

# Rotherham MBC

## ANNUAL FRAUD REPORT 2009/10

## ROTHERHAM MBC ANNUAL FRAUD REPORT 2009/10

<b>C O N T E N T S</b>	<b>Page</b>
<b>INTRODUCTION</b>	<b>2</b>
<b>PERFORMANCE SUMMARY</b>	<b>2 – 3</b>
<b>THE COUNCIL'S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD &amp; CORRUPTION</b>	<b>3</b>
<b>THE ROLE OF INTERNAL AUDIT</b>	<b>3</b>
<b>HOUSING AND COUNCIL TAX BENEFIT</b>	<b>4 – 6</b>
<b>NATIONAL FRAUD INITIATIVE</b>	<b>6 – 7</b>
<b>EXTERNAL ASSESSMENTS</b>	<b>8</b>
<b>REPORTING YOUR CONCERNS</b>	<b>8</b>

## INTRODUCTION

***Rotherham Council has a zero tolerance to fraud and corruption***

This is the second annual fraud report produced by Rotherham Council. Its purpose is to raise awareness by informing our stakeholders of the work the Council undertakes to manage the risk of fraud and corruption. It brings together in one document a summary of the outcomes of our work to prevent and detect fraud and corruption.

Since the publication of our first annual fraud report in 2008/09 the economic position nationally has worsened. This in turn has led to a further tightening of the purse strings locally. In such an economic climate the importance of minimising the risk of fraud is increased. We might expect to see an increased risk of losses through fraud and corruption as individuals and organisations get into financial difficulty. It is important, therefore, that we maintain our guard in this respect, as any public sector body can ill afford to suffer losses of this nature when our budgets are so constrained.

Rotherham Borough Council employs over 13,400 people and provides services costing more than £390 million in 2009/10. It paid over £87 million to 29,000 Housing and Council Tax Benefits claimants. Like any organisation of this size, the Council can be vulnerable to fraud and corruption, both from within and outside the organisation. The Council aims to minimise its risk of loss due to fraud and corruption, recognising that any loss incurred may be borne by the honest majority.

The Council's commitment to minimising the risk of fraud and corruption is outlined in the following extract from its Anti-Fraud & Corruption Policy:

*'The Council is determined to prevent and eliminate all fraud and corruption affecting itself, regardless of whether the source is internally or externally based. Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.'*

## PERFORMANCE SUMMARY FOR 2009/10

In 2009/10 Rotherham Brought Together (RBT), which administers the Benefits Service on the Council's behalf, recovered over £3.1m in overpayments of benefits made as a result of fraud or error. (NB This includes Government subsidy relating to the overpayments). *This compares with a total recovery in 2008/09 of £2.8m.* The recoveries were made up of:

- Recovering £1.32 (£1.28m 08/09) million paid out in fraudulent or incorrect housing benefits claims.
- Recharging Council Tax payers £898,000 (£630k 08/09) for overpayments of Council Tax benefits payments.
- Government subsidy totalling £974,000 (£947k 08/09) received as a result of the Council's identification of overpayments.

**Any amounts recovered / claimed have been used in delivering front line services for the benefit of residents of Rotherham.**

There were over 7,400 benefits overpayments made in 2009/10. Most of these were not fraudulent. However, RBT completed investigations in 2009/10 into 898 suspicious overpayment cases. The service obtained 34 successful prosecutions for Housing and Council Tax Benefit Fraud. RBT also issued 68 formal cautions and 80 administrative penalties.

Investigations of cases highlighted by the Audit Commissions 'National Fraud Initiative' led by the Council's Internal Audit Service, identified savings in excess of £200k.

## **THE COUNCIL'S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD & CORRUPTION**

The Council's primary aim remains to stop fraud from occurring. We reported in 2008/09 that the Council had completed an overall review of its arrangements for managing the risk of fraud and corruption. This led to the production of an Anti-Fraud & Corruption Strategy, which included a number of practical measures to strengthen our arrangements in this regard.

During 2009/10 as part of delivering our anti-fraud and corruption strategy we have implemented the following measures:-

- Conducted a survey of over 2,000 employees. This showed the majority of our workforce has confidence in, and awareness of, our anti-fraud and corruption policies and procedures.
- Developed 'guidance notes' containing advice for our staff relating to :-
  - a) What to do when fraud is suspected (Fraud Response Plan)
  - b) Anti- Money Laundering
- Provided training material for employees ('e-learning')
- Developed and agreed a counter fraud charter with the Unions representing our workforce.
- Reviewed the arrangements for the management of Housing and Council Tax Benefit Fraud. This review found that the Benefits Team continues to operate in line with best practice standards. It also highlighted the opportunity to publicise more widely the Council's Fraud Hotline telephone facility for citizens to report any suspicions of Benefits fraud

As part of our ongoing commitment we will continue to monitor and report upon the outcomes of our anti-fraud and corruption work.

