

REPORT TO: FINANCE COMMITTEE
REPORT ON: COUNTER-FRAUD REPORT (JULY - SEPTEMBER 2004)
REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)
REPORT NO: 722-2004

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 2004.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee adopt the quarterly report attached

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 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)

1 November 2004



COUNTER FRAUD PERFORMANCE REPORT

JULY - SEPTEMBER 2004

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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 and Council Employees.

To address this recommendation, the June 2003 Finance Committee agreed to adopt quarterly reporting tailored to provide information on our performance relating to the Performance Standards and the Benefit Fraud Inspectorate Report.

In order to assist any reader who is not conversant in Counter-Fraud terminology, a supporting explanatory information document is available in the members' lounge.

COUNTER-FRAUD FINANCIAL REPORT – 2004/2005 as at 30 September 2004

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	
Subsidy Income	SAFE Income Security Against Fraud & Error Incentive Reward Income)	Administrative Cautions Income	Administrative Penalties Income	Prosecutions Income	Annual Income
£108,149	£11,570	£1,200	£2,400	£6,000	<u>£129,319</u>

Generated from the following three areas:

1. BENEFIT OVERPAYMENTS - (refer to Column 1) The subsidy level quoted above is derived from taking 40% of the actual fraud overpayments established by the Counter-Fraud Section as shown below

Council Tenants Housing Benefit	Private Tenants Housing Benefits	Council Tax Benefit	Income Support	Job Seeker's Allowance	Other Benefits	Total
£83,482	£115,186	£60,130	£11,576	£0	£0	£270,374

2. SECURITY AGAINST FRAUD & ERROR INCENTIVE REWARD INCOME - (refer to Column 2)

Council Tenants Housing Benefit	Private Tenants Housing Benefits	Council Tax Benefit	Department for Work and Pensions Benefits	Total
£4,010	£4,950	£2,460	£150	£11,570

3. SANCTION INCOME - (refer to Columns 3 - 5)

Administrative Caution Income			Administrative Penalties Income			Successful Prosecutions		
No of cases	Incentive reward per case	Income	No of cases	Incentive reward per case	Income	No of cases	Incentive reward per case	Income
1	1,200	£1,200	2	£1,200	£2,400	2	£3,000	£6,000
Total	£9,600							

As at 30 September 2004, apart from the two successful prosecution cases noted above in the financial report, there is another case lodged with the Procurator Fiscal to take proceedings and two further cases having reached their investigative conclusion are being prepared for prosecution.

As a best practice initiative generated by the Department for Work and Pensions (DWP), Local Authorities (LA) are now expected to comply with new Joint Partnership arrangements. The result of this is that every investigation that involves DWP and LA benefits will be actioned as a joint case. The outcome of this

initiative will be to ensure that all benefit fraudsters are prosecuted where appropriate on all benefits that have been defrauded with both organisations working together. The effect is that the number of cases being prosecuted should increase as the cumulative amount of overpaid benefit will be used to determine which cases are suitable for prosecution.

For instance, previously, a case that attracted a benefit overpayment of under a certain limit in Housing Benefit and Council Tax Benefit (LA Benefits) that had a suitable level of corroborative evidence would not normally be suitable for prosecution with a lesser sanction being imposed. Similarly, where the DWP's benefit overpayment was under this amount, they would also not prosecute, again reducing the sanction as appropriate.

The new initiative means that the overpayment of all the benefits involved is combined and where this combined figure is above a certain limit or more then the case will be reported to the Procurator Fiscal.

It should be noted that this is a simplified view of the procedures for prosecutions as, in practice, each case is reviewed individually and there will be cases where the overpaid benefit amount is not the deciding factor. These sanction variances cover a wide range of situations one example for instance would be where the perpetrator has involved a third party in order to carry out the fraud, if the combined overpayment is under a certain limit, the person will still be prosecuted.

Progress on the new joint initiative will be noted in future Counter Fraud performance reports.

Sanction variances

As per the Benefit Fraud Inspectorate's recommendation, the 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. Up to 30 September 2004, all cases that were sanctioned were complying with these policy documents.

RESOURCES

During this quarter there was a post vacant that was not filled until 08 September 2004. The successful officer is experienced in benefits but new to fraud investigations so this mean the officer attending the required training courses to become an Accredited Fraud Officer as well as at least 6 months 'on the job' training before being a fully productive Counter Fraud Investigator. However the officer concerned has already picked up the caseload of the previous officer and is actively actioning these cases with assistance from the team.

The new joint partnership initiative, which commenced at the start of September, where cases are investigated jointly by the DWP and the LA has created a new set of procedures that has both organisations sharing information at many stages of each investigation. While this ensures that each organisation is aware of the progress of investigations, there has been no funding allocated to assist either the LA's or the DWP to implement the new working procedures. It is estimated that with the new procedures, the necessary statistical analysis, evaluation and reporting to the Joint Operational Board (North), this new working practice will be a heavy resource drain for fraud units.

In order to expand our investigatory work, the Council has applied for funding from the Joint Regional Board to set up a dedicated team of officers to tackle those fraud cases where claimants are failing to declare partners in their households. While these cases are investigated currently, there is an established need to take on more cases and commit resources into sophisticated investigatory techniques such as remote surveillance and there is even the possibility of applying for search warrants for serious cases in order to produce a higher level of evidence that would enable the Council to prosecute more cases.

The bid has been given approval in principle and the project is due to commence at the start of the next financial year. This new resource will be a major boon to the fraud unit and it will make a noticeable difference in the number of fraud offenders being caught. It should also make a difference in the public awareness of fraud and assist in changing any remaining perception that claimants can 'get away' with committing benefit fraud.

