
**REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT
2012/13**

SUMMARY REPORT

Purpose of the Report

1. To inform members of the work of Revenues and Benefits in respect of counter fraud activity for the financial year 2012/13.

Summary

2. The report highlights that the Benefits Investigators are a key element of the Council's anti-fraud and corruption arrangements, highlights changes in content from previous years and refers to the new inspection regime that will commence in April 13.

Recommendation

3. It is recommended that the Revenue and Benefits Counter Fraud Activity Report for 2012/13 be noted.

Reasons

4. To inform members of counter fraud activity work within Revenue and Benefits.

**Paul Wildsmith
Director of Resources**

Background Papers

- (i) DBC Benefits Anti Fraud Policy and Strategy
- (ii) DBC Benefits Sanctions Policy
- (iii) Revenue and Benefits Inspection and Review Strategy

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S17 Crime and Disorder	Other than the special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Revenues and Benefits Annual Counter Fraud Activity Report 2012/13

Purpose of Report

5. To inform members of the work of Revenues and Benefits in respect of counter fraud activity for the financial year 2012/13.

Background

6. Whilst the Department for Work and Pensions (DWP) has overall responsibility for the scope and structure of the Housing Benefit (HB) scheme, Darlington Borough Council has the day-to-day responsibility for its administration. This remit includes the prevention, detection and prosecution, where appropriate, of HB fraud. In addition, the Council has responsibility for the prevention, detection and prosecution, where appropriate, of fraud relating to Council Tax Support (CTS) and Council Tax and National Non-Domestic Rates (NNDR).
7. In 2012, the Revenues and Benefits Section underwent a restructure, which resulted in a reduction in the number of investigation staff. The Benefits Investigators are responsible for investigating all allegations of HB fraud. In certain circumstances, when the law allows, the Local Authority can also investigate allegations of benefit fraud against certain benefits administered by the DWP, and also has the power to prosecute offenders for these offences. The unit is currently staffed by 1.6 full time equivalent investigators who are all fully qualified Accredited Counter Fraud Officers. The Team Leader is also a fully qualified Accredited Counter Fraud Manager.

8. From April 2013, the Benefits Investigators have begun to investigate allegations of Local Taxation fraud such as:
- (a) Incorrectly claimed Council Tax discounts and exemptions,
 - (b) Businesses failing to register themselves for NNDR,
 - (c) Incorrect applications for NNDR exemptions, and
 - (d) CTS fraud.
9. The effective response to the threat of fraud requires a number of policies, procedures, teams and organisations coming together to produce an anti-fraud culture. This is achieved in the following ways:-
- (a) **Anti-fraud culture.** Darlington Borough Council has a HB Anti-Fraud Policy and HB Anti-Fraud Strategy, as well as a HB Sanctions policy, all of which are embedded within the Council's Corporate Anti-Fraud Strategy and Policy.
 - (b) **Prevention.** Darlington Borough Council only accepts original documentation as proof of a customer's financial circumstances. During 2012/13 it also deployed one full-time equivalent Benefit Visiting Officer who reviewed benefit claims as part of a proactive programme of reviews. This ensured that claims remain correct, and where a change of circumstances has been declared, benefit entitlement adjusted.

During 2012/13, the Benefit Visiting Officer visited 642 people in their homes and of these, 320 people were not receiving the correct amount of benefit. From April 2013, a further restructure has taken place to merge the existing Benefit Visiting Officer and Senior Local Taxation Assistant posts into new posts of Revenues and Benefits Inspection Officers. Their remit is to undertake a proactive programme of reviews, not only of HB and CTS claims, but also of applications for Council Tax and NNDR discounts and exemptions, and to ensure new properties and businesses are brought into the tax base as early as possible, to maximise income for the Council. In total, the Council now has 4 full-time equivalent Inspection Officers.

In addition, the HB Fraud hotline number and shared Fraud Hotline number are advertised on the Council's website.

- (c) **Detection.** Darlington Borough Council uses all available techniques to identify fraud. This includes data matching within the Housing Benefit Matching Service (HBMS) and the Audit Commission's National Fraud Initiative (NFI), as well as reviews of claims, discounts and exemptions.
- (d) **Investigation.** Professionally trained investigators using tested methods to uncover evidence of fraud.
- (e) **Sanction.** Where fraud is identified, taking the appropriate sanctions, including prosecution, and publicising the results as a deterrent.
- (f) **Redress.** Fully recovering the debt to show that fraud does not pay.

