

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	20 July, 2011
3.	Title:	Annual Fraud Report 2010/11
4.	Directorate:	Financial Services

5. Summary

The purpose of the attached Annual Fraud Report 2010/11 is to bring together in one document a summary of the work which has taken place in the period to prevent and detect fraud and corruption. By publicising the report we aim to show the Council's commitment to minimising the risk of fraud and deter any would-be fraudsters.

It should be noted that the incidence of fraud remains very low in overall terms, taking into account the Council's activities and spending. General fraud cases (excluding benefits) exceeding £10,000 are required to be reported to the Audit Commission and there were none of these in 2010/11. However:

- RBT, which administers the Housing Benefit service on the Council's behalf, recovered £2.45m overpayments of benefits (mainly as a result of error but including fraudulent claims). Amounts recovered are used in delivering front line services for the benefit of Rotherham residents
- RBT investigated 895 potentially fraudulent Housing and Council Tax Benefit cases, obtained 25 prosecutions and issued 191 cautions and penalties
- Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative', led by the Council's Internal Audit Service, identified savings in excess of £249k
- 109 Blue Badge Parking Permits were withdrawn as a result of validation checking against deceased persons' records and 19 successful prosecutions were made against fraudulent permit users.

These outcomes demonstrate the Council's zero-tolerance to fraud.

6. Recommendations

The Audit Committee is asked to:

- **Support the production of the Annual Fraud Report 2010/11**
- **To agree to appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.**

7. Proposals and Details

Attached at **Appendix A** is a draft annual fraud report for 2010/11. By approving the contents and distribution of the report, the Audit Committee will be supporting an important aspect of the Council's Anti-Fraud & Corruption Strategy. The purpose of the report is to raise awareness and inform 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.

There were over 8,880 Housing and Council Tax Benefit overpayments made in 2010/11. Most of these were not fraudulent. However, RBT completed investigations in to 895 suspicious overpayment cases. The Service obtained 25 successful prosecutions for Housing and Council Tax Benefit Fraud. RBT also issued 107 formal cautions and 84 administrative penalties.

Other outcomes included:-

- Recovering over £1.32m paid out in fraudulent or incorrect housing benefit claims.
- Recharging Council Tax payers £1.13m for overpayments of Council Tax benefit payments
- Claiming Government subsidy totalling £1.19m as a result of the Council's identification of overpayments.
- Identifying savings of over £249k following investigations lead by Internal Audit into a number of cases highlighted by the Audit Commission's National Fraud Initiative. These savings related principally to Single Person Discount (£199k) and false Benefit Claims (£50k).

8. Finance

Any costs associated with publicising the outcomes achieved in the year can be contained within financial services' budget. Publication of positive outcomes can enhance the Council's reputation and deter fraud and corruption against the Council.

9. Risks and Uncertainties

Failure to maintain robust arrangements for the prevention and detection of fraud and corruption increases the risk of loss to the Council from fraudulent activity.

10. Policy and Performance Agenda Implications

The production and distribution of the Annual Fraud Report 2010/11 will contribute towards good governance.

11. Background Papers and Consultation

CIPFA – 'Managing the Risk of Fraud'
RMBC Anti-Fraud Policy and Action Plan
RMBC Internal Audit Plan 2010/11

Contact Names:

Colin Earl, Director of Internal Audit and Governance, x22033

Steve Pearson, Audit Manager, Ext 23293

Appendices:

Appendix A Annual Fraud Report 2010/11

Appendix A

ROTHERHAM MBC

ANNUAL FRAUD REPORT 2010/11

CONTENTS	Page
INTRODUCTION	6
PERFORMANCE SUMMARY	6
THE COUNCIL'S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD & CORRUPTION	7
• THE ROLE OF INTERNAL AUDIT	7
• HOUSING AND COUNCIL TAX BENEFITS	8
• NFI	10
KEY PRIORITIES FOR 2011/12	12
REPORTING YOUR CONCERNS	13

1. INTRODUCTION

Rotherham Council has a zero tolerance to fraud and corruption

This is the third 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 nearly 13,000 people and provides services costing more than £400 million in 2010/11. It paid over £96.7million to 30,000 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".

