

REPORT TO: FINANCE COMMITTEE
REPORT ON: COUNTER-FRAUD REPORT (OCTOBER - DECEMBER 2004)
REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)
REPORT NO: 91-2005

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 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)

Date



COUNTER FRAUD PERFORMANCE REPORT

OCTOBER – DECEMBER 2004

INDEX

ITEM	PAGE NO	
INTRODUCTION	3	
COUNTER-FRAUD FINANCIAL REPORT	3	
SANCTION VARIANCES	4	
JOINT WORKING SANCTIONS	4	
JOINT WORKING SANCTION VARIANCES	4	
RESOURCES	5	
PERFORMANCE STANDARDS	5	
REFERRAL ACTION STANDARDS	5	
	Referral to assessment 5 day standard	5
	Assessment to investigation 5 day standard	5
	Referral to investigation 14 day standard	5
	Data matching referral to investigation 14 day standard	5
RECOVERY OF BENEFIT FRAUD OVERPAYMENTS	6	
COUNTER-FRAUD REFERRALS	6	
COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING	6	
REFERRAL ANALYSIS	6	
COMPLAINT MONITORING	6	

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 31 December 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
£115,635	£16,640	£1,200	£2,400	£6,000	<u>£141,875</u>

Generated from the following three areas:

1. BENEFIT OVERPAYMENTS - (refer 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
£94,746	£119,022	£63,745	£11,576	£0	£0	£289,089

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

Council Tenants Housing Benefit	Private Tenants Housing Benefits	Council Tax Benefit	Department for Work and Pensions Benefits	Total
£5,770	£7,140	£3,430	£300	£16,640

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 31 December 2004 there is a total of eleven prosecution cases this financial year at the following stages:

No of cases	Stage
2	Successfully prosecuted
2	Not prosecuted by Procurator Fiscal
1	Still to be adjudicated on by the Procurator Fiscal
3	Referred for prosecution via the DWP Fraud Proceedings Unit
1	In the final stages of preparation
2	Final stage of evidence gathering
11	Total

With the team going from strength to strength it is hoped that in the near future there will be scope to increase the number of officers so that more benefit fraudsters can be caught and prosecuted.

The lack of Administrative Cautions and Administrative Penalties this quarter is disappointing but there are four likely cases coming to the final stages, one which has come from our joint working partnership with the DWP and there is an additional 88 cases at the earlier stages of investigation.

The type of sanction administered for any case is appropriate to the seriousness of the crime and with more of our cases resulting in referrals to the Procurator Fiscal this will naturally result in a reduction in the number of lesser sanction cases.

Cases are monitored closely to ensure that wherever a claimant has defrauded the benefit system all possible action is taken against them which should prevent them from committing benefit fraud again and also, when the prosecution information stating their details is published in the papers, to act as a deterrent to anyone else considering committing benefit fraud.

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 31 December 2004 all cases that have been sanctioned have complied with current policy guidance.

JOINT WORKING SANCTIONS

There have been five case investigated under the new joint working partnership agreement with the DWP. Unfortunately, only one of these cases is likely to yield a sanction. However, these cases have led to their being set joint working procedures that pave the way forward to successful joint working from now on and it is expected that the volume of claimants being sanctioned when they commit benefit fraud will increase significantly over time because of this new national agreement.

JOINT WORKING SANCTION VARIANCES

The recent cases that were investigated under the new Joint Working Partnership with the DWP identified differences in policy between the Council and the DWP. In order to remove any barrier to joint working, the Councils policy documents on fraud, The Anti Fraud and Anti Corruption Policy and the Benefit Sanction Policy have been revised to bring the Council in line with the same financial guidelines as the DWP. Benefit Fraud policy documents can be viewed on the Council's internet and intranet sites.

RESOURCES

During this quarter the new member of the team, filling a previous vacancy, brought the team up to full strength again and, although it will take some time for the officer to be up to speed with the investigatory side of things, it will result in even more cases being investigated and more fraudsters prosecuted.