## **THE ROLE OF INTERNAL AUDIT**

The Council's Internal Audit Team has a crucial role in helping the Council to prevent and detect fraud and corruption. The Team carries out an annual assessment of the areas most at risk of fraudulent activity. It carries out reviews of the controls in place to prevent fraud and corruption in these areas on a cyclical basis and, where relevant, makes recommendations for strengthening existing arrangements.

Internal Audit also:

- Advises managers about controls to be implemented in new systems or as a result of system changes
- Helps managers to investigate suspicious situations

Internal Audit are also required to report to the Council's external auditor any cases of fraud exceeding £10,000. There were no general cases to report in 2009/10.

## HOUSING AND COUNCIL TAX BENEFIT

### Overpayments

The Council recognises that many overpayments can and do occur as a result of errors made during the application process or later, if changes to any benefits entitlement are not properly or promptly identified. The Council does not pursue any formal sanctions against anyone innocently causing an overpayment by making a genuine error. The Council does, however, seek to recover any overpayments incurred, either by error or fraud.

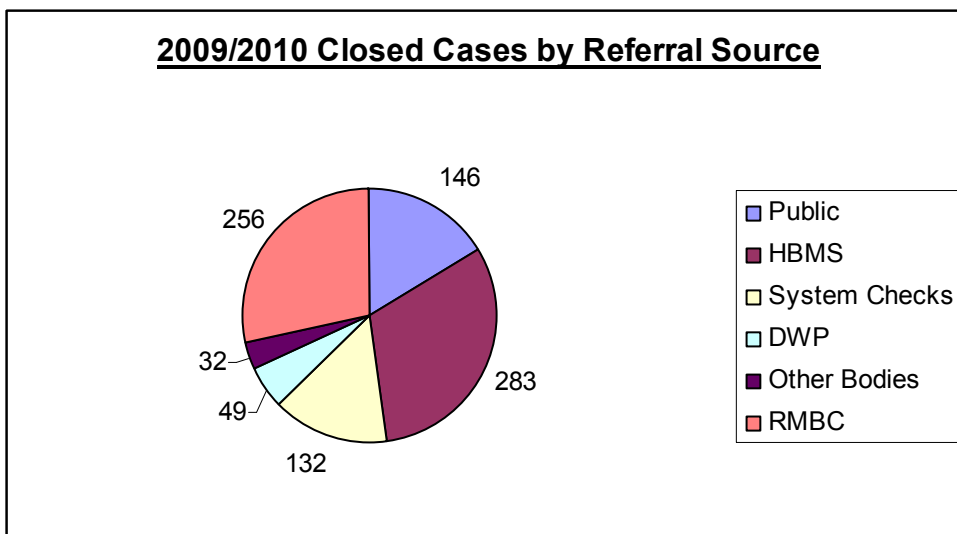
### Benefits Fraud

The Council has a Benefits Fraud Team, managed by RBT (a partnership company between the Council and BT), which comprises 7 staff including 5 benefits fraud investigators. The Team investigates potentially fraudulent benefits claims received by the Authority.

The Team receives referrals from many sources. The Public, for example, referred 217 of the cases closed in 2009/10, with many referred through the Fraud Hotline. Referrals are also received from the Department for Work and Pensions (DWP) and the Housing Benefit Matching Service (HBMS).

Chart 1 shows a breakdown of all 898 referrals where investigations were closed in 2009/10.

**Chart 1: Source of referrals closed by Benefits Fraud Team in 2009/10**



Source: RBT

As a result of its work, RBT:

- Recovered over £1.32 million paid out in fraudulent or incorrect housing benefits claims.
- Recharged Council Tax payers £898,000 for overpayments of Council Tax benefits payments.
- Claimed Government subsidy totalling £974,000 as a result of the Council's identification of overpayments.

One example of a case investigated by the Benefits Fraud Team is provided below:

**Case Study 1**

An investigation was undertaken following intelligence gathered that a customer who was in receipt of Income Support, Housing and Council Tax benefit had an undeclared partner in the property who was in full time employment. Further evidence gathered suggested that the partner was indeed resident in the property and that the claimant had fraudulently claimed over £35,000.

The customer was interviewed under caution and the evidence was put to the customer. The customer continuously denied that her partner was resident in the property. However, on the basis of the evidence collected, the case was referred to Rotherham Magistrates Court and was subsequently referred to Sheffield Crown Court, where the claimant was found guilty and sentenced to 9 months imprisonment suspended for 12 months and also directed to undertake 150 hours unpaid work. Arrangements to repay the debt have been made.