COUNTER-FRAUD POLICY

The Council's revised Anti-fraud & Anti-Corruption Policy and Benefit Sanction Policy, approved by the Council's Finance Committee on 13 September 2004 will shortly be added to the internet and intranet sites.

PERFORMANCE STANDARDS

The Self-assessment Performance Standards score is reflecting a Counter Fraud Section performance of 81% with work ongoing on the items still to be completed. This highlights a decrease from the 91% stated in the previous Counter Fraud Report for the first quarter of 2004-2005. Two factors have caused this adjustment, firstly a new officer has been appointed to fill a vacancy, which means that until such time as the new officer has been fully trained and accredited, some of the Performance Standards cannot be said to be fully in place. For instance, one of the standards is that all officers should have achieved a professional Counter Fraud qualification. The officer has been put forward for professional training but, until such time as the training is completed – it may take up to a year because it entails seven separate training modules – this Performance Standard can now not be said to have been met. Secondly, there are some Performance Standards that involve corporate issues, such as ensuring that all LA employees are given Fraud Awareness training and written instructions on how to refer a case to the counter fraud section. These issues are being addressed currently with Personnel and the Deputy Chief Executive (Finance) and because they are actively being put in place the standards scoring had reflected that these issues were being addressed giving a positive result in the scoring. However, a review of the standard scoring has resulted in such items being marked as not fully implemented, reflecting a negative result, until each item is fully implemented.

REFERRAL ACTION STANDARDS

Within the Performance Standards for Counter Fraud there are some specific time based standards that all Fraud Units should aim to achieve. These have been addressed individually:

Referral to assessment 5 day standard

The Performance Standard for this referral review is 5 days from receipt of the referral to the referral review (RQA – Referral Quality Assessment) being completed. Our overall performance percentage on this standard up to 30 September is 59%.

While we aim to improve on this standard, changing procedures and staff leave have a heavy impact on a small section.

Assessment to investigation 5 day standard

The Performance Standard from the completion of the referral review (RQA – Referral Quality Assessment) to the Fraud Officer starting to investigate is 5 days. Our overall performance percentage on this standard up to 30 September is 95%.

Referral to investigation 14 day standard

There is also a Performance Standard for the overall time from receipt of the referral to the investigation commencing and this has a guide standard of 14 days. Our overall performance percentage on this standard up to 30 September is 59%.

Data matching referral to investigation 14 day standard

While these figures include data matching cases, a secondary measure is taken for Data matching cases alone to report on any delay in actioning specific fraud initiative cases. The 14 day standard from receipt of referral to commencement of investigation is still applied and our overall performance percentage on this standard up to 30 September is 58%.

RECOVERY OF BENEFIT FRAUD OVERPAYMENTS

At the end of the second quarter of the financial year 2004-2005 the recovery position on Fraud Overpayments stands with 64.5% of cases with the recovery in place (19.5% have been paid in full, 30% are

being repaid by automatic deductions from ongoing benefit entitlement and the remaining 15% have repayment arrangements in place).

The remaining 35.5%, where no recovery is in place, are going through the various stages of recovery where debtors 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 will be put in place, relieving the debtor from the worry of continuing debt and enabling the Council to reduce the level of debt overall.

COUNTER-FRAUD REFERRALS

From 01.04.04 to 30.09.04 Counter Fraud Section has received 593 referrals covering 24 different Fraud Types. These referrals have been received from 15 different sources. 12 referrals have come in from sources within the Council but outwith Revenues, 288 from external sources, and the balance of 293 originating from within Revenues. Within the external sources referrals, the public have provided the Council with 144 referrals, almost a quarter of our referral total.

The most prolific referral fraud type at 28% is cases where there is a suspicion that a benefit claimant is not resident at the property they are claiming their benefits from. Cases of possible undeclared earnings and 'Living Together' cases follow close behind at 25% and 24% respectively.

COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING

Between July and September 2004 the Counter Fraud Section have identified 4 areas where it considers improvements could be made in the Benefit Administration, 2 were in connection with implementing fraud prevention procedures, 1 related to processing benefit and 1 involved the working arrangements between the DWP and LA. These areas have been discussed with the relevant parties.

REFERRAL QUALITY ANALYSIS (RQA)

The RQA process that reviews the content of referrals and determines what further action, if any, should be taken on each one, was reviewed during August. The changes implemented mean that a more in-depth assessment of the referrals is now being made to establish the cases with a higher probability of being proven. Referrers need to be aware that the more information that can be provided, the higher the chances of the Fraud Unit being able to put investigative resources into that case. It should also be noted that cases not taken on for full investigation by a Fraud Officer are still addressed by either the Revenues visiting officers or by the benefit processing officers as the Council is committed to detecting all ongoing benefit fraud offences.

For the financial year to date - 01.04.04 to 30.09.04 the unit is averaging a 12.5% success rate on cases taken on for full investigation with 48 live investigations ongoing. While the unit will always strive to increase the success rate, it is a misconception to think that this will ever reach 100% simple because there is not always a fraud offence to be found, even though the referrer genuinely feels that the claimant they are reporting is committing fraud. The Fraud Unit's role is to clarify the facts of a situation before making any decision on whether fraud has been committed or not. Our experience over the last decade shows that very often the facts do not support a fraud decision. However, the Council encourages referrals from all sources because it is these referrals that are enabling the Council to stamp out fraud in the benefit system.

COMPLAINT MONITORING

There have been no complaints received in relation to Counter Fraud in the second quarter of the financial year 2004-2005.