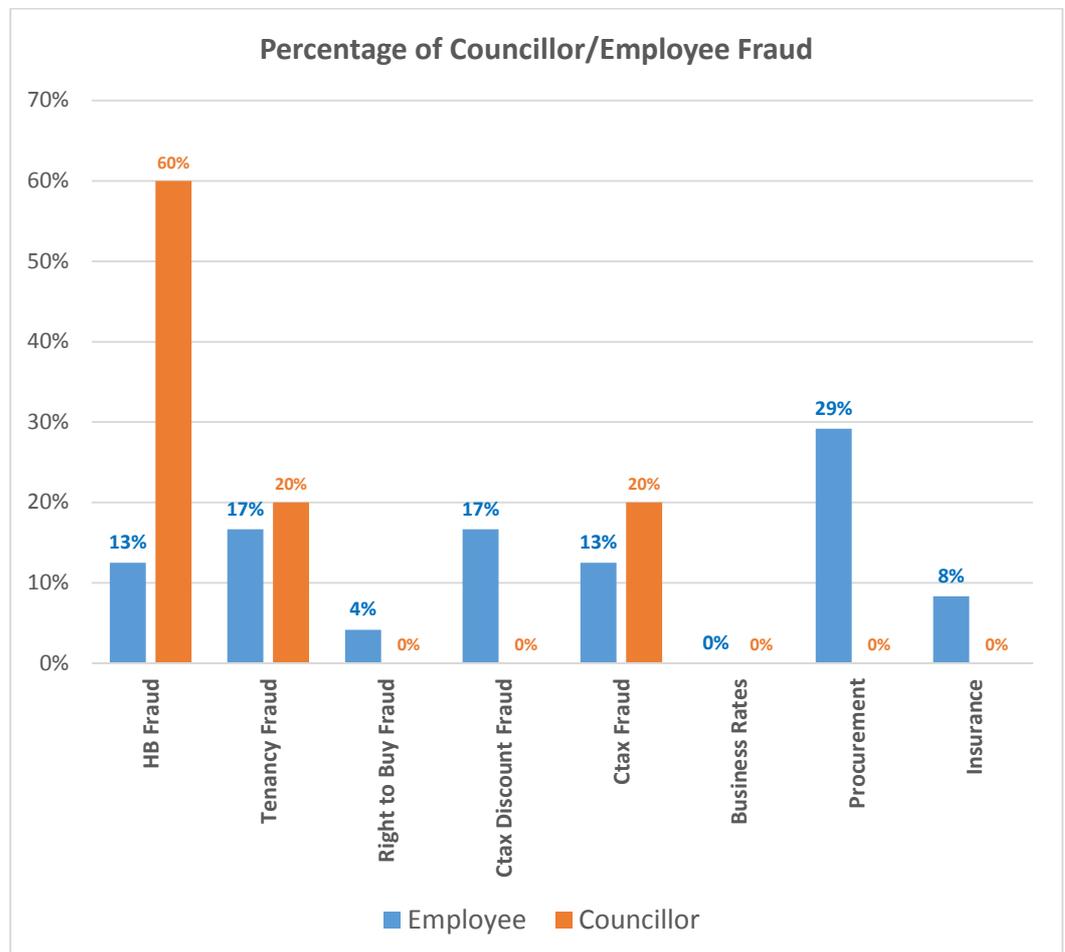
76% of all savings generated were reported by Metropolitan, Unitary and London Boroughs. NB: Unfortunately a number of Local Authorities were unable to attribute a savings value to this area of work.

By Region:



London are highest with 36%. Closely followed by the South of England 28%.

The graph below shows the most common types of Councillor/Employee fraud investigated;



22% of authorities reported Employee fraud. Only 5% of authorities reported Councillor Fraud in these areas.

- ★ Procurement fraud accounted for 29% by employees.
- ★ 60% of fraud committed by councillors was within Housing Benefit
- ★ 52% of the total value was found within Procurement fraud.

## Other Fraud Areas

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Other Reported Frauds accounted for an estimated £10,300,000 and approx. 2,300 investigations.

These included;

- ★ Blue Badge Fraud
- ★ Bank Mandate Fraud
- ★ School Admissions

Many authorities reported just 1 or 2 cases. However they attributed high value savings.

Regionally, there is an even split in the number of these investigations.

The most proactive authorities are Metropolitan & Unitary authorities.

Regionally the North of England report 50% more than any other region.

