

## ROTHERHAM BOROUGH COUNCIL – REPORT TO DEPUTY LEADER

1.	<b>Meeting:</b>	<b>Deputy Leader</b>
2.	<b>Date:</b>	<b>10 September 2012</b>
3.	<b>Title:</b>	<b>Annual Fraud Report 2011/12</b>
4.	<b>Directorate:</b>	<b>Resources</b>

### 5. Summary

The purpose of the attached Annual Fraud Report 2011/12 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 2011/12.

The Council investigated 1,393 potentially fraudulent Housing and Council Tax Benefit cases, obtained 32 prosecutions and issued 201 cautions and penalties.

The Council recovered £2.52m overpayments of benefits (£2.45m in 2010/11). These are mainly as a result of changes in circumstances but also include fraudulent claims. Amounts recovered are used in delivering front line services for the benefit of Rotherham residents.

The report was presented to the Audit Committee in July and received support from the Committee

### 6. Recommendations

The Deputy Leader is asked to:

- **Support the production of the Annual Fraud Report 2011/12**
- **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 2011/12. By agreeing 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 9,036 Housing and Council Tax Benefit overpayments made in 2011/12 (8,880 in 2010/11). This is only a very small proportion of the payments made and most of these overpayments were not fraudulent; they mostly arose when claimants advised the Council of changes in circumstances after these had occurred, resulting in a future adjustment being required. However, they also include fraudulent cases and in 2012/13 the Council completed investigations in to 1,393 suspicious overpayment cases (895 in 2010/11). The Service obtained 32 successful prosecutions for Housing and Council Tax Benefit Fraud (25 in 2010/11). The Council also issued 108 formal cautions (107 in 2010/11) and 93 administrative penalties (84 in 2010/11).

Other outcomes included:

- Recovering over £2.52m paid out in overclaimed or fraudulent housing and Council Tax benefit claims (£2.45m in 2010/11).
- Claiming Government subsidy totalling £1.17m as a result of the Council's identification of overpayments (£1.19m in 2010/11).
- Identifying savings of over almost £9,000 following investigations led by Internal Audit into a small number of cases highlighted by the Audit Commission's National Fraud Initiative. These savings related principally to false Benefit Claims.

## **8. Finance**

Any costs associated with publicising the outcomes achieved in the year can be contained within 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 2011/12 will contribute towards good governance.

## **11. Background Papers and Consultation**

"National Fraud Initiative 2010/11" [Audit Commission]

"Fighting Fraud Locally" [National Fraud Authority]

### **Contact Names:**

Colin Earl, Director of Internal Audit and Asset Management, x22033

Steve Pearson, Audit Manager, x23293

### **Appendices:**

**Appendix A - Annual Fraud Report 2011/12**

# **Appendix A**

**ROTHERHAM MBC**

**ANNUAL FRAUD REPORT 2011/12**

<b>CONTENTS</b>	<b>PAGE</b>
1. INTRODUCTION	2
2. PERFORMANCE SUMMARY	2
3. THE COUNCIL'S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD & CORRUPTION	3
• THE ROLE OF INTERNAL AUDIT	
• HOUSING AND COUNCIL TAX BENEFITS	
• NATIONAL FRAUD INITIATIVE	
4. KEY PRIORITIES FOR 2012/13	6
5. REPORTING YOUR CONCERNS	7

## 1. INTRODUCTION

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

This fraud report is produced by Rotherham Council to raise awareness 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. 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. The Audit Commission publication "Protecting the Public Purse 2011" showed the level of detected fraud increased by 35% from £135m in 2009/10 to £185m in 2010/11, and estimated the total cost of fraud against local authorities at more than £2 billion a year.

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 (including schools) employs 11,000 people and provided services costing £636 million (gross expenditure) in 2011/12. It paid over £102 million to over 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 2011/12

In 2011/12, the Council recovered £2.52m in overpayments of Housing and Council Tax Benefits made as a result of fraud or overclaims (£2.45m in 2010/11). The Council also received Government subsidy totalling £1.17m (£1.19m in 2010/11) 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 9,036 Housing and Council Tax Benefit overpayments made in 2011/12 (8,880 in 2010/11). This is only a very small proportion of the payments made and most of these overpayments were not fraudulent; they mostly arose when claimants advised the Council of changes in circumstances after these had occurred, resulting in a future adjustment being required. However, they also include fraudulent cases and in 2012/13 the Council completed

investigations in to 1,393 suspicious overpayment cases (895 in 2010/11). The Service obtained 32 successful prosecutions for Housing and Council Tax Benefit Fraud (25 in 2010/11). The Council also issued 108 formal cautions (107 in 2010/11) and 93 administrative penalties (84 in 2010/11).

Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative', led by the Council's Internal Audit Service, identified savings of almost £9,000.

