REPORT TO:	**FINANCE COMMITTEE – 16 APRIL 2007**
REPORT ON:	**COUNTER-FRAUD REPORT OCTOBER - DECEMBER 2006**
REPORT BY:	**DEPUTE CHIEF EXECUTIVE (FINANCE)**
REPORT NO:	**221-2007**

1.0 PURPOSE OF REPORT

1.1 This report is to inform the Elected Members on the Revenues Division's Housing Benefit and Council Tax Benefit Counter Fraud activity as at 31 December 2006.

2.0 RECOMMENDATIONS

It is recommended that the Committee approve the Counter Fraud Performance Report

3.0 FINANCIAL IMPLICATIONS

3.1 None

4.0 LOCAL AGENDA 21 IMPLICATIONS

4.1 None

5.0 EQUAL OPPORTUNITIES IMPLICATIONS

5.1 None

6.0 BACKGROUND

6.1 The Benefit Fraud Inspectorate advised that the Elected Members should be kept informed about the activity being undertaken by the Counter Fraud Section. As a consequence, the Finance Committee at its meeting held on 14 June 2004 (Article IV(b) refers) agreed to adopt the procedure of quarterly reporting.

7.0 CONSULTATIONS

7.1 The Chief Executive and the Depute Chief Executive (Support Services) have been consulted on this report.

8.0 BACKGROUND PAPERS

8.1 None.

D K Dorward
Depute Chief Executive (Finance) **Date: 23 March 2007**

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COUNTER FRAUD PERFORMANCE REPORT

Position Statement as at 31 December 2006

COUNTER-FRAUD SECTION PERFORMANCE

1. INTRODUCTION

In July 2003 the Council was inspected by the Benefit Fraud Inspectorate. The resulting report, published on 05 February 2004, included various recommendations, one of which was to make Counter-Fraud operational information available to Elected Members. To address this recommendation, the June 2004 Finance Committee agreed to adopt quarterly reporting.

2. INCOME RECEIVED BY COUNCIL FROM THE COUNCIL'S COUNTER FRAUD ACTIVITY

(as at 31 December 2006)

INCOME SOURCE		COUNCIL TENANTS HOUSING BENEFIT	PRIVATE TENANTS HOUSING BENEFIT	COUNCIL TAX BENEFIT	TOTALS
*** Benefit Overpayments**		**£**	**£**	**£**	**£**
	Classified as Fraud	44,421	47,126	33,951	**125,498**
	Classified as Claimant Error	21,290	24,638	21,415	**67,343**
Administrative Penalty Recovery					
TOTALS		**65,711**	**71,764**	**55,366**	**192,841**

*The Council receive a 40% reimbursement on overpayments therefore the reporting reflects 40% of the overpayment levels actually accrued.

The Department for Work and Pensions have changed the way Councils are funded for counter-fraud activity. Instead of rewarding Councils for each case where benefit is reduced or withdrawn, Councils' now receive income to cover fraud work in the annual administration subsidy grant which is a lump sum allocated to Councils to cover benefit administration in total so there is no set breakdown as to the exact amount that has been included for fraud work. The above grid reflects only those other aspects of fraud work income that can be identified.

Comparison information for the period April to December
(comparison information for claimant error cases resulting from counter-fraud activity will be available from April 2007)

Fraud Overpayments		**Administrative Penalties**	
£		**£**	
2006/7	2005/6	2006/7	2005/6
125,498	**33,836**	**869**	**466**

3. REDUCTION & CESSATION OF BENEFITS

Whilst this report primarily deals with our investigations that result in fraud proven, there is a secondary tier of benefit action resulting from cases where the fraud has not been proven but the investigation establishes that the claimant failed to report a change in circumstances that results in their benefit award either being reduced or withdrawn over the period of time the investigation centred on.

Comparison information for the period April to December
(cases not processed during any given month are carried over each month until processed)

	April to December 2006-7
Completed & processed investigations	**316**
Investigations where either a reduction or cessation of benefit transpired	**162**
Percentage	**51%**
Financial total	**£513,982**

4. PROSECUTIONS POSITION STATEMENT

	2006/7
Reports submitted to the Procurator Fiscal	**9**
Successful prosecutions	**2**
Unsuccessful prosecutions	**0**
Outcome pending	**7**
New reports being prepared	**2**

5. PERFORMANCE STANDARDS FRAUD RETURNS

The Performance Standards relating to benefit fraud have been reviewed by the Department for Work and Pensions and there are now Benefit related Performance Standards with each one having various enablers. These enablers are procedures and processes that need to be in place to underpin the actual Standard. The Council cannot be said to have reached the Performance Standard until both the standard and the enablers are all in place.

There are six performance measurements for benefit fraud.

