

**PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011**

**BENEFITS FRAUD REPORT 2010/11**

Report of the: Director Of Corporate Resources

Status: For Consideration

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**This report supports the Key Aim of Effective Management of Council Resources**

**Portfolio Holder** Cllr. Ramsay

**Head of Service** Head of Finance and Human Resources – Tricia Marshall

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**Recommendation:** It be RESOLVED that Members note the contents of the report and the work of the Benefits Fraud Investigations Team carried out in 2010/11 and the work proposed for 2011/12.

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**Background and Introduction**

- 1 Members may be aware that the Benefits Fraud Team joined with the Internal Audit Team following the shared services agreement with Dartford Council in 2010. The new team became the Audit, Risk and Ant-Fraud team, serving both Councils. In view of the new arrangement the Performance and Governance Committee assumes responsibility for monitoring the work of the new Audit, Risk and Anti-fraud Team. The committee usually reviews the work of Internal Audit, thus report is sent to the committee in view of its new wider remit following the shared services arrangements.
- 2 The report set out details of the activities of the Benefits Fraud Team during 10/11 and the team's work plan for 11/12. The team is responsible for conducting investigations into benefit fraud and the recovery of overpayments of benefits, in addition to imposing relevant sanction or prosecution of offenders where appropriate.
- 3 In future, information on work relating to the Benefits Fraud Team will be included in the Internal Audit update reports.

**Summary of Issues in the Report**

- 4 Details of the activities of the team during the year 10/11 are attached as the Appendix to this report. The team's performance is set out in section three of the Appendix. Section five sets out the team's priorities for 11/12.
- 5 A key highlight during the year is the streamlining and standardising of procedures in order to maximise efficiency and improvements in service

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delivery of the shared benefits service. This led to improvements in performance and quality.

- 6 New joint policies were developed and agreed by the Performance and Governance Committee during 10/11, this includes; Whistle Blowing Policy, Benefits Fraud Prosecution Policy and an Anti-fraud and Corruption policy.

**Partnership with Dartford Borough Council**

- 7 This is the first report following the shared services arrangement with Dartford Borough Council for the provision of a joint service. The service is based at Dartford Council and has operated well during the year with improvements in service standards and performance.

**Key Implications**

Financial

- 8 This report has no financial implications.

Community Impact and outcomes

- 9 An effective benefits fraud service provides assurance that the Council has an adequate control environment in place, which would generate public confidence amongst the community, in addition to preventing the misuse of public funds.

Legal, Human Rights etc.

- 10 This report has no additional legal implications.

Resource (non-financial)

- 11 Not applicable.

Value for Money and Asset Management

- 12 See 9 above.

Equality

- 13 There are no additional equality implications for this report.

Sustainability Checklist

- 14 Not applicable.

**Risk Assessment Statement**

- 15 The Council is required to have proper arrangements in place to deal with fraud and corruption, including benefits fraud. The work of the team meets this

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requirement and has effectively delivered service improvements whilst generating efficiency for the Council. However continuous risk assessment is undertaken to ensure that any potential threats or opportunities posed by shared services working are properly addressed.

**Sources of Information:** Accounts and Audit Regulations 2003 (Amendment) 2006

CIPFA Code of Practice for Internal Audit in Local Government (2006)

Annual Internal audit Plan 2010/11

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**Pav Renewal**

## **Housing Benefit Fraud**

### **10/11 – End of Year Report**

#### **1. Introduction**

This report sets out the activities of the Benefit Fraud Team for 10/11 following the shared services agreement between Sevenoaks District Council and Dartford Borough Council in September 2010 and confirms the team's priorities for 11/12.

#### **2. Background**

On 1<sup>st</sup> September 2010 the Benefit Fraud Teams from Dartford Borough Council (DBC) and Sevenoaks District Council (SDC) officially merged, operating from a main base at the Civic Centre Dartford, whilst maintaining a presence at the Revenues & Benefits offices in Argyle Road Sevenoaks, through a hot-desk arrangement.

The two fraud teams had already forged very close links, with SDC loaning DBC a benefit investigator for two days a week (with effect from April 2009) and the SDC Fraud Manager working at the Civic Centre at Dartford for two days a week from October 2009 onwards.

The benefit fraud shared services partnership arrangement was part of the wider Revenues and Benefits agreement between the two councils, which resulted in the Benefit Fraud Team becoming part of the shared Internal Audit Team; thus creating a new team called Audit, Risk and Anti-Fraud, serving both councils. The new team generated a total annual revenue saving of approx £70,000 to be shared between the councils in addition to the savings generated by the Revenues and Benefits shared services agreement.

#### **3. Performance**

Overall performance was maintained at a satisfactory level during the year of transition to the new service. Looking ahead in 11/12, as the team settles into its new working environment, we expect the benefits of a shared service to be realised through improvements in quality and outturn.