Further to this, the LA and the DWP investigatory sections have joined together to submit a funding bid to the DWP to enable us to employ a further three experienced staff to specifically target certain areas of fraud where our records show there is a high risk of fraud within the Dundee area.

It is important to catch fraudsters as early as possible so that public funds are being protected and more benefit claimants who have defrauded benefits are investigated and prosecuted and so provide a deterrent to others and this initiative will assist us in this.

This new initiative is expected to run for a year initially with the possibility of further funding requests being reviewed annually.

PERFORMANCE STANDARDS

The Self-assessment Performance Standards score is reflecting an increased Counter Fraud Section performance of 85% with work still ongoing on the items still to be completed. This highlights an increase from the previous quarters scoring of 81%.

The team continue to implement improvements wherever possible and practicable within the given financial, human and time resources.

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. However, much as these targets are an important measure on performance there will from time to time be other areas that have to take priority. In this quarter, the speed with which referrals were dealt with took secondary place to data matching initiatives that were ongoing and so the figures naturally reflect this. As the initiatives are now actioned and the resulting referrals are under investigation, the team can now start to concentrate on bringing our referrals up to date and so the final quarter of the year should reflect improved figures.

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 performance percentage on this standard this quarter is 15%.

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 performance percentage on this standard this quarter is 81%.

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 performance percentage on this standard this quarter is 38%.

Data matching referral to investigation 14 day standard

While the above 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. This category will include any cases resulting from the National Fraud Initiative data matched cases due to commence in January 2005. Our performance percentage on this standard this quarter is 93%.

RECOVERY OF BENEFIT FRAUD OVERPAYMENTS

At the end of the third quarter of the financial year 2004-2005 the recovery position on Fraud Overpayments stands at 70.5% of cases with the recovery in place. This reflects 6% increase from the previous quarter. Of this 70.5% recovery, 29% have been paid in full, 27% are being repaid by automatic deductions from ongoing benefit entitlement and the remaining 14.5% have repayment arrangements in place.

The remaining 29.5%, where no recovery is in place, are going through the various stages of recovery that are implemented 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 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

From 01.04.04 to 31 December 2004 the Counter Fraud Section has received 839 referrals covering 24 different Fraud Types. 20 referrals have come in from sources within the Council but outwith Revenues, 396 from external sources, and the balance of 423 originating from within Revenues. Within the external sources referrals, the public have provided the Council with 198 referrals, just under a quarter of our referral total.

The most prolific referral fraud type at 28% is cases where a benefit claimant has failed to declare a partner in the property. A new fraud initiative is pending specifically tailored to this type of fraud.

The referrals reporting situations where claimants are working and not declaring their earnings and where there is a suspicion that a benefit claimant is not resident at the property they are claiming their benefits from follow closely with both registering 25% of the referral caseload.

COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING

Between October and December 2004 the Counter Fraud Section have identified 3 areas where it considers improvements could be made in Benefit Administration, 2 related to processing benefit and 1 involved the working arrangements between the DWP and LA. These areas are being raised at the appropriate level with the relevant parties.

REFERRAL ANALYSIS

A revised Referral Quality Assessment (RQA) procedure has now been in place since November 2004 and this is starting to make its impact on the number of cases prioritised for investigation.

Unfortunately, many referrals that are received do not contain enough specific information to enable us to investigate but it is hoped that the Fraud Awareness information on the Internet, in the presentations that are being done and the publicity from the department will have an effect on the quality of referrals received over time.

For the financial year to date - 01.04.04 to 31.12.04 the unit is averaging a 17% success rate on cases taken on for full investigation. This is an increase of 4.5% on last quarter and there are currently 58 live investigations ongoing.

While the unit will always strive to increase the success rate, it remains to be seen how much of an increase we can achieve. This is because there will always be a non-measurable amount of cases where, although we receive a referral advising that there may be a benefit fraud offence being perpetrated, when an investigation is undertaken we find the allegation unfounded. However, we would always encourage the reporting of suspected fraud.

COMPLAINT MONITORING

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