

**REPORT TO:** FINANCE COMMITTEE – 11 SEPTEMBER 2006  
**REPORT ON:** COUNTER-FRAUD REPORT - APRIL TO JUNE 2006  
**REPORT BY:** DEPUTE CHIEF EXECUTIVE (FINANCE)  
**REPORT NO:** 518- 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 current activity for the quarter April – June 2006.

**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- 4.1 Benefit financial resources are used effectively by ensuring that fraudulent claims are withdrawn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)  
11 September 2006

t:\reports\518-2006



## **COUNTER FRAUD PERFORMANCE REPORT**

**April – June 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

April to June 2006

INCOME SOURCE		COUNCIL TENANTS HOUSING BENEFIT	PRIVATE TENANTS HOUSING BENEFIT	COUNCIL TAX BENEFIT	DWP	TOTALS
<b>* Benefit Overpayments</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	Classified as Fraud	28,285	40,914	13,610		<b>82,809</b>
	Classified as Claimant Error	21,374	15,605	10,293		<b>47,272</b>
<b>Administrative Penalty Recovery</b>						<b>573</b>
<b>TOTALS</b>		<b>49,659</b>	<b>56,519</b>	<b>23,903</b>	<b>NLA</b>	<b>130,654</b>

\* 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 administration subsidy grant which has been allocated to councils based on their total caseload of benefits therefore there is no set breakdown as to the exact amount that has been included for fraud work. The above grid has been amended to reflect the change in funding arrangements.

#### Comparison of Sanction Income for quarter one

	<b>Administrative Penalties</b>	
	<b>£</b>	
	2006/7	2005/6
Penalty Recovery	573.	1,299

### 3. REDUCTION & CESSATION OF BENEFITS April to June 2006

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.

Taking into account both fraud and claimant failure cases resulting from the Counter-Fraud Section investigations there have been 133 completed investigations with 68 resulting in a reduction or withdrawal of benefit.

This demonstrates that out of the cases investigated by the Counter-Fraud Section in the first quarter of this financial year, 51% have established that the benefit claimants' failed to provide correct information when claiming benefit.

#### **4. PROSECUTIONS**

For the first quarter of 2006-2007, the council have recorded a successful prosecution with a further two possible cases in the pipeline.

#### **5. PERFORMANCE STANDARDS FRAUD RETURNS April to June 2006**

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 good or bad performance levels 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.

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

In the first quarter of this financial year the Counter-Fraud Section reported receiving 233 referrals.

The average benefit caseload over the quarter (no of people on Housing Benefit and Council Tax Benefit) was 21,592. This then resulted in a performance measure of 10.69 for this statistic.

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

In the first quarter of this financial year the Counter-Fraud Section have had the full compliment of 5 Investigating Officers. With the average caseload figure of 21,592 the return for this performance measure was 0.23.

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

In the first quarter of this financial year the Counter-Fraud Section reported having 105 completed cases. With the average caseload figure of 21,592 the return for this performance measure was 4.68.

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

This return is based on the no of sanction cases the council has had. Sanction cases are those where the council has deemed the case suitable for prosecution and has imposed and Administrative Caution, an Administrative Penalty or reported the matter to the Procurator Fiscal.

The Department for Work and Pensions have changed the way they count prosecutions. Previously the council had to have a guilty verdict in court but now it is at the point of referral to the Procurator Fiscal that the case is included in this measure.

There have been 3 successful sanctions in the first quarter of this financial year with an average caseload of 21,592 the return for this Performance Standard was 0.14.

- **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.**

In the first quarter of this financial year 86.5% of referrals met the standard.

- **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.**

In the first quarter of this financial year 51% of referrals met the standard.

## **6. SANCTION VARIANCES** April to June 2006

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. In the first quarter of this financial year there has been only one variance where a claimant was recently bereaved leaving them in considerable debt. The overpayment level met the criteria for an Administrative Penalty but it was thought that to increase the debt situation would only exacerbate the claimants situation therefore the lesser penalty of an Administrative Caution was imposed.

## **7. JOINT WORKING SANCTIONS** April to June 2006

In the first quarter of this financial year there have been no joint working sanctions between the Council's Counter-Fraud Section and the Department for Work and Pensions Counter-Fraud Investigation Service.

## **8. JOINT WORKING SANCTION VARIANCES** April to June 2006

This is not applicable for this quarter as there have been no joint working sanctions.

## **9. RESOURCES** April to June 2006

The Counter-Fraud Section is now running at full strength with 5 Investigating Officers, one of which is employed on a temporary basis. There are currently 148 ongoing investigations with a current proven fraud percentage of 20.5%.

## **10. RECOVERY OF BENEFIT FRAUD OVERPAYMENTS** April to June 2006

In the first quarter of this financial year 68.9% 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, 72.6% of fraud overpayments have been/are being recovered.

Of the 72.6%, 36.9% have been paid in full, 25.9% are being repaid by automatic deductions from ongoing benefit entitlement, 3.7% are being recovered via the Sheriff Officer and the remaining 6.1% 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 10.5% 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 0.8% of cases.

The remaining 16.1% 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.

## Comparison of Recovery Achieved

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
36.9	30	25.9	33	6.1	7	3.7	N/A	72.6	70

(N/A = stats not available)

### 11. COUNTER-FRAUD REFERRALS April to June 2006

Reporting for the quarter April to June of the financial year 2006/7 the Counter Fraud Section has received 231 referrals covering 10 different Fraud Types. 2 referrals have come in from sources within the Council but outwith Revenues, 142 from external sources, and the balance of 87 originating from within Revenues. Within the external source referrals the public have provided the Council with 91 referrals which is just over 39% of our referral total for the quarter.

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 38.5% of referrals followed by allegations of benefit claimants failing to declare earnings which accounts for 24.5% of our referrals for the quarter April to June for the financial year 2006/7.

#### Comparison of referrals received

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
2	9	87	41	142	122	231	172	91	73

### 12. COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING April to June 2006

Between April and June 2006 there have been 2 matters raised from the Counter-Fraud Section that have required action by Revenues in order to secure the benefit system further against fraud. These issues are being addressed through the appropriate channels.

### 13. INVESTIGATION PERCENTAGE SUCCESS RATE April to June 2006

For the period April to June 2006 the Counter Fraud Section has averaged a 20.5% success rate (proven fraud) on cases closed and there are currently 148 ongoing investigations.

#### Comparison of percentage success

	2006-2007	2005-2006 Comparison
Percentage success rate on case closures	20.5%	20%
No of live investigations	148	106

#### 14. COMPLAINT MONITORING April to June 2006

There have been no complaints received in relation to Counter Fraud activities in the quarter April to June 2006.

D K Dorward  
Depute Chief Executive (Finance)

11 September 2006

t:\reports\518-2006