




**Audit Committee** **On 1st February 2010**

<b>Report Title. Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit.</b>	
Report of : Gerald Almeroth, Chief Financial Officer	
Signed : 	
Contact Officer : Ian Biggadike, Head of Benefits and Local Taxation (020 8489 3854)	
Wards(s) affected: All	Report for: Information Only
<p><b>Purpose of the report</b></p> <p>To advise and update Members on the Counter Fraud performance of the Benefit and Local Taxation Service from the 1<sup>st</sup> October 2009 – 31st December 2009.</p>	
<p><b>Introduction by Cabinet Member (if necessary)</b></p> <p>N/A</p>	
<p><b>State link(s) with Council Plan Priorities and actions and /or other Strategies:</b></p> <p>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 The requirement to maintain effective counter fraud activities is a requirement of the Corporate Area Assessment as defined by the Key Lines of Enquiry – <i>Service Outcomes for Users and the Community</i></p>	
<p><b>Recommendations</b></p> <p>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.</p>	
<p><b>Reason for recommendation</b></p> <p>For Members to remain informed of the activity of the Fraud Investigations Team and are able scrutinise this accordingly.</p>	
<b>Other options considered</b>	

Not applicable

### **Summary**

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 53 successful sanctions against those found to be committing benefit fraud. During quarter 3 2009/10 BLT achieved 23 sanctions and has a further 11 cases referred for prosecution.

Key work priorities for the Fraud Investigation Team are prosecutions, the National Fraud Initiative, Housing Benefit Matching Service, pro-active operations with the Police and Homelessness and joint working with the Department for Work and Pensions.

### **Chief Financial Officer Comments**

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

### **Head of Legal Services Comments**

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.

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.

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

Not applicable

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

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 adhesion to the Council's Equalities and Community Cohesion policies.

### **Consultation**

No consultation was required for the production of this report.

### **Service Financial Comments**

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.

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.

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.

### Use of appendices /Tables and photographs

Appendix 1 - Detailed breakdown of sanction cases achieved during Quarter 3 2009/10

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

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)

## 1 BACKGROUND

- 1.1 Counter fraud performance is primarily judged against successful outcomes in respect of Prosecutions and Sanction based activity. 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.
- 1.2 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.

## 2 COUNTER FRAUD ACTIVITY

- 2.1 Performance of the Fraud Investigation Team for the third quarter of 2009/10 is summarised in table 1.
  - Successful outcomes for 3rd quarter 2009/10 (figures in brackets are for the equivalent period in 2008/09)

Sanction Type	Number Issued	Year Target	Status
Caution	12 (23)		Accepted
Admin Penalty	6 (9)		Accepted
Prosecution	5 (3)		Guilty
Total	23 (35)	35 (31)	

Table 1

- 2.2 A more detailed breakdown of cases forwarded for prosecution and sanctions

is included in appendix 1 of this report. This gives details of the type of fraud discovered. The Fraud Team has continued to work closely with internal agencies in order to tackle cases where criminality involving multiple services has been undertaken.

- 2.3 Overall sanctions performance during quarter 3 is below the target for the period. This is mainly due to the continued drive to increase our prosecution numbers in order to have a deterrent effect on the continuing criminality involved in Benefit Fraud. 16 Prosecutions have been achieved year to date (which is twice the number as at the same time last year) and there are a further 18 cases currently identified for future prosecutions with our own Legal Team, Solicitors Branch (DWP) and the Criminal Prosecution Service (Police). In the final quarter of 2009/2010, the Fraud Team will concentrate on 'lesser' sanctions in order to increase overall sanctions performance.
- 2.4 The Benefits and Local Taxation Service set an annual target of 140 Sanctions for 2009/10. To achieve its target the team would be required to identify and sanction a further 73 cases. It is unlikely this target will be reached as, in common with the majority of Benefit Investigation Team's nationally, the emphasis has changed from achieving 'numbers' of sanctions to dealing with the more complex cases where criminality is involved. However, the resumption of HBMS data match referrals should enable the Fraud Team to increase overall sanction performance in the final quarter. It is estimated that we will achieve 100-110 sanctions by year end.
- 2.5 The Fraud Team are working in additional areas such as the continuing Intelligence led project into fraudulent employment details provided by people from accession state countries where sanctions are not likely because of the mobility of the customers involved. In an initial pilot involving 200 benefit claims – 168 claims were cancelled and, assuming an that a further 32 weeks additional benefit would have been paid per customer, we have saved approximately £700,000 from being fraudulently claimed.
- 2.6 Sanctions performance for the year to-date is contained in table 2

- **Successful outcomes for year to-date (2009/10)**

Sanction Type	Number Issued	Target	Status
Caution	25 (41)		Accepted
Admin Penalty	12 (20)		Accepted
Prosecution	16 (8)		Guilty
<b>Total</b>	<b>53 (69)</b>	<b>105 (94)</b>	

Table 2

### 3 Overpaid Housing Benefit

- 3.1 To date, counter fraud activity has identified £731,823 in overpaid benefit and a further £7,294 in Administrative Penalties. Central government subsidy paid in relation to overpayments is at a rate of 40p to the £1.00 or 40%.

