

**REPORT TO: FINANCE COMMITTEE**  
**REPORT ON: COUNTER-FRAUD REPORT JULY – SEPTEMBER 2005**  
**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**  
**REPORT NO: 6-2006**

**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 for the period July - September 2005.

**2.0 RECOMMENDATIONS**

It is recommended that the Committee note the attached Counter Fraud Performance Report

**3.0 FINANCIAL IMPLICATIONS**

- 3.1 None

**4.0 LOCAL AGENDA 21 IMPLICATIONS**

- 4.1 Benefit financial resources are used effectively by ensuring that fraudulent claims are withdrawn

**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 CONSULTATION**

- 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 21 December 2005

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## **COUNTER FRAUD PERFORMANCE REPORT**

**JULY - SEPTEMBER 2005**

## COUNTER-FRAUD SECTION PERFORMANCE

### 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.

### INCOME RECEIVED BY COUNCIL FROM THE COUNCIL'S COUNTER FRAUD ACTIVITY (April – September 2005)

INCOME SOURCE			COUNCIL TENANTS HOUSING BENEFIT	PRIVATE TENANTS HOUSING BENEFITS	COUNCIL TAX BENEFIT	DWP	TOTALS
* Benefit Overpayments			£	£	£	£	£
	Classified as Fraud		4,518	4,914	5,587		15,019
	Classified as Claimant Error		28,099	19,628	25,960		73,687
Incentive Rewards							
	Classified as Fraud		645	675	265	300	1885
	Classified as Claimant Error		1,210	1,220	505	0	2,935
Sanction Income							
	Administrative Cautions (9)						10,800
	Administrative Penalties (9)						10,800
	Prosecutions						
		Citation Rewards (4)					4,800
		Successful Prosecution Rewards (2)					4,000
TOTALS			34,472	26,437	32,317	300	£123,926

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

### REDUCTION AND CESSATION OF BENEFITS

Whilst this report mostly deals with our investigations that result in fraud proven, there is a secondary tier of benefit action resulting from the Counter-Fraud Section where investigations fall short of proving that a fraud offence has been committed but the work that the officers have done on a case results in the benefits being reduced or withdrawn or a combination of both over the period of time the investigation centred on.

As at the end of September 2005, taking into consideration this fraud not proven category, the section are reflecting a 52% running average of cases resulting in either reduction or withdrawal or both.

This is a clear indication that the Referral Quality Assessment procedures (RQA) in place are working well. The RQA is a procedure whereby referrals are assessed for content, past and present knowledge about the claimant and any associates and background information from various sources. This information enables the team to prioritise cases and so to investigate the cases where there is a high level of risk.

## PROSECUTIONS

As at 30 September 2005 there have been 14 prosecution cases in total since November 2003. The position of the prosecution cases is as follows:

No of cases	Stage
5	Successfully prosecuted
4	Not prosecuted by Procurator Fiscal
1	Not guilty plea - due to be heard in court
1	Referred for prosecution and currently with the Procurator Fiscal
1	Joint investigation with the DWP being referred to the Procurator Fiscal by the DWP's Fraud Proceedings Unit
1	Waiting on an adjudication from the DWP on DWP benefits
1	Lesser sanction being considered
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## PERFORMANCE STANDARDS

As reported in the 2004-2005 end of year report 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 has been no indication as yet from the Department for Work and Pensions as to what these returns mean in real terms, whether they indicate a good or bad performance level by the section, but any further information relating to this will be reported in later reports.

Out of the 19 Performance Standards for benefit fraud there are six performance measurements.

- **Number of fraud referrals per 1000 caseload**

For the quarter July to September the Counter-Fraud Section reported receiving 257 referrals. The average over the three months of our benefit caseload (no of people on Housing Benefit and Council Tax Benefit) is 21,825. This then resulted in a performance measure of 3.9, reported as 3 for this statistic.

- **Number of fraud investigators employed per 1000 caseload**

For the quarter July to September the Counter-Fraud Section reported having 4 Investigating Officers for the month of July which rose to 5 from August onwards due to the additional officer in post due to attracting temporary external funding. Using the same caseload figure as noted above the quarterly return for this performance measure was 0.21.

- **Number of fraud investigations per 1000 caseload**

For the quarter July to September the Counter-Fraud Section reported having 59 cases brought to final Closure making an average of 19.66, reported as 19 for the performance measure. Using the same caseload figure as noted above the quarterly return for this performance measure was 0.9, reported as 1.

- **Number of successful sanctions per 1000 caseload**

The Counter-Fraud Section reported having 22 successful sanctions in total and using an average

caseload figure for the six months (caseload figures from April to September) of 21,902, the return for this performance measure was 1.

- **Time measure on the time taken from the initial stage of receipt of referrals to the stage where the referral is assessed for content and appropriate actioning. The Performance Standard is for these stages to be completed within an average of 10 working days from receiving the referral.**

The Counter-Fraud Section reported an average return of 67% for this performance standard enabler.