2. PERFORMANCE SUMMARY FOR 2010/11

In 2010/11 Rotherham Brought Together (RBT), which administers the Benefits Service on the Council's behalf, recovered £2.45m in overpayments of Housing and Council Tax Benefits made as a result of fraud or error (£2.22m in 2009/10). The Council also received Government subsidy totalling £1.19m (£974k in 2009/10) as a result of the Council's identification of overpayments.

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

There were over 8,880 benefits overpayments made in 2010/11. Most of these were not fraudulent. However, RBT completed investigations into 895 suspicious overpayment cases. The service obtained 25 successful prosecutions for Housing and Council Tax Benefit Fraud. RBT also issued 107 formal cautions and 84 administrative penalties.

Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative', led by the Council's Internal Audit Service, identified savings in excess of £249k.

109 Blue Badge Parking Permits were withdrawn as a result of validation checking against deceased persons' records and 19 successful prosecutions were made against fraudulent permit users.

There were no general cases exceeding £10,000 that needed to be reported to the Audit Commission in 2010/11.

3. 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 and 2010/11 the Council implemented a number of measures from the Anti-Fraud and Corruption Strategy.

Implementation of the strategy involves all managers and officers although certain services have particular roles to play in the proactive prevention of fraud. These include Internal Audit, the Benefits Fraud Team which deals with Housing Benefit fraud, the Blue Badge Enforcement Team, Trading Standards and HR officers. All of these teams have a vital role to play in the deterrence, detection and investigation of fraud.

3.1 INTERNAL AUDIT

The Council's Internal Audit Team has a crucial role in helping the Council to deter, detect and investigate fraud and corruption. It performs the following functions:

- carries out an annual assessment of the areas most at risk of fraudulent activity
- performs 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
- advises managers about controls to be implemented in new systems or as a result of system changes
- drives the continual development of a framework of anti-fraud policies and procedures
- helps managers to investigate suspicious situations
- raises awareness of fraud risks and developing mechanisms to maximise the opportunities for fraud risk reporting
- responds to whistle blowing allegations, referrals and other concerns, including those received under the Council's Money Laundering Policy
- investigates reports of financial or other irregularity
- liaises with South Yorkshire Police to support criminal prosecutions.
- provides advice and support to managers across the Council and within schools in their own investigation of irregularities
- monitors and reports on anti-fraud activity across the Council.

In discharging this wide range of roles Internal Audit has a Lead Auditor for anti-fraud work. This officer has successfully completed the "CIPFA Certificate in Investigative Practice".

3.2 HOUSING AND COUNCIL TAX BENEFITS

Overpayments

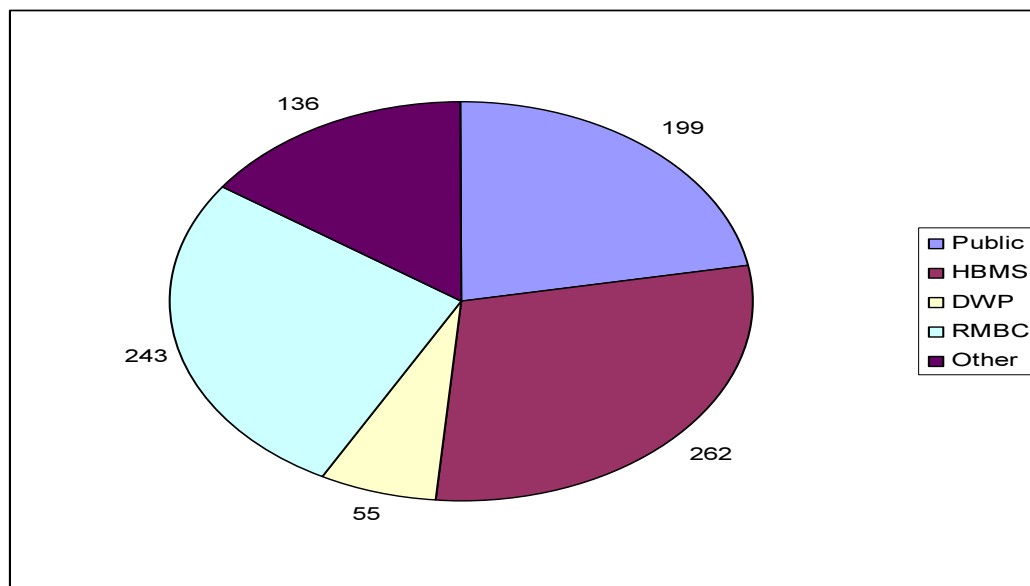
The Council recognises that many overpayments can and do occur as a result of errors made during the application process or later, if changes to any benefits entitlement are not properly or promptly identified. The Council does not pursue any formal sanctions against anyone innocently causing an overpayment 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 6.5 FTEs, including 4.5 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 199 of the cases closed in 2010/11, 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 895 referrals where investigations were closed in 2010/11.

