

Report title: Progress Report on Counter Fraud Activity Relating to Housing Benefit and Council Tax Benefit.

Report of: The Chief Finance Officer

Ward(s) affected: All

Report for: Information

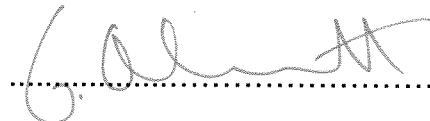
1. Purpose

1.1 To advise and update Members on the Counter Fraud performance of the Benefits and Local Taxation Service from the 1st October 2007 – 31st December 2007.

2. Recommendations

2.1 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.

Report authorised by:
Gerald Almeroth
Chief Finance Officer

.....(Signature)

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3. Executive Summary - N/A

4. Reasons for any change in policy or for new policy development - N/A

5. Local Government (Access to Information) Act 1985

6. BACKGROUND

- 6.1 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.
- 6.2 During May 2007 the DWP's Benefits Fraud Inspectorate (BFI) undertook an inspection of the Benefits and Local Taxation Services' Counter Fraud arrangements and performance. The report, published in October 2007, made 20 recommendations for improvements in the 'fraud investigation process and benefits administration'. An update on these recommendations is provided in this report.

7. COUNTER FRAUD ACTIVITY

- 7.1 Performance of the Fraud Investigation Team for the third quarter of 2007/08 is summarised in table 1. This shows performance to be below profile for the second quarter

Successful outcomes for 3rd quarter 2007/08

Sanction Type	Number Issued	Target	Status
Caution	13		Accepted
Admin Penalty	6		Accepted
Prosecution	5		Guilty
Total	24	31	

Table 1

- 7.2 Counter fraud activity contributes to the Benefits and Local Taxation Services' Comprehensive Performance Assessment. The Department for Work and Pensions currently use performance of sanctions activity to help judge the effectiveness of the Council's counter fraud performance and produces a performance score to rate performance.
- 7.3 The Benefits and Local Taxation Service has set an annual target for the year of 126 sanctions. To date the Fraud Team has achieved 73 sanctions which is a shortfall of 21 sanction across the year to date. To ensure that the Fraud Team meets its target a further 53 sanctions are required by the end of March 2008. The team have so far successfully identified 55 cases for sanction and will concentrate efforts on seeing these through to completion by the end of the financial year.
- 7.4 Performance for the year to date is summarised in table 2. In comparison with the same time last year the Fraud Team has increased its performance by an additional 8 cases. There has been an increase in the number of successful prosecution, up by 4 cases and an identical increase in the

number of accepted Administrative Penalties.

Successful outcomes for year to date 2007/08

Sanction Type	Number Issued	Target	Status
Caution	32		Accepted
Admin Penalty	28		Accepted
Prosecution	13		Guilty
Total	73	94	

Table 2

Overpaid Housing Benefit

- 7.5 To date the counter fraud activity has identified £641,424 in overpaid benefit and a further £28,488 in Administrative Penalties. Central government subsidy paid in relation to overpayments is at a rate of 40p to the £1.00 or 40%. Consequently, it can be estimated that £384,854 has been generated in subsidy, this effectively results in a 60% shortfall against benefit expenditure.
- 7.6 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 53.69%. Based on this figure the potential recovery of overpaid Housing Benefit arising through fraud during quarters 1 to 3 could amount to £344,381.
- 7.7 When combining subsidy paid, plus recovered overpayments for the year it is estimated that counter fraud activity could generate in the region of £729,235.

