

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
11<sup>th</sup> November 2011**

**Report of: the Strategic Director (Corporate Services)**

**Title: Benefit Fraud Investigation Team – Half Yearly Report**

**Ward: City Wide**

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

The Audit Committee is recommended to accept the Report and note current developments in relation to benefit fraud work.

**Summary**

To advise the Committee on Benefit Fraud work undertaken during April - September 2011 and update the Committee on further developments in the 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 (Section 2)
- Case studies (Section 3)
- Current status of Single Investigation Service (Section 4)
- Proceeds of Crime Act recoveries (Section 5)

**1 Background**

- 1.1 Bristol City Council pays out £185 million in Housing and Council Tax Benefits to 51,000 claimants each year. A small proportion of these claimants will set out to defraud the system and claim money they are not entitled to. Others may deliberately fail to

advise a change that they know will affect the benefit they receive.

- 1.2 The Benefit Fraud Team exists to investigate benefit claims where there is a suspicion of fraud, but also to use intelligence to target those areas that may be most susceptible to fraud. Through reacting to referrals, dealing with hotline calls, data matching and conducting pro-active audits the Team will attempt to limit losses to fraud, identify any abuse, sanction and prosecute offenders and seek to recover overpaid monies through recovery using Proceeds of Crime legislation.
- 1.3 All investigative and prosecution staff are highly trained and experienced and operate within a legal framework to the highest standards of performance and integrity.

## **2 Performance Information**

- 2.1 In the first six months of this year 393 cases were investigated and 75 individuals sanctioned for benefit fraud (See Appendix A). Whilst no one has yet been imprisoned this year for benefit fraud cases brought by the Council, ten individuals narrowly avoided prison, with a suspended sentence being given instead. A further ten received curfew orders and fifteen will have to serve the people of Bristol by carrying out community punishment orders. Other offenders received fines as punishment for their fraud.
- 2.3 As a result of the work carried out by the Team, at 30<sup>th</sup> September nearly £670,000 benefit had been identified as having been fraudulently claimed. This is now in the process of being recovered. The Team's investigations also prevented a further loss to public funds to an annual value of approximately £337,000, through identifying incorrect claims that were being paid. These claims have now been cancelled, and benefit is no longer in payment.
- 2.4 Compensation of £61,000 and costs of £7,000 were awarded at court in respect of successful cases, and £78,254 of Confiscation from Proceeds of Crime Act (POCA) investigations has been repaid to the Council in the last twelve months. A further £5,000 will be collected in respect of Administrative Penalties levied on claimants as alternatives to prosecution.

### **3. Case Studies**

#### **3.1 Undisclosed partner eventually uncovered.**

Following a proactive audit by the Team an investigation was started into a claim being made by Miss M of Lawrence Weston. Information came to light that despite her claims for benefit as a single person, she may have had an undisclosed partner who was in employment. An investigation uncovered a nine-year fraud valued at nearly £73,000. Both Miss M and her partner Mr P pleaded guilty to the offences and are awaiting sentence.

#### **3.2 Landlords prosecuted for Benefit Fraud**

Landlords Mr S and Mr A were prosecuted for continuing to receive housing benefit in respect of a claim at a house that had sold. They received payments of £5,000 for Mr W who was no longer their tenant. At Court they both pleaded guilty. They were ordered to repay the £5,000, were fined £2,500 and have to pay costs of £1,253. They will no longer be able to receive direct payments from the Council for any future claims.

#### **3.3 Financial investigation puts an end to holiday home**

A joint investigation between the Department of Work and Pensions (DWP) and the Council resulted in the arrest of Ms W and search of her property. She was found to have a partner and a holiday home in Turkey, neither of which had been declared for benefit purposes. She narrowly escaped prison, and was given a 4 month suspended sentence and ordered to do 140 hours of unpaid work in the community. A successful financial investigation by the Council has ensured that all money is to be repaid. Ms W will have to sell her property in Turkey to settle her debts to the Council and the DWP, and if this is not done within 6 months she will face 12 months in prison and still owe the money when she is released.

#### **3.4 When working and claiming doesn't pay**

Following an anonymous telephone call to the Council's fraud hotline, an investigation was started into a claim being made by Miss L of Fishponds. It was alleged that she was working but also claiming benefits she was not entitled to. It was established that

she had been working from 2007 and she should not have been receiving Social Security benefits. She was overpaid a total of £21,548 and narrowly avoided a prison sentence, receiving a suspended sentence instead. She will have to pay all the money back and was immediately ordered to settle over £7,000 at a rate of £50 per fortnight. She also had to pay £400 costs to the Council.