Chart 1: Source of referrals closed by Benefits Fraud Team in 2010/11



Source: RBT

As a result of its work, RBT:

- Recovered over £1.32m paid out in fraudulent or incorrect housing benefits claims.

- Recharged Council Tax payers £1.13m for overpayments of Council Tax benefits payments.
- Claimed Government subsidy totalling £1.19m as a result of the Council's identification of overpayments.

The proportion of 2010/11 overpayments recovered in the year by Rotherham Council was 53.47% (45% in 2009/10), exceeding our local performance target of 41%.

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

Case Study 1

An anonymous referral was received stating that a benefits claimant had been living with a partner as husband and wife and that the partner was in full time employment. The claimant was claiming benefits as a single parent.

Further investigation revealed that the claimant had fraudulently claimed over £30,000 in benefits to which she was not entitled. The case was heard in Sheffield Crown Court where the claimant was given a 6 month custodial sentence suspended for 2 years and also ordered to carry out 150 hours community service.

The performance of the Benefits Fraud Team is also partly measured in terms of the number of sanctions *¹ achieved in the year. The Team's target for 2010/11 was to achieve 125 sanctions for the year. Actual performance was 216 sanctions. Results over the last five years show how the service has improved its performance, see Table 1.

Table 1: The Number of sanctions achieved by the Housing Benefits Fraud Team – 2006/7 to 2010/11

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
2010/11	107	84	25	216

Housing Benefit Matching Service

During 2010/11 the service received 863 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, 110 cases resulted in Housing Benefit Overpayments (totalling £127,637) and 130 cases resulted in Council Tax Benefit Overpayments (totalling £39,251). A total of 321 cases were referred to the Fraud Section.

¹ A sanction can be a formal criminal prosecution, a formal caution or an administrative penalty

3.3 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.

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 ^{*2}.

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.

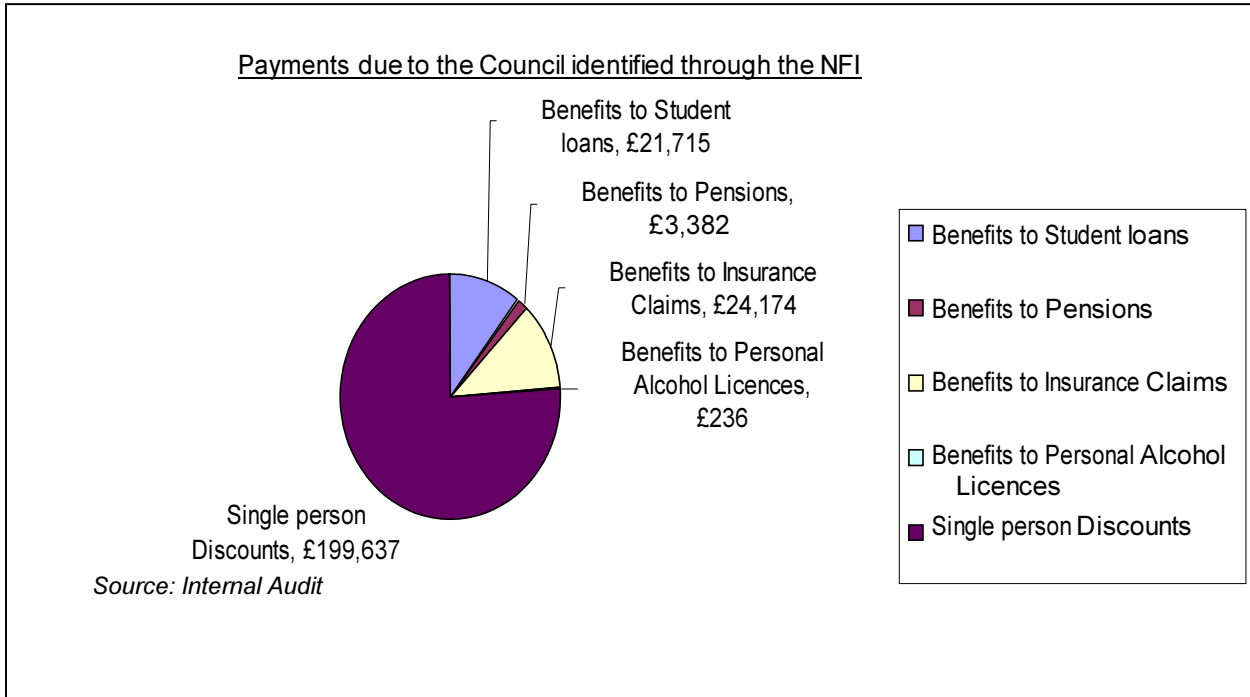
To date the NFI exercise has identified over £600m nationally in fraud and overpayments.

