

REPORT TO: FINANCE COMMITTEE – 13 MARCH 2006
REPORT ON: COUNTER-FRAUD REPORT OCTOBER – DECEMBER 2005
REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)
REPORT NO: 184-2006

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4.1 Benefit financial resources are used effectively by ensuring that fraudulent claims are withdrawn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

6 March 2006
Date



COUNTER FRAUD PERFORMANCE REPORT

OCTOBER - DECEMBER 2005

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

Financial year to date report – April to December 2005

INCOME SOURCE		COUNCIL TENANTS HOUSING BENEFIT	PRIVATE TENANTS HOUSING BENEFIT	COUNCIL TAX BENEFIT	DWP	TOTALS
* Benefit Overpayments		£	£	£	£	£
	Classified as Fraud	13,654	8,078	12,104		33,836
	Classified as Claimant Error	41,945	48,470	42,661		133,076
Incentive Rewards						
	Classified as Fraud	990	1,045	410	400	2,845
	Classified as Claimant Error	1,700	2,726	1,199	0	5,625
Sanction Income						
	Administrative Cautions (10)					12,000
	Administrative Penalties (17)					20,400
	Prosecutions					
	Citation Rewards (4)					4,800
	Successful Prosecution Rewards (3)					6,000
Administrative Penalty Recovery						3,712
TOTALS		58,289	60,319	56,374	400	£222,294

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

Comparison of Sanction Income April to December

	Administrative Cautions		Administrative Penalties		Prosecutions to witness citation stage		Prosecutions to successful guilty verdict stage		Totals	
	£		£		£		£		£	
	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5
Sanction Income	12,000	1,200	20,400	2,400	4,800	2,000	6,000	4,000	43,200	9,600
Penalty Recovery	N/A	N/A	3,713	2,221	N/A	N/A	N/A	N/A	3,713	2,221

(Penalty Recovery is only applicable to Administrative Penalties)

3. REDUCTION AND CESSATION OF BENEFITS - Financial year to date report – April to December

Whilst this report primarily 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.

Taking into consideration this fraud not proven category, there have been 253 completed investigations with 106 resulting in a reduction or withdrawal of benefit.

This demonstrates that out of all the cases investigated by the Counter-Fraud Section up to the end of December 2005, just under 42% have established that the benefit claimants failed to provide correct information when claiming benefit.

4. PROSECUTIONS

As at 31 December 2005 there have been 15 prosecution cases in total since November 2003. The position of the prosecution cases is as follows:

No of cases	Stage
5	Successfully prosecuted
5	Not prosecuted by Procurator Fiscal
1	Not guilty plea - due to be heard in court
2	Referred for prosecution and currently with the Procurator Fiscal
0	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
15	

5. PERFORMANCE STANDARDS FRAUD RETURNS

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

For the quarter October to December 2005 the Counter-Fraud Section reported receiving 267 referrals.

The average benefit caseload over the quarter (no of people on Housing Benefit and Council Tax Benefit) is 21,589. This then resulted in a performance measure of 12 for this statistic.

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

For the quarter October to December 2005 the Counter-Fraud Section have had the full compliment of 5 Investigating Officers. Using the average caseload figure of 21,589 for the quarter, the return for this performance measure was 0.23.

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

For the quarter October to December 2005 the Counter-Fraud Section reported having 75 Completed cases. Using the average caseload figure of 21,589 the quarterly return for this performance measure was 3.

- **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.

This performance measure only takes account of sanctions as they appear on the council's official quarterly return to the DWP and does not pick up on any successful sanctions coming to completion in the interim.

The number of successful sanctions for this Performance Standard takes account of the year to date situation and there have been 29. Using the average caseload of 21,798, the return for this Performance Standard is 1.3.

- **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.**

For the quarter October to December 2005, 95% of referrals were assessed for appropriate action within 10 working days.

- **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.**

For the quarter October to December 2005, 55% of Investigations were started within 10 working days.

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. For this quarter October to December 2005 there has been four variances as follows:

- One case is at variance to our policy because it fitted the criteria for prosecution but the recommendation of the lead organisation, which in this case was the DWP, was to offer an Administrative Penalty instead. The DWP's decision was based on the fact that the DWP were concerned that a legal time bar, where there is a time limit set in legislation, may be reached before the case arrived at the Procurator Fiscal. When this variance arose the council noted that, if the case had been reported under different Section of the Social Security Administration Act the case would not have attracted a time bar and so could have been prosecuted.

The current joint working arrangement between the council and the DWP is that the organisation that has the lead in the case, this is usually the organisation who received the fraud referral initially, determines the action to be taken. The joint working partnership arrangements are currently being reviewed prior to implementing a 2006-2007 agreement.