There were 9 successful prosecutions made against fraudulent blue badge permit users.

There were no general cases exceeding £10,000 that needed to be reported to the Audit Commission in 2011/12.

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

The Council's primary aim remains to stop fraud from occurring. During 2011/12 the Council revised its Anti-Fraud and Corruption Strategy, completed an overall review of its arrangements for managing the risk of fraud and corruption, and completed a number of practical measures to strengthen our arrangements.

In particular the Council adopted the requirements of the Bribery Act, 2010 and the recommendations of the new government backed "Fighting Fraud Locally" strategy and the Audit Commission publication "Protecting the Public Purse 2011".

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. Internal Audit has a Lead Auditor for anti-fraud work who holds the CIPFA Certificate in Investigative Practice.

The Council experiences only a very small number of frauds, taking into account the size and complexity of the organisation. Any suspected frauds that arise are referred to Internal Audit for investigation. During the year IA were involved in a small number of investigations, including two which led to the recovery of over £3,000 and the resignation of two officers.

#### **3.2 HOUSING AND COUNCIL TAX BENEFITS**

##### **Overpayments**

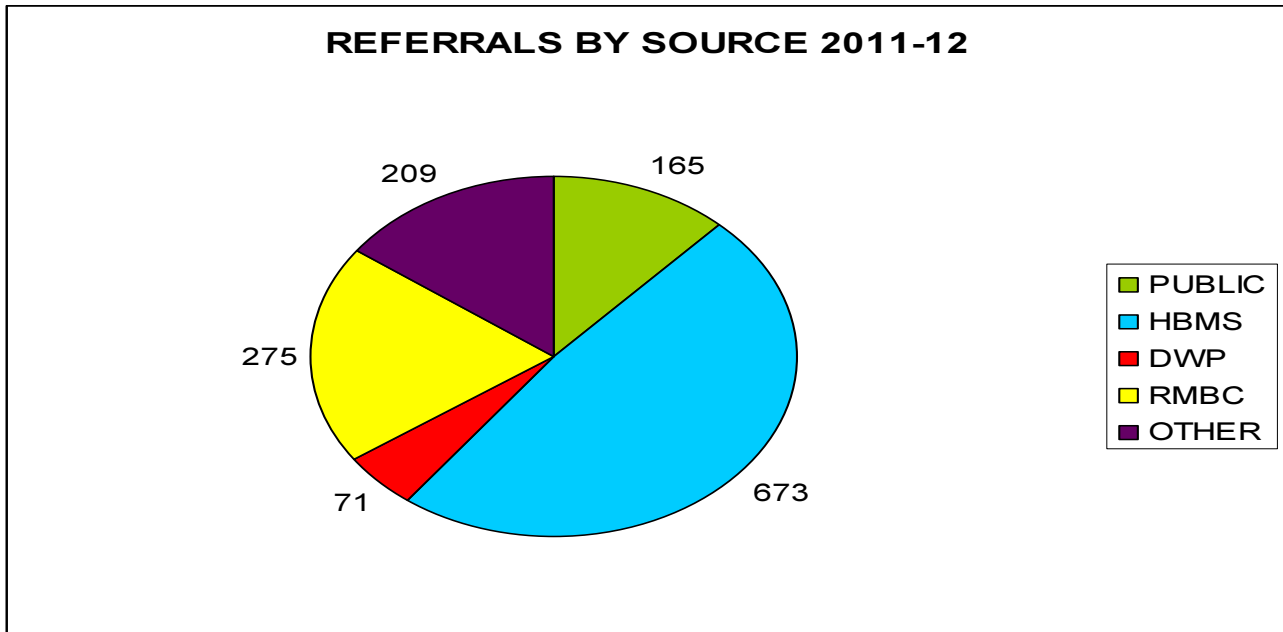
The Council recognises that many overpayments can and do occur when claimants inform the Council of changes in circumstances after they have occurred. These can be quickly adjusted and in most cases do not warrant any further action. A minority of claims are, however, deliberately intended to enable claimants to falsely claim benefits. Where these occur the Council takes robust action to hold the claimants to account and to recover any fraudulent overpayments made.

## Benefits Fraud

The Council has a Benefits Fraud Team which investigates potentially fraudulent benefit claims received by the Authority.

The Team receives referrals from many sources. The Public, for example, referred 165 of the cases closed in 2011/12, 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 1,393 referrals where investigations were closed in 2011/12.

Chart 1: Source of referrals closed by Benefits Fraud Team in 2011/12



Source: Benefits Fraud Team

As a result of its work, the Council:

- Recovered over £2.52m in fraudulent or overclaimed housing and Council Tax benefit claims (£2.45m in 2010/11).
- Claimed Government subsidy totalling £1.17m as a result of the Council's identification of overpayments (£1.19m in 2010/11).