- **No of fraud referrals per 1000 caseload**

April to December 2006-7	April to December 2005-6
3.5	**3.5**

- **No of fraud investigators employed per 1000 caseload**

April to December 2006-7	April to December 2005-6
0.22	**0.20**

- **No of fraud investigations per 1000 caseload**

April to December 2006-7	April to December 2005-6
1.24	1.87

- **No of reported sanctions per 1000 caseload**

April to December 2006-7
0.35

- **Time measure on the time taken from receipt of a referral to the referral content being assessed and determining appropriate actioning of the case. The Performance Standard is for this transitional stage to be completed in an average of 10 working days.**

April to December 2006-7	April to December 2005-6
92%	83.5%

- **Time measure on the time taken from assessing the referral content for appropriate action to the Investigation Officer starting the investigation. The Performance Standard is for this transitional stage to be completed within an average of 10 working days.**

April to December 2006-7	April to December 2005-6
3%	44.5%

A staff vacancy occurring at short notice, causing the team to take on board that officers live caseload, and an increase in lengthy investigations have caused performance in this statistic to fall drastically.

6. SANCTION VARIANCES

As per the Benefit Fraud Inspectorate's recommendation, Elected Members are to be updated about any cases where the sanction action taken against a person, who has committed a benefit fraud offence, is at variance to our current Anti Fraud & Anti Corruption Policy. The variance situations will be noted on the report following the occurrence.

April to December 2006-7	April to December 2005-6
2	9

There has been one variance this quarter where the benefit claimant provided bank statements in person and the bank was not approached for a witness statement re provision as is the normal course of events.

7. JOINT WORKING SANCTIONS

April to December 2006-7	April to December 2005-6
4	11

8. JOINT WORKING SANCTION VARIANCES

April to December 2006-7	April to December 2005-6
0	2

9. RESOURCES

No of Investigating Officers	
2006/7	2005/6
4.77	4.55

10. RECOVERY OF BENEFIT FRAUD OVERPAYMENTS
(comparison information for the period April to December)

Paid in full		Automatic deductions from ongoing benefit entitlement		Arrangement in place		Sheriff Officer recovery in place		Total % cases recovered or where recovery in place	
%		%		%		%		%	
2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6
42.6	35	22.5	30.4	5.8	6.6	2.1	4.5	73	76.5

In the third quarter of this financial year 70.9% of fraud overpayment cases have either been repaid in full or there is an automatic deduction or arrangement in place with the debtor. Taking into account the additional debts being recovered via the Sheriff Officer, 73% of fraud overpayments have been/are being recovered.

Of the 73%, 42.6% have been paid in full, 22.5% are being repaid by automatic deductions from ongoing benefit entitlement, 2.1% are being recovered via the Sheriff Officer and the remaining 5.8% have repayment arrangements in place.

For cases where the council finds it cannot recover the overpayment such as instances where the debtor has moved away, deceased cases, and any other situation where the recovery process has been exhausted, a 'write off' procedure is necessary and for this quarter this amounts to 10.8% of cases. These cases are regularly reviewed and wherever possible the recovery recommences at that point.

There are also instances where certain cases are non-recoverable such as instances where the debtor could not have been expected to know that the overpayment had occurred, technical error, LA or DWP error and for this quarter this amounts to 0.9% of cases.

The remaining 15.3% of cases are at the various stages of recovery for debtors that have failed to put repayment measures in place.

The Council actively pursues all debtors by invoking all legal measures to increase debt recovery. However, anyone who has a debt with the Council should be aware that once the first step is taken to contact us about the matter then mutually suitable arrangements can be put in place, relieving the debtor from the worry of this debt and enabling the Council to reduce the level of debt overall.

11. COUNTER-FRAUD REFERRALS (comparison information for the period April to December)

Council Non-Revenues		Revenues		External to Council		Totals		Public (included in External to Council count)	
Nos		Nos		Nos		Nos		Nos	
2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6
13	36	274	204	399	456	686	696	223	221

Reporting for the period April to December of the financial year 2006/7 the Counter Fraud Section has received 686 referrals covering 18 different Fraud Types. The most prolific referral fraud type for the year to date is referrals alleging that benefit claimants have failed to declare a partner in the property and accounts for 46% of referrals followed by allegations of benefit claimants failing to declare earnings which accounts for 21% of our referrals.

12. COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING

Between October and December 2006 there have been no matters raised from the Counter-Fraud Section that have required action by Revenues in order to secure the benefit system further against fraud.

13. INVESTIGATION PERCENTAGE SUCCESS RATE
(comparison information for the period April to December)

	2006-2007	2005-2006 Comparison
Percentage success rate on case closures	29%	21%
No of live investigations	138	191

14. COMPLAINT MONITORING (comparison information for the period April to December)

There have been no complaints received in relation to Counter Fraud activities for this financial year to date.

D K Dorward
Depute Chief Executive (Finance) **Date:** 23 March 2007

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