Local authority benefit fraud teams have one main performance indicator – sanction attainment. A benefit sanction is the 'punishment' imposed by the authority when it is proven that a claimant has committed benefit fraud.

Sanctions can be either:

**A Formal Caution** – Claimant admits the offence in question and signs a declaration to this effect and repays all overpaid benefit back. The offence is relatively minor.

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**An Administrative Penalty** – Claimant does not admit the offence in question, but agrees to repay all overpaid benefit plus a 30% penalty on top as an alternative to legal action being taken against them. The offence is relatively minor.

**Prosecution** – Claimant has to repay all overpaid benefit and legal action is instigated because offence is deemed too serious for an alternative sanction to be considered.

For a case to be considered for a sanction the authority must be able to prosecute the offences involved and so the investigation file must be up to prosecution standard. If a claimant is offered either a Formal Caution or Administrative Penalty, but chooses to decline this sanction then the authority has within its powers to prosecute that individual.

A secondary performance indicator is also maintained – number of completed investigations per annum. Investigators are set an annual target to ensure that their allocated caseloads are dealt with efficiently and effectively. Allowances are made when an investigator has numerous complex cases, requiring lots of manual input, causing them to fall short of defined target.

### **Sanctions**

In 09/10, SDC's Fraud Team attained 33 successful benefit sanctions (this included 15 Formal Cautions, 6 Administrative Penalties and 12 prosecutions). The team's annual target had been set at 22.

In 10/11, a target of 24 successful sanctions was set. The team attained 24 successful sanctions (this included 12 Formal Cautions, 5 Administrative Penalties and 7 successful prosecutions).

### **Completed Investigations**

In 09/10 SDC completed a total of 109 benefit investigations, of which 61 (56%) were fraud proven.

In 10/11 a target of 114 completed benefit investigations was set. The Fraud Team completed 105 benefit investigations, of which 45 (43%) were proven fraud.

## **4. Overall Effects of Shared Services**

The merging of the Benefit Fraud Teams from Sevenoaks District Council and Dartford Borough Council has brought many benefits:

- Improved resilience with the new joint team better able to cover any long-term staff absences caused by sickness or other issues;
- The quality of fraud work has improved in both local authorities through sharing good practice/methods and utilising the different skill sets of the officers from the two authorities to forge better working practices;

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- Sevenoaks District Council and Dartford Borough Council are natural working partners due to their geographical locations. Some new fraud has been uncovered when officers with a Sevenoaks knowledge background have reviewed Dartford cases and recognised discrepancies within the benefit claims and vice-versa.

**5. Priorities for 11/12**

The Fraud Team has prioritised the following areas of work for the financial year 11/12:

Benefit Fraud Investigations

- Continue to produce high quality benefit fraud investigations and take the appropriate action against any proven perpetrators, in-line with the authority's benefit fraud prosecution policy.

Allegations of Benefit Fraud

- Continue to record, assess and suggest appropriate action on all allegations of benefit fraud received from the general public or members of staff/contractors working for the council. In 10/11 SDC received 302 allegations of benefit fraud from these sources. It is estimated that the authority will see a 10% increase on the number of allegations received during 11/12.

HBMS – Data Match Scheme

- Continue to assist the Housing Benefit Team in vetting and reporting on all matches received through the Housing Benefit Matching Service (HBMS) data match scheme. HBMS is a data-match exercise run by the Department for Work & Pensions (DWP) which compares local authorities benefit data, on a monthly basis, with key databases maintained by DWP and HMRC. The aim is to highlight instances of both fraud and error with the LA's benefit caseload. In 10/11 SDC received 339 matches from this source. Again it is estimated that the authority will see a 10% increase in referrals received through this source.

National Fraud Initiative – Data Match Scheme

- Continue to review the benefit-related matches received, in February 2011, from the National Fraud Initiative (NFI) data match exercise and investigate any instances of apparent fraud. NFI is a bi-annual exercise run by the Audit Commission which compares various databases held by local authorities (for example, benefits, housing, licensing, payroll etc) with data held by all other local authorities in England & Wales and data held by key employers in the UK (for example, NHS). SDC received 836 benefit-related matches. To date, 576 have been reviewed and 6 benefit investigation files raised.

Liaison with External Fraud Agencies

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- Continue to maintain close working links with investigative colleagues from the Department for Work & Pensions, including working on joint benefit fraud investigations, involving both local authority and DWP administered benefits, and assist in the work leading towards a single fraud investigation service.

**Targets for 2011/2012**

<b><u>Item</u></b>	<b><u>Annual Target</u></b>
Number of successful benefit fraud sanctions expected.	<b>25</b>
Number of completed benefit fraud investigations expected	<b>111</b>