Analysis

Performance

10. In 2012/13, the Council received 481 referrals including those coming from matches provided by HBMS, compared to 530 for the previous financial year. This reduction is in part due to HBMS ceasing to issue Experian credit matches.
11. The results from HB counter fraud activity in 2012/13 are illustrated in Table 1 below. A total of 58 sanctions and prosecutions have been achieved in 2012/13, including 19 prosecutions resulting in guilty verdicts at Darlington Magistrates Court, Newton Aycliffe Magistrates Court and Teesside Crown Court. In comparison, the total number of sanctions and prosecutions achieved for the same period in 2011/12 was 82 sanctions of which 32 were successful prosecutions. The DWP ceased benchmarking with Local Authority benefit investigation teams due to a change in staffing within the DWP.
12. HB sanctions issued during 2012/13 are shown in Table 1 below. This also shows the amount of overpayment, broken down by sanction type, and the total amount of Administrative Penalty accepted during this period. Definitions of the types of sanctions available are given at **Appendix A**.
13. Included in the total number of prosecutions are 2 cases which were reported in the Northern Echo, one of which was also extensively covered by the national press in 2012/13.

Table 1

Type of Sanction	Number	Overpaid Benefit	Administrative Penalty accepted
Simple Caution	10	£23,719	
Administrative Penalty	29	£43,322	£11,776
Prosecutions	19	£89,935	
Total	58	£156,976	£11,776

14. Data matches from both the NFI and HBMS are a good source of referrals, as they point to an area where customers have not declared their true circumstances, and form an important part of the sanction activity for the team.
15. We expect the Benefit Investigators during this coming year to continue to investigate allegations of incorrectly claimed benefits, discounts and exemptions. In addition, the Inspection Officers will be involved in
 - (a) Visiting new property developments to ensure they are registered for Council Tax and NNDR and making payment arrangements

- (b) Checking existing benefit, exemption and discount applications, referring any cases where there is a suspicion of fraudulent behaviour.
16. A new Inspection and Review Strategy has been developed for 2013/14 and the results of this activity will be monitored and reported in next year's annual report.
17. Revenues and Benefits produce a half-yearly newsletter, which is distributed to all members of the Revenues and Benefits Section, Housing Services and Customer Services. They also contribute to the fraud awareness news letter published by Audit Services to raise awareness of all aspects of fraud, and encourage staff to report allegations of benefit, exemption and discount fraud. Revenues and Benefits notify Communications of any significant fraud prosecutions cases due to come before the courts, so that the press can be alerted.
18. During the financial year 2012/13 the Northern Echo reported on the successful prosecution at Teesside Crown Court of Miss Blakeburn and the successful prosecution at the Magistrates Court of Mr Sievers. In the coming year, Revenues and Benefits wish to build on this and work with Communications to improve the Section's public profile.

Training

19. All new Customer Services staff who answer telephone queries about HB and Council Tax receive training to identify potential frauds, and how to notify any suspicions they may have. All new members of the Revenues and Benefits, as well as staff in Customer Services who will see customers who call in to the office, receive training in identifying original documents and how to identify any forged or counterfeit documents. The Control Team Leader provides this training, as well as providing annual refresher training for existing staff.

Conclusion

20. Despite a reduction in resources, the Revenues and Benefits Section continues to perform well with regard to the number of sanctions and prosecutions generated.

Definitions

Simple Caution

This was previously called a Formal Caution, and it is offered as an alternative to prosecution, but it is not a criminal conviction. Simple cautions can only be offered when the suspect has admitted to committing the offence. Darlington Borough Council's Sanctions policy defines when a simple caution may be appropriate, but each case is considered on its own merits. All simple cautions are recorded with the DWP, and may be cited in court, should the customer commit another offence against either a benefit administered by the DWP or the Local Authority, and be prosecuted for it.

Administrative Penalty

An Administrative Penalty is an alternative to prosecution. Section 115A of the Social Security Administration Act 1992 details when an Administrative Penalty may be offered. It may only be offered in respect of an overpayment which is recoverable under section 71, 71a, 75 or 76 of the Social Security Administration Act 1992. An Administrative Penalty for any offence which started before 08/05/12 is set at 30% of the overpayment, and the Administrative penalty for any offence which started after 08/05/12 is set at 50% of the overpayment, with a minimum value of £350.00 and a maximum of £2,000. The Administrative Penalty is recoverable after the overpayment has been repaid to Darlington Borough Council.

Darlington Borough Council's Sanctions policy defines when an Administrative Penalty may be appropriate, but each case is considered on its own merits. Consideration is given to the person's financial circumstances – as far as they are known, and whether offering an Administrative Penalty will cause undue hardship. All Administrative Penalties are recorded with the DWP, so that if the person commits another offence against a benefit administered either by the DWP or a Local Authority, and that authority is considering offering a sanction to the person, this may affect their decision.

Prosecution

Darlington Borough Council's Sanctions Policy defines when it will seek to prosecute for an offence. Each case is taken on its own merits, and consideration is given to health and social factors. If Darlington Borough Council offers a simple caution or administrative penalty to someone it considers to have committed an offence, and they either decline the offer or fail to attend any appointment to discuss the offer and do not contact the office to re-arrange the appointment, then the case will always be referred to the Legal section for them to consider instigating legal proceedings.