RMBC results

The Council found £249,144 from the most recent matching exercise investigated in 2009/10 and 2010/11. This was made up of false Benefits claims (£49,507) and Council Tax Single Person Discounts (£199,637). See Chart 2 below.

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

Chart 2: Cumulative payments due to the Council identified through the NFI 2008/09



Case Study 2, below, shows an example of a case concluded following investigation of an NFI report.

Case Study 2

Rotherham Metropolitan Borough Council's Benefits Fraud Unit received a referral via the Audit Commission's National Fraud Initiative which indicated that there was a possibility a tenant had a partner living with her at her home address. The tenant declared no partner living with her when claiming Housing Benefit, Council Tax Benefit and Income Support.

Further work revealed the tenant did in fact have a partner residing at the property and that she had fraudulently claimed in excess of £29,000. The Judge sentenced the tenant to a maximum 6 months prescribed curfew order.

The Audit Commission has recently commended the Council for its performance in responding to the NFI. In an email received in March 2011 the Audit Commission stated:

"We have recently conducted a review to establish the progress councils have made with these NFI reports and we are delighted to see that the NFI web application is showing encouraging results for your council".

Blue Badges

During the year a first matching report was provided under the NFI comparing blue badge holders with register of deaths information. Following investigations the Council removed 109 Blue Badge Parking Permits that were still being held by relatives or associates of deceased persons.

In addition the Blue Badge Enforcement Team uncovered a number of other fraudulent users of permits and made 19 successful prosecutions (15 cases of drivers using a disabled person's blue badge without the blue badge holder being present and 4 found guilty of using a disabled person's blue badge when the holder had deceased).

NFI 2010/11

The NFI 2010/11 exercise is now under way. Matches will be investigated throughout 2011 and 2012.

4 KEY PRIORITIES FOR 2011/12

The Council's anti-fraud priorities for 2011/12 will include:

- Continued participation in the National Fraud Initiative
- Specific fraud related reviews relating to housing tenancy, expenses and care providers
- Developing further the Fraud Strategy
- Specifically addressing the implications of the Bribery Act 2010 and incorporating the latter into the Council's Fraud and Corruption agenda

- Training, advice and guidance which will encompass:
 - Raising awareness - Supporting the Council to improve levels of awareness of fraud risks amongst managers, staff and partners
 - Effective communication of Council policy, procedures and codes relating to anti-fraud, including the new Bribery Act
 - Fraud risk assessment - Update of fraud risk assessments and a fraud risk register to focus resources on potential vulnerabilities
 - Liaison with other neighbouring Councils in developing good practice.

The Council, with RBT, will implement new procedures for checking and validating Single Persons Council Tax Discount claims, using a new independent service that checks Council information against credit applications. It is anticipated that this will significantly prevent the occurrence of single persons' discounts frauds.

In 2010/11 The National Fraud Authority established a Counter Fraud Strategy Forum. The Forum will help tackle fraud in central and local government and is developing a new strategy entitled 'fighting fraud locally' to tackle fraud in local government. This strategy is supported by the Audit Commission, CIPFA, Communities and Local Government and other bodies previously engaged in providing support in the fight against fraud. We will adopt relevant aspects of the strategy when it is finalised.

5 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. 23297 / Ext. 23293 or the Senior Manager Legal and Electoral Services on Ext. 23553.

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