

Agenda item:

**Audit Committee**

**On 5<sup>th</sup> November 2009**

**Report Title. Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit.**

Report of : Gerald Almeroth, Chief Financial Officer

Signed :



Contact Officer : Tim Fisher, Deputy Head of Benefits and Local Taxation (020 8489 1954)

Wards(s) affected: All

Report for: Information Only

**1. Purpose of the report**

- 1.1. To advise and update Members on the Counter Fraud performance of the Benefit and Local Taxation Service from the 1<sup>st</sup> July 2009 – 30<sup>th</sup> September 2009.

**2. Introduction by Cabinet Member (if necessary)**

- 2.1. N/A

**3. State link(s) with Council Plan Priorities and actions and /or other Strategies:**

- 3.1. The Council has a published Anti-Fraud and Corruption Strategy. The activities stated in this report directly relate to the Council maintaining effective counter –fraud activities as defined by this strategy
- 3.2. The requirement to maintain effective counter fraud activities is a requirement of the Corporate Area Assessment as defined by the Key Line of Enquiry – *Service Outcomes for Users and the Community*

**4. Recommendations**

- 4.1. That Members consider and note this report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity.

## **5. Reason for recommendation**

- 5.1. For Members to remain informed of the activity of the Fraud Investigations Team and are able scrutinise this accordingly.

## **6. Other options considered**

- 6.1. Not applicable

## **7. Summary**

- 7.1. The Benefits and Local Taxation Service continues to maintain and further develop an effective approach to counter – benefit fraud activity. Since April 2009 BLT has achieved 30 successful sanctions against those found to be committing benefit fraud. During quarter 2 2009/10 BLT achieved 19 sanctions and has a further 21 cases referred for prosecution. Key work priorities for the Fraud Investigation Team are the National Fraud Initiative and joint working with the Department for Work and Pensions.

## **8. Chief Financial Officer Comments**

- 8.1. The Chief Financial Officer notes the contents of this report and confirms that the counter-benefit fraud activity undertaken is provided within the overall benefits & local taxation cash limit.

## **9. Head of Legal Services Comments**

- 9.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no specific legal implications which arise out of the contents.
- 9.2 Legal Services will continue to support Benefits and Local Taxation, in terms of advice and prosecution work, in order to maximise the level of Government subsidy available for recovering overpaid housing benefit.

## **10 Head of Procurement Comments –[ Required for Procurement Committee]**

- 10.1 Not applicable

## **11 Equalities &Community Cohesion Comments**

- 11.1 The activities detailed in this report relate to the day to day work of the Fraud Investigation Team. All counter fraud activity is undertaken with due regard and adherence to the Council's Equalities and Community Cohesion policies.

## **12 Consultation**

- 12.1 No consultation was required for the production of this report.

### **13 Service Financial Comments**

- 13.1 The role of the Fraud Investigation Team does not attract direct financial subsidy from Central Government as there is no specific statutory duty to maintain counter fraud activity in respect of Housing Benefit and Council Tax Benefit.
- 13.2 However, there is a clear expectation on Local Authorities to maintain effective counter fraud activity. This is currently measured by the Corporate Area Assessment through the Key Lines of Enquiry.
- 13.3 The Benefits and Local Taxation Service maintains a dedicated team to tackle benefit fraud. The role of the Fraud Investigation Team is clearly defined in the Council's Counter Fraud Strategy relating the Housing Benefit and Council Tax Benefit.

### **14 Use of appendices /Tables and photographs**

- 14.1 Appendix 1 - Detailed breakdown of sanction cases achieved during Quarter 1 2009/10

### **15 Local Government (Access to Information) Act 1985**

- 15.1 The background working papers are located within the BLT Fraud Section, 10 Station Rd, Wood Green. The BFI Report was published in October 2007 and is available on the internet under [www.bfi.gov.uk](http://www.bfi.gov.uk)

## **16. BACKGROUND**

- 16.1 Counter fraud performance is primarily judged against successful outcomes in respect of Prosecutions and Sanction based activity. Counter-Fraud staff are empowered to investigate suspected benefit fraud and have a range of sanctions that can be applied to those who admit to fraud or where there is sufficient evidence to warrant a prosecution.
- 16.2 The Council has adopted an Anti - Fraud and Corruption Strategy relating to Housing Benefit and Council Tax Benefit. This specifies the type of activities which underpin effective counter fraud activity.