8. BENEFIT FRAUD INSPECTORATE

- 8.1 The Benefits Fraud Inspectorate (BFI) undertook a 2 week inspection during May 2007 of the Benefits and Local Taxation Services Security arrangements, which includes counter-fraud activity. The inspection report contained 20 separate recommendations covering a range of activities and requirements.
- 8.2 To address the recommendations made in the inspection report the Benefits and Local Taxation Service developed a Response Plan to address the issues identified, see appendix 1.
- 8.3 There remain several outstanding recommendations to be completed, of priority is the recruitment of a Fraud Team Manager (R1). Currently, there is adequate management cover to ensure that the team is being managed effectively. New job descriptions are being designed for both the manager position and the deputy/team leader role, this follows discussions over changes to the structure of the team. It is intended that an advert for the Fraud Manager post be placed during February.
- 8.4 A new Sanctions Policy (R6) has been developed and a report to the Lead Member for Corporate Resources has been produced seeking the endorsement of this policy. Once agreed this will be incorporated into a policy

and strategy for tackling benefit fraud which will be presented to the next Audit Committee meeting for endorsement (R3).

- 8.5 The replacement of the fraud database (R9) has been progressed in partnership with IT Services. A specification has been agreed and providers of alternative IT solutions have been sent a questionnaire to determine what suitable products are available.
- 8.6 The final recommendation outstanding is the requirement to introduce a system to ensure that annual declarations of interest are obtained from staff involved in the assessment of benefit. Advice is being sought from Human Resources on how to implement this across the Service.

BFI Recommendations – Response Plan

Appendix 1

Rec No	Recommendation	Response	Status	LO
	High priority			
1	Ensures that the vacancies for a Fraud Investigation officer and Fraud manager are filled as soon as possible to give assurance that the Fraud Investigation team are adequately resourced and effectively managed	A review of the Fraud Team's structure has taken place. A decision has been taken to advertise the Manager post as soon as the JD has been agreed. In place of an eighth Investigator post it has been proposed to create an Intelligence Officer post, and reduce the number of Special Project Manager from two to one. This is being consulted on.	Advert by Nov 07. Re-shape complete by Apr 08	TF TF
2	Ensures that investigators follow the council's guidance relating to the completion and maintenance of QB50 notebooks	There are clear procedures on the use of QB50 notebooks. The use of these are now monitored through regular management checks.	Completed	CG
3	Develops and publishes a policy and strategy for tackling benefit fraud which has the endorsement of Members	The Sanctions Policy has been revised and is being consulted on. Once agreed this will be incorporated into the Council's Fraud Strategy.	Complete by Oct 07	TF
4	Develops a robust management checking regime which provides adequate assurance on the progress, quality and outcome of investigations and monitors this against targets and objectives in its business plan	A case –callover timetable has been established as part of a more robust regime, this will also be combined with a 100% management sign-off of all closed cases. Performance against the main BVPI's will continue to be reported monthly to senior management and quarterly to Members via the Audit Committee.	Completed	CG
5	Develops effective procedures with the Department's Fraud Investigation Service to ensure that: <ul style="list-style-type: none"> the offer of joint working is made in all appropriate cases and that each organisation notifies the other of ongoing investigations to avoid duplication 	There are 19 current cases under joint investigation. Since April the team have achieved 13 successful joint sanction outcomes against an annual target of 21. The joint working protocol has been agreed which has a clear escalation process. The agreement is reviewed on a quarterly basis.	Completed	CG/ ST

