
REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT
2013/14

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 2013/14.

Summary

2. The report highlights that the Benefits Investigators are a key element of the Council's anti-fraud and corruption arrangements, outlines performance and refers to the implementation of the Single Fraud Investigation Service (SFIS).

Recommendation

3. It is recommended that the Revenue and Benefits Counter Fraud Activity Report for 2013/14 be noted.

Reasons

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

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

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

Anthony Sandys: Extension 2512

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

Background

5. Whilst the Department for Work and Pensions (DWP) has overall responsibility for the scope and structure of the Housing Benefit scheme, Darlington Borough Council has the day-to-day responsibility for its administration. This remit includes the prevention, detection and prosecution, where appropriate, of benefit fraud. In addition, the Council is also responsible for Council Tax Support, Council Tax and Business Rates discount and exemption counter fraud activities.
 6. Revenues and Benefits Investigators are responsible for investigating all allegations of Housing Benefit and Local Taxation fraud. In certain circumstances, when the law allows, the Council can also investigate allegations of fraud against certain benefits administered by the DWP, including the power to prosecute people for these offences. There are currently 1.6 full time equivalent investigators who are fully qualified accredited counter fraud officers.
 7. In addition, 3.5 full time equivalent Revenues and Benefits Inspection Officers investigate allegations of Local Taxation evasion, such as incorrectly claimed discounts and exemptions, as well as businesses and property owners failing to register themselves for Council Tax and Business Rates.
 8. 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:
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- (a) **Anti-fraud culture:** The Revenues and Benefits service has an anti-fraud policy and strategy, as well as a sanctions policy, which are embedded within the Council's corporate anti-fraud strategy and policy.
- (b) **Prevention:** The Revenues and Benefits service only accepts original documentation as proof of a customer's financial circumstances. The Revenues and Benefits Inspection Officers also examine benefit and discount claims as part of a proactive programme of visits, inspections and reviews to ensure that claims remain correct.
- (c) **Detection:** The Revenues and Benefits service uses all available techniques to identify fraud. This includes data matching with the Housing Benefit Matching Service (HBMS) and the Audit Commission's National Fraud Initiative (NFI). The benefit fraud hotline and shared fraud hotline numbers are advertised on the Council's website.
- (d) **Investigation:** Professionally trained investigators using tested methods to uncover evidence of fraud.
- (e) **Sanction:** Where fraud is identified, taking the appropriate sanctions and publicising the results as a deterrent.
- (f) **Redress:** Fully recovering the debt to show that fraud does not pay.

Analysis

Performance

9. In 2013/14 the Council received 498 fraud referrals including those coming from matches provided by HBMS, compared to 481 for 2012/13.
10. The results of counter fraud activity are set out in **Table 1** below. A total of 30 sanctions and prosecutions have been achieved in 2013/14, including 11 prosecutions resulting in guilty verdicts. Definitions of the types of sanctions available are attached at **Appendix A**.
11. By comparison, 58 sanctions were achieved in 2012/13, of which 18 were successful prosecutions. The difference in the two years figures reflects partly a reduction in available resource but also an increasing focus upon Local Taxation counter fraud activity.
12. Table 1 also shows the amount of overpaid benefit relating to each type of sanction and how much has been recovered in 2013/14. It also illustrates that all outstanding fraud overpayments raised in 2013/14 are actively being recovered.

Table 1

Type of Sanction	Number	Overpaid Benefit	Admin. Penalty accepted	Amount recovered	Amount Written off	Amount being recovered
Simple Caution	3	£6,465		£2,422	£0.00	£4,043
Admin. Penalty	16	£27,090	£8,221	£14,841	£0.00	£20,470
Prosecution	11	£17,793		£9,595	£0.00	£8,198
Total	30	£51,348	£8,221	£26,858	£0.00	£32,711

13. Data matches from both 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 Revenues and Benefits service.
14. Revenues and Benefits Investigators will continue to investigate allegations of incorrectly claimed benefits, discounts and exemptions in 2014/15, whilst the Inspection Officers will seek to maximise income for the Council by targeting potential tax evasion. In addition, staff will also undertake 'last resort' recovery action for property owners and businesses who wilfully refuse to pay their Council Tax or Business Rates. This will include undertaking bankruptcy proceeding and committals to prison.

Staff training

15. All new Revenues and Benefits staff and Customer Services staff who answer telephone queries about Housing Benefit and Local Taxation receive training to identify potential frauds, and how to notify any suspicions they may have. Staff who also see customers who call in to the Council, receive training in verifying original documents and how to identify forged or counterfeit documents.
16. Staff are encouraged to report allegations of benefit and Local Taxation fraud and the results of any successful sanctions or prosecutions from staff referrals are reported back. Revenues and Benefits notify the Communications Unit of any significant fraud prosecutions cases due to come before the courts, so that the press can be alerted.

Single Fraud Investigation Service

17. From 2014/15, the Single Fraud Investigation Service (SFIS) was launched by the DWP. SFIS will bring together the investigation and prosecution of all types of benefit fraud (including Housing Benefit) and will operate to a single set of national policies and procedures. Prosecutions arising from SFIS investigations will be conducted by the Crown Prosecution Service.
18. For Darlington, the responsibility to investigate and prosecute Housing Benefit fraud will transfer to SFIS in October 2015. This may also involve a transfer of investigation staff to the DWP.
19. However, low level benefit fraud (fraud not involving a prosecution) and Local Taxation fraud will remain the responsibility of the Council. Therefore, the Council will need to consider what staff it wishes to deploy against these types of fraud in 2015/16, depending on the resources available (including any government grants).

Conclusion

20. The Revenues and Benefits service continues to maintain its commitment to its counter fraud activity across a range of benefits, discounts and exemptions. This is illustrated by the continued level of sanctions and prosecutions achieved.

Appendix A

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 benefit fraud offence.

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 8th May 2012 is set at 30% of the overpaid benefit, and the administrative penalty for any offence which started after 8th May 2012 is set at 50% of the overpayment, with a minimum value of £350 and a maximum of £2,000. The administrative penalty is recovered 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 and may be cited in court, should the customer commit another benefit fraud offence.

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, then the case will always be referred to Legal Services to consider instigating legal proceedings.