## **17. COUNTER FRAUD ACTIVITY**

- 17.1 The primary focus of the Fraud Investigation Team has been the sifting and investigation of cases received via the National Fraud Initiative. In addition to this the team have been pursuing a number of prosecution cases.
- 17.2 During this second quarter the team have successfully prosecuted 6 cases resulting in a total of 11 prosecutions to date. This exceeds last years total of 10 prosecutions. At present the Fraud Investigation Team have 11 pending prosecution with Legal Services and a further 10 pending cases with the Department for Work and Pensions (DWP) solicitors following joint investigations with DWP investigators.
- 17.3 The focus on prosecution activity reflects the increase in joint working

between the Fraud Investigation Team and other organisations such as the DWP and neighbouring local authorities. This has enabled the Fraud Investigation Team to pursue more complex investigations which by their nature require a higher level of sanction

- 17.4 The performance of the Fraud Investigation Team for the second quarter of 2009/10 is summarised in table 1, see below -

**Successful outcomes for 2nd quarter 2009/10**

Sanction Type	Number Issued	Target	Status
Caution	9	[REDACTED]	Accepted
Admin Penalty	4		Accepted
Prosecution	6		Guilty
<b>Total</b>	<b>19</b>	<b>35</b>	[REDACTED]

Table 1

- 17.5 The focus on prosecution cases provides a higher deterrent value to potential benefit fraudsters and those already committing fraud. Wherever possible successful prosecution cases are publicised in the local media with the clear message that abuse of the benefit system will not be tolerated. In addition to this it should also be noted that the Council has undertaken a number of benefit take-up initiatives to ensure that a balanced message is projected.

- 17.6 The total number of sanction cases achieved during the year to date is detailed in table 2, this also includes the number of cases referred for prosecution. The Fraud Investigation Team is recording successful sanctions below the planned performance for the year. However, this should be counterbalanced against the increase in prosecution activity. Such cases, due to their more complex nature, take longer to investigate and have a longer finalisation time due to the formal legal and court processes.

- 17.7 There is a risk that BLT will not meet the target of 140 successful sanctions planned for the year. This does not necessarily represent a reduction in counter fraud activity but does reflect a shift into prosecution work and an attempt to focus fraud investigations on higher value frauds.

**Successful outcomes for year to date 2009/10**

Sanction Type	Number Issued	Target	Status
Caution	13	[REDACTED]	Accepted
Admin Penalty	6		Accepted
Prosecution	11		Guilty
Referred For Prosecution	21		Pending
<b>Total</b>	<b>51</b>	<b>70</b>	[REDACTED]

Table 2

- 17.8 A more detailed breakdown of successful prosecution and sanction cases is included in appendix 1 of this report. This gives details of the type of fraud
- Report Template: Formal Bodies

discovered. Each decision to prosecute or administer a sanction is taken in accordance with the Sanctions Policy. This takes a range of factors into account when determining what appropriate sanction to apply, particularly the level of planned dishonesty involved.

## **18. OVERPAID HOUSING AND COUNCIL TAX BENEFIT**

- 18.1 Counter fraud activity over the last two quarters of the year has identified £496,997 in overpaid benefit, this includes overpayments for non sanctioned cases, and a further £7,437 in Administrative Penalties. Central government subsidy is paid in relation to overpayments is at a rate of 40p to the £1.00 or 40%. Consequently, it can be estimated that £198,800 has been generated in subsidy, this effectively results in a 60% shortfall against benefit expenditure.
- 18.2 The subsidy arrangements are designed to incentivise local authorities to recover overpaid Housing Benefit. Currently, recovery performance in relation to all in-year created overpayments is approx 51%. Based on this the potential recovery of overpaid Housing Benefit arising through fraud could amount to £253,468.
- 18.3 When combining subsidy paid, plus recovered overpayments for the year it is estimated that counter fraud activity could recover in the region of £452,268 out of the £496,997 paid leaving a net cost to the Council of £44,729.

## **19. ANTI-FRAUD AND CORRUPTION STRATEGY**

- 19.1 Council's Anti-Fraud and Corruption Strategy – relating to Housing Benefit and Council Tax Benefit is published on the Council's website, along with the Sanctions Policy and advice on how to refer suspected cases of benefit fraud.
- 19.2 The Anti-Fraud and Corruption Strategy outlines the types of activities the Council will use to both detect and prevent benefit fraud and how the Council will utilise all appropriate methods to identify benefit fraud, either directly or in partnership with other organisations.
- 19.3 The Fraud Investigation Team has sought to forge closer working links with the DWP's Counter Fraud Investigation Service. From November this will involve joint working on the National Fraud Initiative on those cases where there is a common interest. Common interest cases are where the customer is receiving a DWP administered benefit eg. Income Support or Job Seekers Allowance as well as Housing Benefit or Council Tax Benefit.
- 19.4 National Fraud Initiative is a key business priority for the Fraud Investigation Team. A total of 8511 referrals relating to Housing Benefit and or Council Tax Benefit were received from the Audit Commission, of these 2977 referrals (35%) have been identified as being of interest. Of the 2977 referrals 714 (24%) have been pre checked of which 334 have been cleared as no discrepancies and 380 have been forwarded for further investigation. The remaining 2263 cases will be checked throughout the remainder of the year and forwarded for investigation where appropriate.
- 19.5 The Fraud Investigation Team have prioritised 16 reported areas, the details of which along with the activity to-date is summarised in table 3 below. The

referrals have been classified by the Audit Commission as high, medium and low quality. This relates to the level of probability that fraud has been identified by the matching rules.

