

## AUDIT COMMITTEE

27 JUNE 2011

### REPORT OF HEAD OF FINANCIAL SERVICES

#### A.2 BENEFIT FRAUD UPDATE 2010/11

(Report prepared by Clare Lewis)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To present to the Audit Committee an update on Benefit Fraud and Performance during 2010/2011.

##### **EXECUTIVE SUMMARY**

An update has been provided setting out the performance of the Benefit Fraud team for 2010/11.

Following responses as part of the staff suggestion scheme, small changes have been made to the levels applied in determining Benefit Fraud Sanctions. Other small changes will also need to be made to existing policies to ensure they are kept updated and relevant to procedures and governance arrangements.

##### **RECOMMENDATION(S)**

**That the Committee notes the contents of this report.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

The Council is empowered and actively encouraged by government to maintain a vigorous pursuit of incorrect and fraudulently claimed benefits. In addition to General Section 151 responsibilities relating to the prevention and detection of fraud generally the Authority is expected to comply with DWP (Department for Work and Pensions) Regulations. The authority is also expected to carry out data matching exercises with the Audit commission. This is currently received on a monthly basis and forms the majority of the teams work. The authority is also required to participate in the National Fraud Initiative (NFI) which is administered by the Audit Commission. This data is matched on a yearly basis and again forms a large part of the teams overall workload. Failure to take part in either of the data matching exercises could result in an adverse impact on the Council's reputation and may lead to increased external inspection / audit at additional cost.

##### **FINANCE, OTHER RESOURCES AND RISK**

###### **Finance and other resources**

Detecting and investigating potential fraud, acts as a deterrent which protects public money. Successful investigations and sanctions identify overpayments that are required to be repaid in all circumstances, which would otherwise fall as a potential costs to the council.

###### **Risk**

The only risk identified is that the changes will affect some individuals that have been sanctioned or prosecuted under the old procedure so far this financial year (2011/2012) although this risk is thought to be minimal.

##### **LEGAL**

There are no legal implications associated with the content of this report. The council is acting within its powers and in accordance with the DWP regulations intended to protect the public purse.

## **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

All wards are effected

### **Crime & Disorder Act 1998**

The achievements of the Benefit Fraud Team contribute significantly to the Council's overall responsibilities to minimise criminal activity. It demonstrates the Council's commitment to deal effectively with those who have perpetrated such fraud.

### **Equality and Diversity**

The document ensures that the council remains non-discriminatory. The council continues to meet its equality and diversity responsibilities.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND AND BENEFIT FRAUD PERFORMANCE**

The Benefit Fraud Team within Financial Services currently consists of a manager who also undertakes investigation officer duties and 3 full time investigation officers. The team also has a part time officer providing administrative support.

Potential cases of fraud can arise from a number of sources ranging from allegations made by members of the public to data matching exercises. Each investigation is considered on its own merits based on the information provided in the allegation ensuring equality and consistency.

Where fraud is identified and based on the level of overpaid benefit, the three potential sanctions that are applied are either a caution, an administrative penalty where a financial penalty of up to 30% of the overpaid benefit is applied, or prosecution.

In terms of the decision to prosecute, the Council has in place a Prosecution Policy that was last approved by the Audit Committee at its September 2009 meeting. At the same meeting of the Committee, both the Council's Fraud and Corruption Strategy and Housing Benefit Security Strategy were approved. Together these documents set out the Council's overall governance arrangements in respect of fraud. As part of a regular review process, these documents are scheduled to be presented to the Committee for review and approval in 2012.

As part of any fraud investigation, the claimant is interviewed under caution, by the Council's Fraud Officers (taped interview) – a task formerly undertaken only by the Police. Fraud Officers must be PINS (Professionalism in Security) trained to an appropriate level before they can undertake such interviews. PINS' training comprises 7 specific modules. This is a qualification awarded by Portsmouth University. Once obtained each officer becomes an Accredited Fraud Officer. All current Fraud Officers have this accredited status.

A delegated authority is in place to employ specialist external solicitors for prosecution in appropriate cases. A specialist company with extensive experience in this area of activity has been engaged for 9 years and has worked very satisfactorily with the Council's Fraud Team in bringing many successful prosecutions.

The Council retains all fraudulently obtained monies that have to be repaid by the claimant and all costs awarded by the courts in cases where prosecution occurs. Costs are sought in all prosecution cases but the level of award by the courts can vary considerably.

### **Caseload**

Caseloads have continued to increase steadily due to more customers being out of work and the need for these individuals to claim Housing Benefit or Council Tax Benefit.

Due to high caseload numbers resulting from increased referrals the Fraud team has reviewed the way in which it allocates its work and now concentrates almost solely on sanctions or prosecution cases. The caseloads for the last 3 years are as follows.

Year	Case load
2008/2009	286
2009/2010	306
2010/2011	323

### **Performance**

#### **Activity**

	2010/2011	2009/2010	2008/2009
Cautions Issued (Number)	8	19	25
Administrative Penalties (Number)	29	28	22
Prosecutions (Number)	32	34	32
<b>Total sanctions</b>	<b>69</b>	<b>81</b>	<b>79</b>

Total Value of Overpayments identified (Fraudulently Claimed Amounts)	£313,443	£225,950	£282,202
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The performance for the year was ahead of the target set locally within the service. Although the numbers of sanctions are less than last year, the amount of identified overpayments has significantly increased.

### **OTHER ASSOCIATED ISSUES**

Following a response to the Council's staff suggestion scheme, the levels at which the three sanctions mentioned above are applied have been increased under delegated powers. These provide a practical and flexible approach to the application of sanctions which in turn are likely to result in Administrative Penalties being applied as an alternative to prosecutions which may have otherwise been pursued under the previous limits. This will potentially support the Council's overall financial position through increasing income and reducing the cost of legal fees which would be incurred if prosecutions were sought.

Although the Fraud and Corruption Strategy, Housing Benefit Security Strategy and Prosecution Policy will be presented to members as part of future work plans of the Committee, it will be necessary to refresh and update the documents in the interim period. The required update will include changing the names of government offices / departments for example, but more importantly will include changes to officer delegations which will be necessary as part of the Council reorganisation that is currently on-going.

### **BACKGROUND PAPERS FOR THE DECISION**

None

### **APPENDICES**

None