

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE
8 July 2011**

Report of: the Strategic Director (Corporate Services)

Title: Benefit Fraud Investigation Team – Annual Report

Ward: City Wide

**Officers presenting report: Richard Powell, Chief Internal Auditor
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Recommendation

The Audit Committee is recommended to accept the Annual Report.

Summary

To update the Committee on the work carried out by the Benefit Fraud Investigations Team during 2010-2011 and to brief the Committee on proposed changes in the way benefit fraud will be investigated in the future under the Government's Fraud and Error Strategy.

Significant Issues

- Performance Information (paragraphs 2.1 to 2.5)
- Case Studies (paragraphs 3.1 to 3.3)
- Partnership Working (paragraphs 4.1 to 4.4)
- Government Fraud and Error Strategy (paragraphs 5.1 to 5.6)

1 Background

- 1.1 The Benefit Fraud Investigations Team (BFIT) is a Team reporting to the Chief internal Auditor, Corporate Services, and deals with the detection and investigation of the fraud and abuse of Housing, Council Tax and other Social Security Benefits
- 1.2 The Team covers the whole of the city and undertakes a variety of investigative work dealing with referrals from the Benefits

Service, Customer Services, Local Tax and other internal and external sources. Calls are received from the public on a freephone benefit fraud hotline and the Team participate in data matching initiatives and conduct a series of pro-active audits.

- 1.3 Over the last 8 years, almost 10,000 referrals have been made to BFIT and 6,088 of these have gone on to be fully investigated. As a result 411 individuals have been successfully prosecuted and a further 621 have been cautioned or fined for benefit offences.

2 Performance Information

- 2.1 During 2010-2011 667 cases were investigated by the Team. Of those, there was a positive outcome in 316 cases with either benefit being withdrawn or reduced, or an overpayment being identified.

- 2.2 61 individuals were prosecuted for benefit fraud.

Two of these fraudsters went to prison. A further 17 individuals narrowly missed prison, receiving suspended sentences instead.

Over 4700 hours of community punishment orders were given out to 38 benefit fraudsters and that amounts to nearly 673 days of unpaid work they have had to do in the community, serving the people of Bristol as a penalty for their crime.

Twelve benefit fraudsters were given curfew orders and “tagged” so their movements were severely restricted for several weeks/ months.

A further 108 individuals were either issued with formal cautions or fined for benefit offences.

- 2.3 As a result of the investigations carried out by the Team during 2010-2011, nearly £1.5million of fraudulently and incorrectly claimed benefit was identified for recovery and further losses with an annual value of £500,000 to the public purse were prevented through identifying and stopping incorrect claims.
- 2.4 Compensation of £133,756 and costs of £26,000 were awarded at court in respect of successful cases and nearly £50,000 of Confiscation from Proceeds of Crime Act (POCA) investigations

was repaid to the Council in the last financial year.

- 2.5 Whilst the staffing resource on the Team reduced during 2010-2011 as a result of maternity leave, the Team's performance had increased overall with 38.01% of those cases investigated resulting in a positive outcome. This represents a 10% increase on the previous year's figures (see table below).

Outcome of Investigations	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
% of cases where an error was identified	20.83%	11.96%	9.94%	9.95%	14.87%
% of cases where a prosecution / sanction achieved	9.77%	16.54%	16.40%	18.14%	20.26%
% of cases where a warning issued	0	4.03%	1.49%	2.42%	2.88%
Total positive outcome	30.60%	32.53%	27.83%	30.51%	38.01%

3. Case Studies

3.1 Benefit Fraudster goes back to prison again!

Mr L of Redland was convicted of a Benefit Fraud having claimed for help with the rent of a property he owned

Following receipt of some information a complex 3 year investigation began. It was established that the claim was fraudulent from the outset and had been going on for 9 years. Mr L fraudulently obtained over £47k from Bristol City Council, fabricated a landlord, submitted false documentation to substantiate the fraud, and maintained the deception even after he had been 'discovered'. He was sentenced to 9 months in prison.

A confiscation hearing followed under the POCA legislation to recover Mr L's assets and settle the debt to the Council. An

award on £59k was made and Mr L was given 18 months to repay this. When he didn't comply he was sent to prison for a second time. He has only recently been released to find charges have been put on his property in settlement of the debt.

3.2 Caught a second time!

Mrs J of Hartcliffe was caught after defrauding both the City Council and the Department of Work and Pensions (DWP). She deceived authorities over 2 years that she was a single parent living alone when in fact she had her husband living with her. He was in full-time employment.

Mrs J had previously been convicted of a similar offence in 2003 and had been imprisoned. On this occasion the Magistrates decided that a further prison sentence was appropriate and she was jailed for 26 weeks and ordered to repay the full amount.

Mr J did not escape either and was also charged and taken to court. He narrowly missed imprisonment and was given a suspended sentence instead. He was fined and has to complete 100 hours of unpaid work.

