

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
29<sup>th</sup> June 2012**

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

**Title: Benefit Fraud Investigation Team – Annual Report**

**Ward: City Wide**

**Officer presenting report: Alison Mullis/Melanie Henchy-  
McCarthy, Chief Internal Auditor  
Teresa Marston, Fraud Team Manager**

**Contact telephone number: 0117 92 22448/ 0117 3005006**

**Recommendation**

The Audit Committee is recommended to accept the Annual Report.

**Summary**

The report updates the Committee on the work carried out by the Benefit Fraud Investigations Team during 2011-2012 and on current proposed changes to the way benefit and other local authority fraud will be investigated in the future under the Government's Fraud and Error Strategy.

**Significant Issues**

- Performance Information (paragraphs 2.1 – 2.4)
- Single Fraud Investigation Service (paragraphs 3.1 – 3.5 )
- Finance (paragraphs 6.1 – 6.4)

**Policy**

This report is submitted in accordance with the Audit Committee's Terms of Reference.

**Consultation**

Internal – None Necessary  
External – None Necessary

## **1. Background**

- 1.1 The Benefit Fraud Investigation Team (BFIT) have been investigating fraud and abuse of the benefits scheme since 1986. Work is referred from both internal and external sources, via the benefit fraud hotline, through data matching initiatives and joint working with colleagues at the Department for Work and Pensions (DWP).
- 1.2 During the period of economic recession, the number of claims being made to Bristol's Benefit Service have increased by approximately 15% since 2009 and BFIT have adopted innovative methods of working to ensure it keeps pace with an increased number of referrals. The team are working smarter to sift for and identify those cases that are most likely to produce a positive result i.e. a fraud or overpayment.
- 1.3 All fraud staff are highly trained and make use of the latest developments in counter fraud techniques and information technology.

## **2. Performance Information**

- 2.1 During 2011-2012 the Team investigated 808 cases, a 21% increase on the previous year. 175 individuals were sanctioned or prosecuted for benefit fraud as follows:
  - 88 individuals prosecuted for benefit fraud
  - 58 individuals received local authority cautions
  - 29 individuals received an administrative penalty (which represents a fine).
- 2.2 Appendix A provides the Team's performance year on year and demonstrates the continued success of the team over a number of years.
- 2.3 As a result of the work carried out by the Team during 2011-2012, nearly £1.3 million benefit was identified as having been fraudulently and incorrectly claimed by benefit claimants and this is now in the process of being recovered. The Team's investigations also prevented a further loss to public funds of approximately £717,000 through identifying incorrect claims that were being paid. These claims have now been stopped and cancelled and benefit is no longer in payment.

## 2.4 Other direct financial benefits of the Team's work include:

- £140,000 in compensation awarded by the court
- £22,000 of costs awarded by the court
- £8,500 Administrative Penalty fines imposed on claimants
- £131,500 of confiscation orders awarded from Proceeds of Crime Act (POCA) investigations. Of this £66,084 of has been repaid to the Council in the last financial year. A further £65,500 is due to be collected.

## 3. Single Fraud Investigation Service SFIS

3.1 New powers under the Welfare Reform Act will enable joint investigations into social security and tax credit fraud to take place between DWP, Her Majesty's Revenue and Customs (HMRC) and Local Authorities. To support this, a Single Fraud Investigation Service is being developed that will rationalise existing investigations and prosecution policies in order to create a more coherent investigation service that is joined up, operates in a more consistent manner and takes into account the totality of offences that are committed. The new service will bring together the combined expertise of all 3 organisations drawing on the best practices of each.

3.2 Following consultation with Local Authorities in October 2011, an interim decision was made that under SFIS, Local Authority (LA) Benefit Fraud Investigators will remain employed by the LA and continue to work from their LA estates. A further review of this decision will follow once the full impact of the introduction of the new Universal Credit is known.

3.3 On 30<sup>th</sup> April the DWP published their High Level Business Design Document for SFIS and further work is currently underway as the project team look at detailed design issues e.g. organisation and structure, job roles, legal powers, performance management, IT etc.

3.4 Bristol's Benefit Fraud Investigation Manager has been seconded to the SFIS Project since September 2011. This has been an

opportunity for a Local Authority Benefit Fraud Manager to utilise their expertise and knowledge to help inform the future design of this new service. Feedback from the DWP confirms the valuable and significant benefit to the SFIS Project that working with the Council's Benefit Fraud Investigation Manager is bringing.

3.5 Further updates on developments with both SFIS and Universal Credit (UC) are likely to be available in the autumn.

#### **4. Local Government Fraud Strategy – Fighting Fraud Locally**

4.1 The recent report “Fighting Fraud Locally” takes a strategic approach encouraging greater understanding of fraud risk for enhanced prevention and smarter enforcement.