#### 4. **Government Fraud and Error Strategy**

4.1 A new Government Strategy was launched in October 2010. It aimed to provide a radical approach for addressing welfare benefit fraud that is estimated to cost the taxpayer £1.5 billion every year.

4.2 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.

4.3 As part of the Strategy, work is being undertaken to develop amongst other initiatives:

- a Mobile Regional Taskforce (MRT) which will conduct visits to claimants who fall into a high risk groups
- an Integrated Risk and Intelligence Service (IRIS) which will risk assess all new claims and fraud referrals, and
- the Single Fraud Investigation Service (SFIS) which will bring together into one unit the investigative capabilities of the DWP, Her Majesty's Revenues and Customs (HMRC) and local authorities.

4.4 Members may recall that the Council wrote to the DWP in June this year, raising queries of certain aspects of the DWP's approach to benefit fraud. These included:

- Resource constraints at the Professional Division, DWP's solicitors.
- The use of Section 112 offences under the Social Security Administration Act by DWP's Professional Division, for cases under £20,000. The Council's concern was that this was a lesser charge, carrying lower levels of punishment, but also

had much stricter time limits, which could adversely impact on an otherwise successful prosecution.

- 4.5 In the light of development of the SFIS, the DWP's response was non-committal. However the Council's Benefit Fraud Manager is currently working on secondment to the DWP, on the SFIS project, and may be able to keep these particular issues high on the agenda as the new approach is developed.
- 4.6 On 16<sup>th</sup> September 2011 the DWP issued a consultation paper on the inclusion of local authority benefit fraud investigation teams within the SFIS. Instead of the proposed transfer in April 2013, the DWP is now considering extending the timescale so that the transfer will not now take place until 2015. It is now consulting on the arrangements that should take place between now and 2015.

Four options have been proposed by the DWP:-

- LA staff remain employed by LAs
  - LA staff remain employed by LAs in LA estates but are seconded to the DWP
  - LA staff become DWP employees but deliver investigation locally from an LA estate
  - LA staff become part of the DWP working within the DWP estate as employees
- 4.7 A letter has been issued to Chief Executive Officers/Heads of Benefits detailing the proposals and comments were sought by 14<sup>th</sup> October. The Council has responded to this consultation, and based on the Options available, supported Option 1, which in the short term will mean that staff, whilst working to DWP Policies and Procedures, will remain employed by the Council. It is anticipated that at a later date Bristol's fraud investigators will be permanently transferred to the SFIS. More information will be available at the end of the year when Ministers will make a decision on the way forward for local authority fraud staff. Both Finance and Human Resources have been kept informed of developments.

## 5. **Financial Investigation under Proceeds of Crime (POCA)**

- 5.1 The Team has continued to utilise the POCA legislation wherever

possible. In April 2009, the Team created a part time Financial Investigator role for one of the investigation posts. This officer has been involved in fourteen enquiries, eleven of which were new investigations involving overpaid benefit of in the region of £300,000. As a result of financial investigations, payments of over £78,000 have been made to Bristol City Council in the last 12 months and a further £62,000 has been ordered to be repaid in the next 6 months. If these debts are not settled, then the defendants face imprisonment of 12 and 18 months respectively. Several other enquiries are ongoing and further Court orders are expected.

- 5.2 Financial investigations are beneficial where there has been criminality, and where the defendant has realisable assets to meet the liability for the fraudulent overpayment. The Court has the power to seize assets and this can enable prompt and full settlement of any overpaid benefits saving the Council valuable time and additional expense.
- 5.3 The Team also recognise the benefits of sharing good practice and building relationships with other local authorities, Government Departments and the Police who also make use of POCA. The Benefit Fraud Investigation Team Manager has established a quarterly meeting where other financial investigators working in the region can meet and discuss current issues, share experience and expertise and support each other. These meetings have been well attended and well received and will continue for as long as they are useful.

## **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.

**Appendix A** - Sanction Statistics

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

**Appendix A - SANCTION STATISTICS**

## APPENDIX NO. (13) A

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	39	108	36	173	75*

\* Represents the sanctions achieved at 30<sup>th</sup> September 2011