- One case was a situation where the case fitted the criteria for an Administrative Penalty but the offender was the partner of the claimant. Our investigations confirmed that the offender's wife, the benefit claimant, did not know about the falsehoods, therefore there can be no fraudulent overpayment raised to the claimant and because the level of penalty is based on the amount of benefit overpaid, an Administrative Penalty is not possible in such cases (an Administrative Penalty is set as 30% of the accrued benefit overpayment). After due consideration and discussion with the DWP an Administrative Caution was imposed.
- One case was a situation where the case criteria fitted an Administrative Penalty but a review of the circumstances involved led us to impose the lesser Administrative Caution instead. Sanction cases are always subject to individual scrutiny of the circumstances and in this instance the amount of the overpayment was at the lower end of the Administrative Penalty range, the claimant admitted the offence, had no previous fraud history and had a terminal illness. The council has a duty of reasonableness when assessing cases for suitable action and, while the fraud offence was clearly admitted to in this instance, it was felt that to impose a further financial penalty on someone in these circumstances would not be reasonable therefore the lesser sanction was imposed instead.
- One case was found suitable for an Administrative penalty but the overpayment that resulted from the offence amounted to just one week. It was felt that a fraud for this short duration would not be appropriate for prosecution and as such, given that any sanction case must be suitable for subsequent prosecution if the offender refuses the offering of a lesser sanction, this case was not then appropriate for any sanction action. The Council needs to ensure it is detecting and taking action on cases where benefit fraud is established but there is also a duty of reasonableness when making such decisions and it was felt that it would not have been reasonable to impose a sanction for the period of one week's benefit overpayment.

The Anti-Fraud and Anti-Corruption Policy and Benefit Sanction Policy will be updated to reflect these variances when it is next reviewed.

7. JOINT WORKING SANCTIONS

Through continuing joint working between the Council's Counter-Fraud Section and the Department for Work and Pensions Counter-Fraud Investigation Service there has been a further sanction case this quarter.

8. JOINT WORKING SANCTION VARIANCES

For the period October to December 2005 there was only one case where the action taken was at variance to our Ant-fraud and Anti-corruption Policy. The case is reported in Section 6 SANCTION VARIANCES

9. RESOURCES

The Counter-Fraud Section is now running at full strength with 5 Investigating Officers, one of which is employed on a temporary basis due to external funding. The additional officer resource is allowing the Section Manager to widen the range of referrals that are investigated and also the investigative techniques that can be utilised to detect benefit fraud. This and future reports will report on the increased number of fraudulent claims being detected by the team.

This works well alongside the procedures that are already in place within Revenues to maintain a high level of accuracy in our benefit caseload.

10. RECOVERY OF BENEFIT FRAUD OVERPAYMENTS

For the period October to December 2005, 72% of all fraud overpayment cases have either been repaid in full or there is an automatic deduction from ongoing benefit entitlement or, where there is no benefit in payment to take automatic deductions from, a financial arrangement in place with the debtor.

In addition to this 4.5% of cases are now being recovered via the Sheriff Officer making a total of 76.5% of fraud overpayment cases have been or are being recovered.

The 76.5% is broken down as follows:

35% has been paid in full, 30.4% is being repaid by deductions from ongoing benefit entitlement, 6.6% is being recovered by financial arrangement because benefit is no longer in payment and 4.5% is being recovered via the Sheriff Officer.

10% of cases have been written-off or made non-recoverable for various reasons led by Housing Benefit legislation.

The remaining 13.5% of cases are at 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 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	
%		%		%		%		%	
2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5
35	29	30.4	27	6.6	14.5	4.5	N/A	76.5	70.5

(Sheriff Officer recovery statistics are a new addition to the Counter-Fraud Performance Reporting)

11. COUNTER-FRAUD REFERRALS

Reporting from the start of this financial year the Counter Fraud Section has received 696 referrals covering 25 different Fraud Types. 36 referrals have come in from sources within the Council but outwith Revenues, 456 from external sources, and the balance of 204 originating from within Revenues. Within the external source referrals the public have provided the Council with 221 referrals which is just under 32% of our referral total.

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 36% of referrals followed by allegations of benefit claimants failing to declare earnings which accounts for 21% of our referrals this year so far.

Comparison - April to December

Council Non-Revenues		Revenues		External to Council		Totals		Public (included in External to Council count)	
Nos		Nos		Nos		Nos		Nos	
2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5
36	20	204	423	456	396	696	839	221	198

12. COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING

Between October to December 2005 there have been two matters raised 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

For the period October to December 2005 the Counter Fraud Section has averaged a 21% success rate (proven fraud) on cases closed and there are currently 191 ongoing investigations.

Comparison - April to December

	2005-2006	2004-2005 Comparison
Percentage success rate on case closures	21%	16%
No of live investigations	191	58

14. COMPLAINT MONITORING

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

D K Dorward
Depute Chief Executive (Finance)

6 March 2006
Date

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