BFI Recommendations – Response Plan

Appendix 1

	<ul style="list-style-type: none"> a mechanism for monitoring joint working and an escalation process to resolve any joint working issues is put in place 			
6	Reviews its sanctions policy, applies it consistently and seeks endorsement by Members	The Sanction policy has been fully revised and is being consulted on. Endorsement will be sought from members at the next available Audit Committee.	Complete by Oct 07	TF
	Medium priority			
7	Encourages quality fraud referrals by providing: <ul style="list-style-type: none"> fraud awareness training as part of the staff induction process an ongoing programme of fraud awareness training to all employees who are involved in HB and CTB administration, the effectiveness of which is monitored a single referral form with readily accessible guidance on how to complete it regular, formal feedback and information to all relevant council staff on the activities and success of fraud investigations 	<p>Fraud Awareness Training will be incorporated into all future induction training. To assist with this the Benefits and Local Taxation Service has purchased training software.</p> <p>A rolling 12 month refresher fraud awareness programme will be introduced for all employees involved in benefits administration.</p> <p>Referral procedures have been reviewed and re-designed, these include a feedback process and a single referral form. The new approach utilises the benefits of the Comino W2 system and is supported by clear guidance.</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>	<p>HT</p> <p>HT</p> <p>ST</p>
8	Plans, initiates and sustains a comprehensive publicity campaign to raise the public profile of the council's counter-fraud efforts and encourage more referrals from the public through its dedicated fraud hotline	BLT will ensure that all prosecutions are publicised both internally and externally. Changes will be made to the Benefits website to increase the profile of counter-fraud activity giving the public a clear means by which to report suspected fraud.	Completed	CG/ ST

BFI Recommendations – Response Plan

Appendix 1

9	Takes a positive decision on the business case submitted to replace its fraud database with a fraud-specific IT system	Currently working in partnership with IT to clearly specify the Fraud Teams requirements for the selection of a solution which ensures value for money.	Ongoing	TF
10	Reviews its processes relating to the recording of referrals and the raising of investigations to ensure that they are being conducted efficiently and effectively	Referral processes have been reviewed resulting in a single process for the recording and allocation of referrals.	Completed	CG/ ST
11	Obtains transcripts of taped interviews under caution where a caution or administrative penalty is being considered as an alternative to prosecution or routinely provides a comprehensive summary of the interview, including information about the demeanour the customer	Agreed that transcripts will be obtained.	Completed	CG/ ST
12	Develops procedures so that 'Do not Redirect' mail is referred without delay to the Fraud Investigation team for consideration of investigation in appropriate cases	All referrals will be passed to the Visiting Team for initial investigation, an onward referral to the Fraud Team will be made where VO involvement has been unable to resolve the case.	Completed	DG
	Low priority			
13	Ensures that all staff in Customer Service centres are trained in the requirements of the Department's HB/CTB Security Guidance and receive annual refresher training	Agreed – plan in place	Completed	HT/ LC
14	Ensures that Benefits assessors receive refresher training on the importance of fully establishing, and verifying, the capital and income of customers	The Training plan has been reviewed to include annual verification re-fresher training. Briefings on verification requirements for New Claims staff have also been arranged, this will particularly stress the requirements on capital and income.	Completed	HT

BFI Recommendations – Response Plan

Appendix 1

15	Ensures that Benefits managers validate Team leader accuracy checks and reviews its checking regime so that all aspects of verification work are covered	Agreed – Management checking procedures are being revised to ensure that verification processes are covered and that validation of Team leader checks take place.	Complete by Nov 07	
16	Ensures that staff who receive and verify documents have access to up-to-date guidance on the correct procedures to follow	Agreed – Guidance has been re-issued to staff and will be backed up at 121 meetings.	Completed	HT/ TM
17	Develops and implements a staff retention policy and ensures that corporate policies and procedures are documented, regularly updated and subjected to version control	A review of the service structure and grades is taking place. Discussion with HR on now best to include this in a staff retention policy will be considered as the review takes place.	Ongoing	IB
18	Ensures that annual declarations of interest are obtained from all staff involved in the assessment of HB/CTB claims	Agreed	Complete by Nov 08	TF
19	Ensures that there is an up-to-date training needs analysis for Benefits staff, and an up-to-date record of completed training is maintained	Training records have been up dated to reflect courses attended, all teams have assessed their training needs, resulting in a training program during October on self-employed claims and overpayments procedures.	Completed	HT
20	Enhances its Internal audit arrangements by including an assessment of the performance of the Benefits team and Fraud investigation team against the Department's Performance Standards.	Internal Audit have an agreed managed audit plan, this is risk based. The Performance Standards have been passed to Internal Audit and will be incorporated into the risk based approach in future audits of the Benefits Service	Completed	AW