The proportion of 2009/10 overpayments recovered in the year by Rotherham Council was 45.0%, exceeding our local performance target of 41%.

The performance of the Benefits Fraud Team is also partly measured in terms of the number of sanctions\*<sup>1</sup> achieved in the year. The Team's target for 2009/10 was to achieve 4.2 sanctions per 1,000 caseload, which equated to a target of 123 sanctions for the year (based on an average caseload of 29,173). Actual performance was 182 sanctions, equating to 6.2 per 1,000 caseload.

Results over the last three years show how the service has improved its overall performance, including in particular in relation to the number of successful criminal prosecutions which have increased by 83.3% since 2006/07 (from 19 to 36). See Table 1.

**Table 1: The Number of sanctions achieved by the Housing Benefits Fraud Team – 2006/07 to 2009/10**

Year	Formal Cautions	Administrative Penalties	Successful Prosecutions	Total Sanctions
2006/07	27	69	19	115
2007/08	52	48	25	125
2008/09	48	56	36	140
2009/10	68	80	36	182

<sup>1</sup> A sanction can be a formal criminal prosecution, a formal caution or an administrative penalty

### **Housing Benefit Matching Service**

During 2009/10 the service received 738 referrals from the Department for Work & Pensions (DWP) 'Housing Benefit Matching Service' which cross-matches and highlights discrepancies between DWP and RMBC records. On investigation of these referrals, 174 cases resulted in Housing Benefit Overpayments (totalling £102,007.61) and 218 cases resulted in Council Tax Benefit Overpayments (totalling £44,122.28). A total of 294 cases were referred to the Fraud Section.

### **Credit Reference Agency Matching**

Identifying and proving 'Living Together' fraud is both difficult and costly. Consequently, the Department for Work & Pensions has been keen to explore new methods of investigating this offence.

When investigating the Housing & Council Tax benefit element of 'Living Together' offences, local authorities normally rely on information from the general public. Matching with Credit Reference Agencies provides a new method of identifying customers who are potentially living together as husband and wife using data not previously made available to local authorities.

Rotherham MBC was one of the 10 local authorities nationally who volunteered to take part in the pilot exercise. Experian provided a bespoke data matching solution that extracted data from local authorities via the Department for Work & Pensions. This data was then compared with the local authority data. A risk assessment was then performed by Experian which highlighted cases that would be suitable for further investigation using Experian's Investigator Online service.

The pilot, which ended in September 2009, proved successful in identifying 'hard to find' fraud such as Living Together. It also reduced the time and resources required by local authorities to sanction customers, assisted in identifying cost savings and provided an estimate of potential benefit overpayments.

As a result of this success the Credit Reference cross matching exercise will be rolled out nationally with effect from the 1<sup>st</sup> April 2010.

## **NATIONAL FRAUD INITIATIVE**

### **Background**

The National Fraud Initiative (NFI), run by the Audit Commission, matches electronic data within and between public sector organisations to highlight potentially fraudulent activity. Organisations participating include police authorities, insurance brokers, the student loan authority, local probation boards, pension authorities and fire and rescue authorities, as well as local councils.

## RMBC Annual Fraud Report 2009/10

The initiative works by comparing different sets of data, like payroll and housing benefits records, and flagging unusual combinations such as any person claiming housing benefits from more than one local authority or any person claiming housing benefits while failing to disclose his/her employment <sup>\*2</sup>.

The organisations taking part receive a report on these potentially unusual matches, which they can then investigate to determine the existence of any fraud or error.