- 3.2 Consequently, it can be estimated that £292,729 has been generated in subsidy, this effectively results in a 60% shortfall against benefit expenditure.
- 3.3 The subsidy arrangements are designed to incentivise local authorities to recover overpaid Housing Benefit. At this present time recovery performance in relation to all in-year created overpayments cannot be accurately stated due to a known bug within Northgate's software application.

#### **4 ANTI-FRAUD AND CORRUPTION STRATEGY**

- 4.1 The 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.
- 4.2 The Anti-Fraud and Corruption Strategy outlines the types of activities the Council will use to both detect and prevent benefit fraud. Since April 2008 the Benefit and Local Taxation Service has re-focussed activities to remind benefit claimants of the importance to report changes in their circumstances to ensure that the right benefit is being paid.
- 4.3 The Fraud Investigation Team in partnership with the Homelessness Investigations Unit has successfully made a joint bid for an integrated Intelligence and Case Management IT system where funding has been approved and a Project Manager recently appointed.
- 4.4 This software system will allow for the programmatic sharing of Intelligence across a number of Directorates (including Safer Communities and Educational Welfare initially) in order to highlight inconsistent information provided by customers to different Service areas and encourage a partnership approach to problem solving
- 4.5 The National Fraud Initiative has now had all 1,279 recommended matches checked and three key areas identified for further action, namely in and out Borough payroll cases, undeclared Students and alcohol license holders. 78 suitable Payroll cases in total and 32 alcohol licence cases initially have been identified for full investigation and the majority of these cases should be interviewed by the end of this financial year. 76 Student cases initially have also been identified as suitable for investigation but it is now more likely these will be largely interviewed in the next financial year, due to some delays experienced in getting information from Student Loans. In addition we are working with the Homelessness Team on some of their matches and have 8 likely Joint Prosecutions identified – with interviews or proceedings imminent

Anonymised details of cases successfully sanctioned for period: **Quarter 3 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
15894D	HBMS	24-Aug-09	£8,844.13	19-Oct-09	22-Sep-09	Working & Claiming	A	£2,653.24
16113A	HBMS	22-Dec-08	£5,954.66	30-Oct-09	20-Aug-09	HBMS Saving - Undeclared Earnings	C	£0.00
16172A	Intelligence Led	14-Jul-09	£6,320.45	19-Oct-09	28-Sep-09	Underdeclared Wages Used	A	£1,898.38
20010OG	HBMS	30-Apr-09	£0.00	16-Oct-09		HBMS Saving - Tax Credits	C	£0.00
20010OK	HBMS	07-Sep-09	£2,916.54	19-Oct-09	13-Oct-09	HBMS Saving - Tax Credits	C	£0.00
10010OL	HBMS	27-Jul-09	£4,805.92	01-Oct-09	17-Aug-09	HBMS Saving - Tax Credits	C	£0.00
16253A	Other LA	22-Sep-09	£3,513.30	19-Oct-09	02-Oct-09	Definite Gone Away (100%)	A	£1,053.99
20010OX	HBMS	14-Aug-09	£1,550.72	16-Oct-09	18-Jun-09	Definite Gone Away (100%)	C	£0.00
20010PC	HBMS	04-Aug-09	£4,800.00	22-Oct-09	10-Aug-09	Definite Gone Away (100%)	C	£0.00
20010PS	HBMS	06-Aug-09	£1,356.88	27-Oct-09	10-Aug-09	Definite Gone Away (100%)	C	£0.00
16263A	Processing Teams	18-Jun-09	£12,530.00	12-Nov-09	07-May-09	Definite Gone Away (100%)	A	£1,048.15
16270A	Processing Teams	25-Aug-09	£2,777.46	05-Nov-09	12-Feb-09	undeclared income	C	£0.00
16324a	Other Haringey Dept	26-Oct-09	£496.33	17-Nov-09	29-Oct-09	Living Together- Ptnr working (100%)	C	£0.00
23139A	Other Haringey Dept	01-Oct-08	£85,515.54	09-Nov-09	07-Oct-08	Undeclared Capital	P	£0.00
24985A	Processing Teams	09-Sep-09	£3,852.69	26-Nov-09	18-Sep-09	Definite Gone Away (100%)	C	£0.00
16133A	DWP	17-Nov-08	£2,202.69	24-Aug-09	24-Nov-08	Working & Claiming	P	£0.00
15921A	Member of Public	21-Jan-09	£12,794.97	21-Dec-09	29-Jan-09	Living Together (75%)	P	£0.00
15997A	DWP	10-Jul-08	£5,748.48	15-Dec-09	06-Aug-08	Working & Claiming	P	£0.00
16100a	DWP	07-Oct-08	£13,630.00	14-Dec-09	22-Jan-09	Undeclared Capital	P	£0.00
16273A	Processing Teams	10-Sep-09	£1,214.06	17-Dec-09	21-Sep-09	Student Status not Declared	C	£0.00
16326a	HBMS	24-Aug-09	£1,718.64	15-Dec-09	24-Aug-09	Definite Gone Away (100%)	A	£515.60
16347A	HBMS	17-Nov-09	£417.81	07-Dec-09	17-Nov-09	Working & Claiming	A	£125.28
30090O	NFI	27-Nov-09	£2,067.17	15-Dec-09	06-Jan-10	Underdeclared Wages Used	C	£0.00
			£185,028.44					£7,294.64

C= Caution  
A= Administrative Penalty  
P= Prosecution