The proportion of 2011/12 overpayments recovered in the year by Rotherham Council was 50.37% (53.47% in 2010/11), exceeding our local performance target of 41%.

Two examples of cases investigated by the Benefits Fraud Team are provided below.

### Case Study 1

Information was received from the Public that a resident had wrongly claimed Housing and Council Tax Benefit on the basis that she was a single person and had failed to declare that her husband had been living in her property. As a result of the investigation, the resident's claim was cancelled and it was established that she had fraudulently claimed over £9,500 in Housing Benefit and £3,200 in Council Tax Benefit. At a hearing in December 2011 at Rotherham Magistrate's Court the claimant was found guilty and given a 10 week custodial sentence.

## Case Study 2

A joint investigation was carried out by the Council and the Department for Work & Pensions into a case where a claimant had fraudulently claimed Housing and Council Tax benefit of over £6,700 and DWP benefits of over £23,400 over a period of ten years. The case was heard in Sheffield Crown Court where the claimant pleaded guilty to the offences as charged and subsequently sentenced to 6 months imprisonment.

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 2011/12 was to achieve 125 sanctions for the year. Actual performance was 233 sanctions. Results over the last four 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 – 2008/09 to 2011/12

Year	Formal Cautions	Administrative Penalties	Successful Prosecutions	Total Sanctions
2008/09	48	56	36	140
2009/10	68	80	36	182
2010/11	107	84	25	216
2011/12	108	93	32	233

### Housing Benefit Matching Service

During 2011/12 the service received 1,416 referrals from the Department for Work & Pensions' (DWP) Housing Benefit Matching Service, which highlights discrepancies between DWP and RMBC records. On investigation of these referrals, 191 cases resulted in Housing Benefit Overpayments (totalling £171,220) and 219 cases resulted in Council Tax Benefit Overpayments (totalling £63,103). A total of 618 cases were referred for investigation to the Council's Benefits Fraud Section.

### 3.3 NATIONAL FRAUD INITIATIVE

#### Background

The National Fraud Initiative (NFI), currently 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. 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. The NFI has helped participants find record levels of fraud, overpayment and error.

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



The Council found £8,850 from the most recent matching exercise investigated in 2010/11 and 2011/12. This was made up of false Benefit claims and Payroll and other investigations. See Table 2 below.

Table 2 Summary of fraud and overpayments – NFI 2010/11

Type of fraud and overpayment	No. of cases	Totals [£]
Benefit Fraud Investigations	3	6,548
Payroll and other investigations	2	2,302
<b>Total</b>	<b>5</b>	<b>8,850</b>

Case Study 3, below, shows an example of a case concluded following investigation of an NFI Report.

### **Case Study 3**

An NFI match indicated a claimant had incorrectly claimed Council Tax Single Person's Discount at their current and previous address. Following investigation and interview, the claimant confirmed this had been the case and a total of £1,010 was repaid to the Council.

### **Blue Badges**

Also during the year, there were 9 successful prosecutions made against fraudulent permit holders.

## **4 KEY PRIORITIES FOR 2012/13**

The Council's anti-fraud priorities for 2012/13 include:

- Continued participation in the current National Fraud Initiative [NFI]
- Reviewing new NFI initiatives, notably the availability of real time auditing and batch processing
- Specific fraud related reviews throughout the Council, including a review of payments to the independent sector for adult social care
- Keeping abreast of the National Fraud Authority's evolving "Fighting Fraud Locally" Strategy and the implications and opportunities for developing anti-fraud work
- Developing further the Fraud Strategy and work in respect of the Bribery Act 2010
- Providing training, advice and guidance
- Production of a fraud risk assessment to focus resources on potential vulnerabilities
- Liaison with other neighbouring Councils in developing good practice.

The Council will shortly be employing an organisation to validate Council Tax Single Persons' Discount claims. Checks will include new sources of information including credit applications. It is anticipated that this will significantly prevent the occurrence of single persons' discount frauds.

## **National Fraud Initiative 2012/13**

Although the Audit Commission is soon to be disbanded, it is understood that the NFI exercise will continue, but be managed by another body, probably the National Fraud Authority. The NFI 2012/13 exercise is now under way. Matches will be investigated throughout 2012 and 2013.

### **5 REPORTING YOUR CONCERNS**

If you have any concerns report your suspicions as quickly as possible together with the relevant details. You can report any concerns to the Chief Internal Auditor on Rotherham 382121 Ext. 23297 or the Director of Legal and Democratic Services on Ext. 55768.

Alternatively you may prefer to put your suspicions in writing to the Director of Internal Audit and Asset Management, Resources Directorate, Riverside House, Main Street, Rotherham S60 1AE.

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 the Fraud Hotline for free on 0800 028 2080.