Report Description	Total Matches	Total Checked	To be checked	Total Cleared, no issue	Total for further investigation
High quality in borough payroll	253	253	0	181	72
High quality in borough pensions	59	3	56	1	2
High quality out borough payroll	405	9	396	6	3
High quality out borough pensions	1053	22	1031	7	15
Medium quality out borough payroll	10	10	0	2	8
Medium quality in borough pensions	57	15	42	10	5
High quality HB to HB in borough	69	64	5	62	2
High quality HB to HB out borough	80	24	56	13	11
High quality HB to RTB out borough	6	6	0	0	6
High quality market traders out borough	26	26	0	13	13
Medium quality market traders out borough	4	4	0	3	1
Medium quality market traders in borough	6	6	0	1	5
High quality Taxi Drivers	373	45	328	12	33
High quality alcohol licences in borough	34	34	0	0	34
Medium quality alcohol licences in borough	45	45	0	2	43
Low quality alcohol licences	497	148	349	21	127
<b>Totals</b>	<b>2977</b>	<b>714</b>	<b>2263</b>	<b>334</b>	<b>380</b>

Table 3

19.6 In addition the Fraud Investigation Team are continuing to work through those cases that have been identified by the Audit Commission as recommended cases. The expectation of the Audit Commission is that these will be completed by the end of December 2009. A total of 1297 Housing Benefit/Council Tax Benefit referrals have been classified as recommended cases. Of these 592 (45%) are due to be allocated for investigation, the remainder have either been cleared as no fraud or are under investigation.

# Counter Fraud Performance

Anonymised details of cases successfully sanctioned for period:

Quarter 2 2009/10

Appendix 1

FRD Ref	Referral source	Date Inv closed	Total OP	Date Sanction Agreed	Opt created date	Type of fraud discovered	Sanction Type	LA Ad Pen amount
15403A	Processing Teams		£61,430.00	25/07/2009	04/11/2003	Contrived Tenancy	P	£0.00
15951A	Member of Public	18/02/2008	£1,311.43	20/07/2009	06/06/2008	Definite Gone Away (100%)	C	£0.00
16116A	DWP	14/10/2008	£2,380.27	23/07/2009	26/11/2008	Working & Claiming	P	£0.00
20010MJ	HBMS	27/01/2009	£4,407.06	17/07/2009	09/02/2009	HBMS Saving - Tax Credits	A	£1,007.10
20010NT	HBMS	23/02/2009	£2,317.48	17/07/2009	25/02/2009	HBMS Saving - Tax Credits	C	£0.00
15593A	Other Haringey	08/05/2007	£50,133.44	28/08/2009	13/08/2008	Working & Claiming	P	£0.00
20010AM	HBMS	15/02/2007	£44,773.74	20/08/2009	17/04/2007	Undeclared Capital	P	£0.00
16038A	DWP	10/07/2008	£15,063.75	12/08/2009	29/08/2008	Working & Claiming	P	£0.00
20010MH	HBMS	06/07/2009	£1,364.52	06/08/2009	08/07/2009	HBMS Saving - Tax Credits	C	£0.00
20010MP	HBMS	25/02/2009	£1,249.55	10/08/2009	17/03/2009	Underdeclared Wages Used	A	£374.86
16244A	HBMS	19/05/2009	£7,044.19	13/08/2009	27/05/2009	Working & Claiming	C	£0.00
20010PO	HBMS	05/08/2009	£2,475.00	26/08/2009	11/08/2009	Definite Gone Away (100%)	C	£0.00
15541A	HBMS	20/11/2007	£6,227.25	07/09/2009	07/01/2008	HBMS Saving - Capital	A	£3,765.91
20010LF	HBMS	11/08/2009	£3,910.81	24/09/2009	02/09/2009	HBMS Saving - Tax Credits	C	£0.00
20010NI	HBMS	07/09/2009	£0.00	29/09/2009		HBMS Saving - Tax Credits	C	£0.00
20010NZ	HBMS	05/08/2009	£6,473.10	11/09/2009	11/08/2009	HBMS Saving - Tax Credits	C	£0.00
20010PA	HBMS	04/08/2009	£3,385.44	03/09/2009	10/08/2009	Definite Gone Away (100%)	C	£0.00
20010QF	HBMS	12/08/2009	£3,420.00	29/09/2009	21/08/2009	Definite Gone Away (100%)	A	£1,026.00
15783A	External Agency	16/11/2006	£75,281.67	08/09/2009	24/11/2006	Contrived Tenancy	P	£0.00
			£292,648.70					£6,173.87

C= Caution

A= Administrative Penalty

P= Prosecution