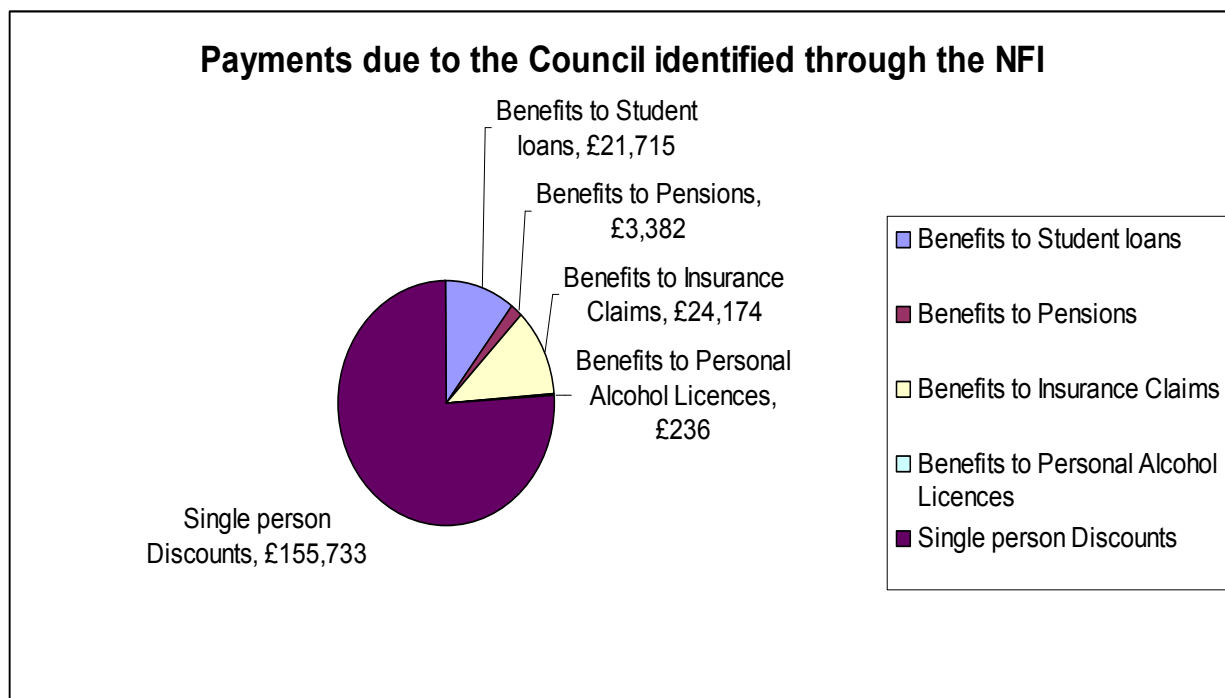
Nationally the 2008/09 exercise helped trace £215 million in fraud, error and overpayments. (NB The 2008/09 data is investigated in reported in 2009/10)

The Audit Commission is continuing to expand the range of the NFI and for 2008/9 introduced a new data set comparing Council Taxpayers claiming Single Person Discounts to the Electoral Register. (This highlights potential matches where more than one person is on the Electoral Register and any address, yet Single Person Discount is being claimed).

### RMBC results

The Council found £205,240 from the most recent matching exercise investigated in 2009/10. This was made up of false Benefits claims (£49,507) and Council Tax Single Person Discounts (£155,733). See Chart 2.

**Chart 2: Payments due to the Council identified through the NFI**



Source: Internal Audit

<sup>2</sup> The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation



## RMBC Annual Fraud Report 2009/10

The data matching provided by the Audit Commission highlights households claiming Council Tax 'single person discount' where the data matching indicates that there is more than one adult in the property. The following case study is typical.

### **Case Study 2:**

A household had returned a declaration to the Council in 2007 indicating there was only one adult in the property. Single Person Discount was granted.

Data matching indicated that there was more than one adult in the property and this was accepted by the Council Tax payer when challenged. A back dated charge of £550 was levied and has now been paid in full.

## **EXTERNAL ASSESSMENT**

Each year the Council's external auditor, KPMG, carries out an assessment on behalf of the Audit Commission of how the Council controls the use of its resources. This assessment includes a review of how well the Council is managing the risk of fraud and corruption. Within the last assessment available for 2009, KPMG has awarded the Council a 3 out of 4 ('Performing Well') for its arrangements.

The Council's arrangements for preventing and detecting Benefits fraud have helped the Council's Benefits Service to achieve a 4 star 'excellent' assessment by Government inspectors.

## **REPORTING YOUR CONCERNS**

If you do have any concerns report your suspicions as quickly as possible together with the relevant details. You can report any concerns to the Internal Audit Service on Rotherham 382121 Ext. 23290 OR the Assistant Chief Executive (Legal Services), Ext. 23500 OR the Chief Executive, Ext. 22771.

Alternatively you may prefer to put your suspicions in writing to the Director of Internal Audit and Governance, Financial Services, Council Offices, Doncaster Gate, Doncaster Road, Rotherham, South Yorkshire, S65 1DW and mark the envelope "CONFIDENTIAL — TO BE OPENED BY THE ADDRESSEE ONLY".

The Council would prefer you not to provide information anonymously as any subsequent investigation could be compromised if we cannot contact you to help gain a full understanding of the issues. However, we will still consider anonymous information that is received.

All reported suspicions will be dealt with sensitively and confidentially.

**If you wish to report any suspicions in relation to Benefit Fraud ring for free on the Fraud Hotline 0800 028 2080**