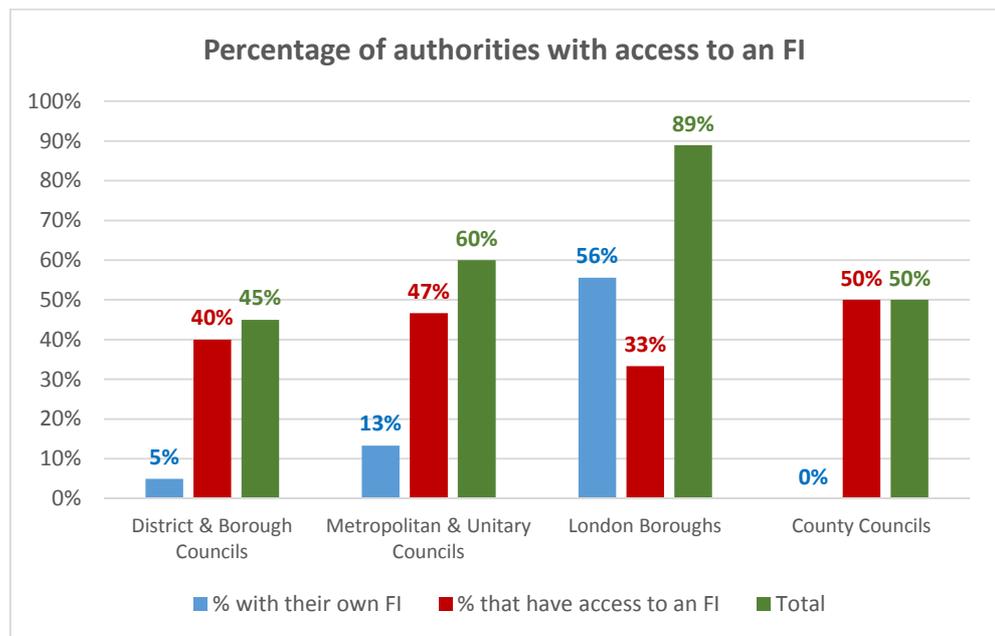
# Working Practices

This section covers some of the variation in Local Authority investigation services, their working models and practices.

This includes shared service, partnership working and financial investigations (POCA - Proceeds of Crime Act).

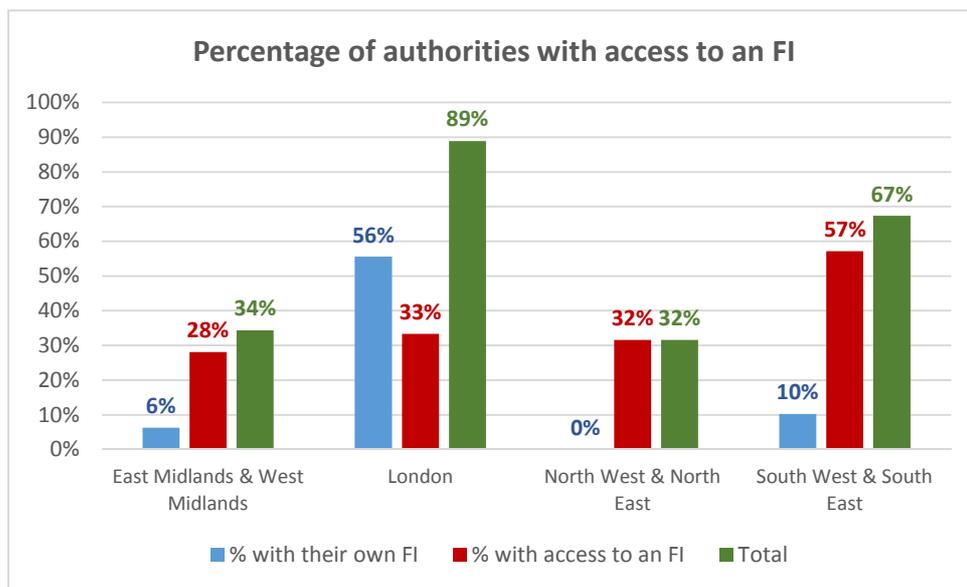
## Financial Investigations (FI)

### Authority Access



- ★ Nationally 11% of LAs have a financial investigator.
- ★ 42% have access to a financial investigator through shared services and joint working.
- ★ County Councils do not appear to have their own financial investigators.

Regional Access



- ★ 90% of London boroughs have access to a financial investigator.
- ★ The graph above implies that authorities in the North of England do not have their own Financial Investigator. (TEICCAF do not believe this figure to be zero, this is merely an indication that very few northern authorities have access to a Financial Investigator)

Only 25% of authorities could attribute savings or recoveries. Does this suggest that the savings have been applied elsewhere? Or that there are still ongoing legal ramifications from this work.