3.3 Working in a false name.

Following a call to the Benefit Fraud Hotline a fraud investigation started into Mr H of Brislington. It was alleged that he was working cash in hand for a cleaning firm. The allegation was found to be correct and it was established that Mr H was working using a false name. He narrowly avoided a prison sentence and was given a 12 week suspended sentence instead. He has to do 100 hours of unpaid work and pay £2,000 compensation to the Council.

4. Partnership Working

- 4.1 Joint working with other agencies is important to the Council and BFIT. With limited resources and increasing demands, the opportunity to work with other agencies is essential not only in helping to achieve objectives and meet targets but also to share knowledge, intelligence and expertise.
- 4.2 In June and October 2010 BFIT took part in Operation Rogue Trader which was a day of action with the Police, Trading Standards and other partner agencies, primarily to tackle

doorstep crime. This multi agency initiative focused on other areas of enforcement and criminality in addition to benefit fraud. Some of the individuals could be claiming benefits as well as engaging in rogue trading and doorstep crime.

Operation Rogue Trader has the following objectives:-

- A strong enforcement message to be delivered coupled with a robust prosecution of offenders
- Develop and increase the amount of intelligence gained and to identify intelligence gaps
- To raise public awareness of doorstep crime and increase assurance thereby reducing the fear of crime
- To promote partnership working
- To raise awareness of doorstep crime and its impact on the victims amongst the respective agencies

4.3 The resulting publicity and media coverage was beneficial for BFIT and served as an opportunity to not only raise the Team's profile but to send a clear message to fraudsters that proactive initiatives are undertaken. Taking part helps to forge new working relationships and is an opportunity to work with other enforcement agencies and share good practice and intelligence.

4.4 BFIT have always worked closely with the DWP Fraud Teams and during 2010-2011 319 cases were jointly investigated. This resulted in the identification of 128 positive cases where benefits were withdrawn or reduced and a further 37 cases were prosecuted or sanctioned. Some prosecutions were undertaken by the DWP's Solicitors and some by the Council's own Legal Services.

5. Government Fraud and Error Strategy

5.1 A new Government Strategy was launched in October 2010. It aims to provide a radical approach for addressing welfare benefit fraud that is estimated to cost the taxpayer £5.2 billion every year.

5.2 The strategy contains measures to **prevent** fraud and error entering the system, **detect** any fraud that exists, **correct** any errors as they occur, **punish** those who do defraud the system and **deter** those who may try to abuse the system in the future.

- 5.3 The new Strategy will focus on preventing fraud and error getting into the system with a doubling of resources devoted to this area of work. Amongst these measures is the proposed creation of a single, integrated fraud investigations service that will investigate welfare benefit fraud across the DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. Extra dedicated units will be set up to focus on specific areas of concern/types of fraud.
- 5.4 The proposed measures being introduced by the new Fraud and Error Strategy are to be implemented over the next four years. The Strategy is intended to complement the other work being done in relation to the simplification of the benefit scheme, reducing errors in payment, minimising losses and ensuring that the welfare benefit scheme is fair and provides support to those who need it.
- 5.5 If all these new measures are implemented there will be far reaching affects for all local authorities and their benefit and fraud staff. The universal benefit will replace housing and council tax benefit in its current form and it is not intended that the new benefit will be administered by the local authorities. All fraud investigation will be undertaken by the new Single Investigation Service, (SIS) which is likely to be based with the DWP and will be made up of staff from the DWP, HMRC and local authorities. It is hoped that most local authority fraud investigators will be re employed in the new single investigation service but there may not be suitable employment for all staff.
- 5.6 Discussions are underway between the DWP and local authority groups including the Local Authority Investigation Officers Group (LAIIOG), Security Operation Group (SOG) and Local Government Association (LGA).

6. Risk Assessment

- 6.1 There are no specific risks associated with this report although the performance of the Team is dependant on its relationship with the Benefits Service, both in terms of the number of quality referrals it receives and the speed with which the Benefits Service process requests for adjudication.
- 6.2 The performance of the Team and its relationship with the Benefits Service and other stakeholders is key to minimising the

extent of fraud within the benefit system in Bristol, and to ensuring the expectations of the Council, the DWP, Audit Commission and other regulatory bodies are met.

- 6.3 Sufficient resources should be available to detect and investigate suspected fraud. Without a considered and proportionate response to the potential threat from benefit fraud, the Council will not have assurance that it is fully meeting its statutory responsibility to protect the public purse.

Consultation

Internal None necessary

External None necessary

Equalities Impact Assessment

No implications arising from this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

APPENDIX (9) A**SANCTION STATISTICS**

YEAR	PROSECUTION		CAUTIONS and ADMINISTRATION PENALTIES		TOTAL	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
2000/1	-	11		-	-	11
2001/2		13		11		24
2002/3	26	16	22	9	48	25
2003/4	55	31	17	13	72	44
2004/5	57	29	24	31	81	60
2005/6	28	42	32	72	60	114
2006/7	40	58	84	82	124	140
2007/8	58	54	86	110	144	164
2008/9	45	55	105	105	150	160
2009/10	55	78	110	101	165	179
2010/11	68	61	102	108	170	169
2011/12	65	7	108	12	173	26 *

* Represents the sanctions achieved at 8 June 2011