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

The Counter-Fraud Section reported an average return of 64% for this performance standard enabler.

## **SANCTION VARIANCES**

As per the Benefit Fraud Inspectorate's recommendation, Elected Members should be updated about any cases where the sanction action taken against a person who has committed a benefit offence is at variance to our current Anti Fraud & Anti Corruption Policy and Benefit Sanction Policy. For this quarter July – September 2005 there has been three variances as follows:

- The benefit overpayment was within the Administrative Penalty financial range. An Administrative Penalty is 30% of the accrued benefit overpayment. In the case where it is a partner who has been found to have knowingly allowed another to commit benefit fraud, there is no overpayment in the defrauder's name therefore an Administrative Penalty is not appropriate. In this instance an Administrative Caution was levied instead.
- The benefit overpayment was within the Administrative Penalty range but the claimant has a terminal illness. It was therefore determined that a further financial penalty would not be appropriate in this particular instance and an Administrative Caution was levied instead.
- The benefit overpayment was within the Prosecution financial range but the Department of Work and Pensions (DWP), who had taken the lead in this particular joint investigation, found that an Administrative Penalty was appropriate when assessing the situation with their benefits. As it would have been inconsistent to have one organisation prosecuting while another levied a financial penalty, the LA defaulted to administering an Administrative Penalty instead. In the case of an LA led joint investigation, it is expected that the DWP will follow suit and follow our adjudication outcome on which sanction, if any, is appropriate.

## **JOINT WORKING SANCTIONS**

The joint working between the Council's Counter-Fraud Section and the Department for Work and Pensions Counter-Fraud Investigation Service continues to work well resulting in two Administrative Cautions being levied this quarter.

## **JOINT WORKING SANCTION VARIANCES**

Up to the end of September 2005, one of the joint working investigations has resulted in sanction variances to our policy. This particular variance arose because the benefit overpayment was within the Prosecution financial range but the Department of Work and Pensions (DWP), who had taken the lead in this particular joint investigation, found that an Administrative Penalty was appropriate when assessing the situation with their benefits. As it would have been inconsistent to have one organisation prosecuting while another levied a financial penalty, the LA defaulted to administering an Administrative Penalty instead. In the case of an LA led joint investigation, it is expected that the DWP will follow suit and follow our adjudication outcome on which sanction, if any, is appropriate.

## **RESOURCES**

It was reported last quarter that there was due to be two new temporary Investigating Officers in the section due to the approval of an external funding bid to the Department for Work and Pensions. However, only one

officer has taken up post. Nevertheless, this is a welcome additional resource to the Counter-Fraud Section that will enable the Section to investigate more cases and close down more fraudulent claims.

## **RECOVERY OF BENEFIT FRAUD OVERPAYMENTS**

At the end of the second quarter of 2005/06, 73% of all fraud overpayment cases have either been repaid in full or there is an automatic deduction from benefit or a financial arrangement in place with the debtor. This is a 3% increase from the previous quarter (31% paid in full, 33% being repaid by deductions from ongoing benefit entitlement, 9% being repaid by financial arrangement).

Of the remaining 27% of cases, 7% have been deemed non-recoverable with 20% 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.

## **COUNTER-FRAUD REFERRALS**

Reporting from the start of this financial year the Counter Fraud Section has received 429 referrals covering 21 different Fraud Types. 33 referrals have come in from sources within the Council but outwith Revenues, 264 from external sources, and the balance of 132 originating from within Revenues. Within the external source referrals the public have provided the Council with 161 referrals which is just over 37% of our referral total.

The most prolific referral fraud type this quarter at 32% is reports of benefit claimants failing to declare a partner in the property followed at 23% of reports of claimants failing to declare earnings of household members.

## **COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING**

Between 01 July 2005 and 30 September 2005 there have been eight matters raised that have required action by Revenues benefit managers in order to secure the benefit system further against fraud and one matter in relation to external organisations and their fraud awareness. All these issues are being addressed through the appropriate channels.

## **REFERRAL OUTCOME ANALYSIS**

Over the period 01 July 2005 to 30 September 2005 the Counter Fraud Section has averaged a 23% success rate (proven fraud) on the cases closed within the quarter which equals the performance from the previous quarter.

There are currently 205 ongoing investigations compared to 203 in the previous quarter.

## **COMPLAINT MONITORING**

There have been no complaints received in relation to Counter Fraud in the second quarter of the financial year 2005-2006.

## **COMPARISON REPORTING**

It has been noted that the current information provided in the Counter-Fraud Performance Report would be improved if more comparison data was included to allow the reader to follow the progress of the Section. In order to provide this the last quarter reporting in any financial year will include a comparison assessment for each appropriate item.

D K Dorward  
Depute Chief Executive (Finance)

Date 21 December 2005

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