TEICCAF strongly recommends all authorities to actively seek access to a financial investigator.

## Legal Services

75% of authorities have an in-house legal team. County Councils have 100% access to their own legal resources.

32% of authorities with in house legal teams also use external legal providers.

A small number of authorities surveyed, (4%), reported a limit on the number of cases referred to legal teams. This will obviously have an impact on the number of prosecutions. Cost implications may increase when using external providers.

Successful prosecution broken down by fraud types are as follows;

- ★ 1<sup>st</sup> – Other 34% (HB, Direct Payments, Personal Budgets & Schools)
- ★ 2<sup>nd</sup> – Tenancy Fraud 26%
- ★ 3<sup>rd</sup> – Council Tax 14%

**Housing Benefits is the largest source of investigations, forming 88% of prosecutions.**

## Partnership Working and Shared Services

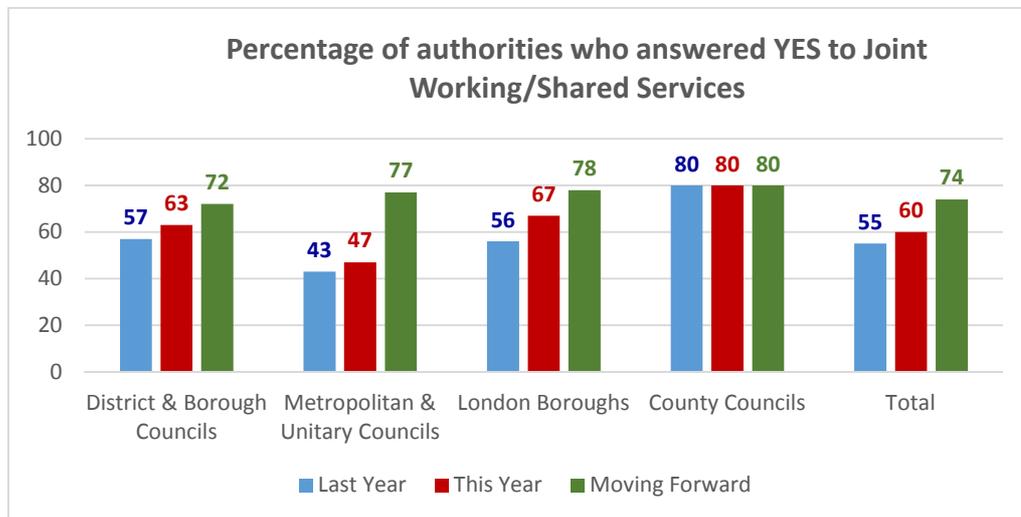
With the ever increasing demand on fraud resources and the significant fall in the number of investigators, the importance of partnership working and shared services has never been more relevant in this austere time.

As requested by our members we asked the following 3 questions;

- ★ Were you involved in partnership working and/or shared services last year?
- ★ Are you involved in partnership working and/or shared services this year?
- ★ Would you wish to be involved in partnership working and/or shared services moving forward?

The results were as follows;

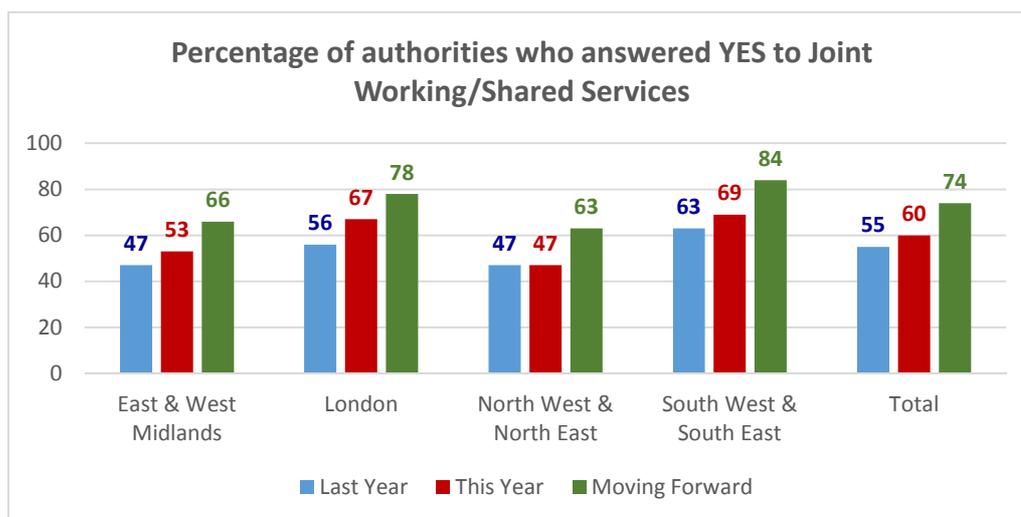
Breakdown by Authority Type



Joint working has again increased to an estimated 55%. If this pattern continues this will rise to 74% next year.