4.2 The cost of fraud to local government is estimated at £2.2 billion a year. Many local authorities, like Bristol, are already saving money by looking beyond housing and council tax benefit fraud to other issues such as housing tenancy, council tax, blue badge etc. The Committee received information on the Council's approach to fraud in January 2012 and are due to receive an update following formal release of the Local Government Fraud Strategy at their meeting in September 2012.

4.3 The National Fraud Authority has worked with private and public sector partners to develop an online package of anti-fraud products and guides to support the strategy. These are currently being researched by Internal Audit and include:

- a fraud checklist to help local authorities identify possible gaps in a council's current fraud response;
- an online fraud resilience check to help local authorities measure their resilience to fraud and assess if they need to improve;
- a counter fraud and corruption e-learning training course to help councils raise levels of awareness among staff and facilitate better detection rates;
- an online 'fraud zone' and discussion forum containing examples of anti-fraud best practice.

4.4 Criminals who are fraudulently claiming housing and council tax benefit are likely to also be committing other fraud against the LA. To tackle the entire criminality of a fraudster it will be important for

agencies to work together and the creation of SFIS will provide an opportunity to strengthen the local fight against fraud.

4.5 The Strategy will help to strengthen the counter fraud response across local government and result in more fraudsters being caught, more fraud prevented and more money returned to authorities.

## **5. DWP Housing Benefit Matching Service and Experian Credit Reference Agency**

5.1 In June 2011, the DWP announced the introduction of a new anti fraud initiative involving the data matching of benefit records against information held by Credit Reference Agencies. The Information Commissioner cleared the initiative as compliant with data protection legislation.

5.2 The aim was to improve the detection of fraud and error by providing access to data that identifies people who claim to be single but may be living with a partner or have other undeclared occupants in their household which may not have been declared and would affect entitlement to housing and social security benefits.

5.3 Any referrals received are risk graded to help identify those which are most likely to identify potential fraud or error and enable officers to prioritise those for investigation.

5.4 Bristol received its first matches in October 2011 and to date a total of 1393 referrals have been received. Investigators have checked 315 high-risk matches and 5 cases were identified for further investigation. Initial findings suggest that the matches are of a poor quality and feedback has been provided to the DWP to assist in trying to improve future output. BFIT have currently ceased any activity in this area focusing resources on other more productive work.

## **6. Finance**

6.1 BFITs costs are met from the DWP Administration Grant that is given to Local Authorities to fund the costs involved in administration and verification of housing and council tax benefit claims, of which fraud prevention, detection and sanction is an intrinsic and inherent role.

6.2 Since 2009, BFITs budget has remained static although expenditure has increased primarily due to a Job Evaluation

exercise and increasing legal costs. As the Team have become more successful, catching and prosecuting more fraudsters, so legal costs have increased as a consequence. These two factors have resulted in budget pressures for the Team and a budget deficit situation is likely to present during 2012-13 and 2013-14.

6.3 Despite efficiency savings being considered and exploring options for bringing additional revenue to the Team, financial pressures continue.

6.4 The DWP Administration Grant is likely to reduce further as Universal Credit claims increase, the Council Tax Benefit scheme is withdrawn and at a point in the future a decision will be taken which might include the permanent transfer of LA fraud staff to SFIS.

## **7. Risk Assessment**

7.1 There are no specific risks associated with this report although the performance of the Team is key to minimising the extent of fraud within the benefit system in Bristol, and to ensuring the expectations of the Council, the DWP and regulatory bodies are met. The Team's relationship with the Benefits Service is key both in terms of the number of quality referrals it receives and the speed with which the Benefits Service process requests for adjudication.

7.2 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.

7.3 Current developments under the Governments Social Security Welfare Reform will have an impact on the staff working in both the Benefits Service and BFIT. Between 2013 – 2017, as Universal Credit is introduced, Housing benefit is phased out and the investigation of social security fraud becomes solely the responsibility of SFIS, staff will experience significant change with fraud staff likely to be transferred from the LA to the new organisation responsible for the investigation of future social security fraud.

## **8. Equalities Impact Assessment**

8.1 No implications arising from this report

## **9. Legal and Resource Implications**

**Legal** - none sought.

**Resources** – detailed in section 6 above.

## **Appendix A - Sanction Statistics**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

**Sanction Statistics****Appendix A**

<b>YEAR</b>	<b>PROSECUTION</b>		<b>CAUTIONS and ADMINISTRATION PENALTIES</b>		<b>TOTAL</b>	
	<b>TARGET</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>ACTUAL</b>	<b>TARGET</b>	<b>ACTUAL</b>
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	88	108	87	173	175
2012/13	80	20	97	22	177	42*

\* Represents the sanctions achieved at 25<sup>th</sup> May 2012