Most of the authority types follow the national pattern, with the exception of Metropolitan and Unitary councils. However, it is clear to see that they too believe there is much to be gained from working together in the future.

Breakdown by Region



Regionally the pattern is similar with most regions showing a significant interest in joint working.

## Recommendations – Check List

Once again we would like to thank everyone who has contributed to our report this year. From this research and through working with public and private sector partners, including leading experts in the specific fraud areas and high performing authorities from across the country we have developed this checklist.

### PEPP – Recommendations or Check List

Description	Tick as appropriate
Every local authority undertakes an assessment of its financial irregularity, fraud & corruption risk	<input type="checkbox"/>
This assessment is reported to its senior management board and members. The assessment must be included in the authorities risk management process and the responsibility of the appropriate portfolio holder.	<input type="checkbox"/>
An annual response plan is created to mitigate the identified risk and should include; <ul style="list-style-type: none"> <li>★ Prevention</li> <li>★ Detection</li> <li>★ Redress</li> </ul>	<input type="checkbox"/>
Ensure that proportionate resources are in place to meet the requirements of the response plan.	<input type="checkbox"/>
Professionally trained, accredited investigators will require appropriate knowledge/training in all areas of identified risk throughout the authority.	<input type="checkbox"/>
Compile a programme of both proactive and reactive work in line with the identified risk.	<input type="checkbox"/>
Ensure you have appropriate and proportionate defences against new and emerging risk.	<input type="checkbox"/>
A Counter Fraud and Corruption policy is required and reviewed annually. This must be communicated to the whole authority.	<input type="checkbox"/>
Fraud awareness sessions for all staff delivered, at least annually.	<input type="checkbox"/>
The Investigations team keeps adequate records and frequently reports to senior management on its work and findings.	<input type="checkbox"/>
Any identified areas of weakness must be highlighted and reported to each department.	<input type="checkbox"/>

The closure of the Audit Commission has meant that local authorities are not required to report committed cases of fraud.

TEICCAF recognises this is a huge area of weakness and has therefore continued the Protecting the English Public Purse survey to help develop and promote the need for proportionate resources to mitigate the risk.

As local authorities are self-regulating in respect of financial risk and fraud, TEICCAF recommends you assess your level of risk & identify areas of weakness. Once these have been identified, only then can you ensure you have the appropriate resources to mitigate the risk.

Your process needs to be transparent and reported to your senior management team and councillors. You should be able to demonstrate to your tax payers that you are indeed Protecting your Public Purse!

## References:

- ★ Protecting the English Public Purse 2015 (TEICCAF)
- ★ Fraud Landscape Review 2016 (National Audit Office)
- ★ Annual Fraud Indicator 2016 (University of Portsmouth)
- ★ www.gov.uk
  - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/491463/List\\_of\\_councils\\_in\\_England.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/491463/List_of_councils_in_England.pdf)
  - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445085/150714\\_Revised\\_Council\\_Tax\\_Stats\\_Release\\_July\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445085/150714_Revised_Council_Tax_Stats_Release_July_2015.pdf)
- ★ NFI – Fraud Report (November 2016)

## Acknowledgements:

- ★ **David Magor OBE** – Chief Executive (IRRV)
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- ★ **Mike Pinder** – Head of Audit & Risk (London Borough of Southwark)
- ★ **Cllr Fiona Colley** – Cabinet Member for Finance, Strategy & Performance (London of Borough of Southwark)
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- ★ **Cllr Steve Eling** – Leader of the Council (Sandwell MBC)
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- ★ **Scott Warner** – Investigations Manager (Oxford City Council)
- ★ **Nigel Kennedy** – Head of Financial Services (Oxford City Council)
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- ★ **Mike Neumann** – Chief Executive Officer (ITS Training)
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- ★ **Alison Greenhill** – Director of Finance (Leicester City Council)
- ★ **Neil Farquharson** – Group Auditor (Birmingham City Council)

## Publication Sponsor

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Finally we would like to thank the main sponsor of this year's report, INTEC for Business.

INTEC for Business are a market leading software provider that have been heavily involved in the public sector fraud arena for over 20 years. They have worked very closely with local authority fraud professionals and national organisations in combatting fraud and corruption.

INTEC's products portfolio cover case management, data hubs & data warehousing, smartphone apps and leading proactive tools for all areas of fraud prevention.

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