

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
8<sup>th</sup> November 2013**

**Report of: Strategic Director Organisational Development**

**Title: Benefit Fraud Investigation Half Year Report 2013 / 14**

**Ward: City Wide**

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**Recommendation**

The Audit Committee is recommended to accept the Half - Year Report.

**Summary**

The report provides the Committee with an update report on the work of the Benefit Fraud Investigation Team.

**Significant Issues**

- Team Performance (Paragraph 2 and Appendices)
- The Department for Work and Pension (DWP) proposals to introduce a Single Fraud Investigation Service from 2014 encompassing the work currently carried out by BFIT and transfer of those staff from the Council to the DWP (Paragraph 3)
- Investigation case studies (Paragraph 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 Investigations Team (BFIT) was established in 1986 with Bristol City Council being one of the first local authorities in the country to have a dedicated unit to investigate, sanction and prosecute Benefit Fraud. The Team's most valuable asset is its staff with in excess of 140 years criminal investigative experience existing within the Team. All staff on the Team are fully trained Counter Fraud Officers, holding their Professionalism in Security accreditation from the University of Portsmouth. Investigators have recently attended Advanced Investigative Interviewing training to build on and improve their current skills.
- 1.2 As criminal investigation experts they operate within a strictly regulated framework to the highest standards of performance and integrity adhering to a range of complex legislation and in accordance with the relevant codes of practice.
- 1.3 The Council has assurance that fraud is being investigated correctly, that evidence gathered is admissible and has been fairly obtained ensuring any legal proceeding are not adversely effected or the Councils reputation damaged in anyway.
- 1.4 In the last 10 years BFIT have received nearly 12338 allegations of benefit fraud, have conducted 7625 criminal investigations, identified 3060 cases of claimant fraud / error, successfully secured 581 prosecutions for benefit fraud and sanctioned a further 790 benefit fraudsters.

## **2. Performance Information**

- 2.1 BFIT's work comes from a variety of sources including referrals from the Councils Benefit service, other internal Departments, the Benefit Fraud Hotline, the Teams internet web form, data matching initiatives and a programme of proactive work as well as referrals from external agencies.
- 2.2 During April – September the Team received 561 referrals and investigated 354 of these allegations. See Appendix 1. As a result, over 200 interviews under caution (in accordance with Police and Criminal Evidence codes of practice) have taken place with claimant error / fraud identified in 216 cases and a further 37 individuals prosecuted and 29 cautioned / fined for benefit offences.

2.3 The team have brought other financial benefits to the Authority in the form of additional income from fines and court costs and made savings through identifying incorrectly claimed benefit and stopping its payment. See Appendix 2 for full details but to date this financial year BFIT have identified / achieved:-

- £17,156 in court costs awarded
- £8,000 in compensation awarded
- £11,000 in Administrative Penalty fines accepted
- £1,080,401 of incorrectly paid benefits identified
- £387,036 benefits stopped as being incorrectly claimed
- £38,938 of POCA awards made
- £110,939 of POCA awards paid

2.4 In summary, the Team continues to do well in terms of identification of overpayments and incorrectly claimed benefit, however the number of sanctions is well below target with only 66 sanctions achieved against a year to date target of 82 (Appendix 3 refers).

2.5 The uncertainty regarding future fraud funding and the implementation of the Single Fraud Investigation Service has resulted in staff seeking new opportunities outside of the City Council. Several staff have left, some have reduced their hours taking flexible working arrangements instead and these vacancies have not been filled. Staff resources are reducing and it is no longer possible to ensure the same levels of performance are maintained.

### **3. Single Fraud Investigations Service (SFIS)**

3.1 DWP arrangements are on-going for the planned implementation of SFIS. This will see the investigative capability of the DWP, BFIT and Her Majesty's Revenue and Customs (HMRC) being brought together into one organisation responsible for investigating all social security benefit fraud. There is a recommendation that SFIS is led by the DWP and will be implemented during 2014 – 15.

3.2 There are currently 10 staff (8.6 FTE) working in BFIT doing the work to detect and prevent benefit fraud and if the DWP delivers SFIS, Transfer of Understanding (Protection of Employment) TUPE will be considered in relation to these staff as their substantive role is social security fraud investigation within the LA.

- 3.3 Further announcements regarding SFIS implementation and how it will impact on LA Investigators is awaited and much will depend on the DWP obtaining Treasury funding to enable rollout for 2014.
- 3.4 This potential transfer of staff to the DWP SFIS, could result in the loss of the specialist BFIT resource and the criminal investigative skills/specialist training they have from the Council. It is also anticipated that the grant funding received by the Council for this work will cease following the transfer of the function to SFIS.
- 3.5 Currently, fraud work other than Benefit Fraud Investigation work, is dealt with by Internal Audit on behalf of the Authority. The Audit Team has significant experience of investigating fraud of all types and has in more recent years undertaken to lead proactively in high risk fraud areas such as tenancy fraud, local taxation fraud etc. Until recently, the Audit Team has constituted professionally qualified Accountants/Auditors however following the receipt of financial support for tackling tenancy fraud, a small amount of the funding has been used to train two auditors as professionally qualified Fraud Investigators.
- 3.6 The Internal Audit Service is currently under review and it is anticipated that the future Audit Service will include the creation of a 'Corporate Fraud Team' combining the complimentary skills of professionally qualified finance professionals/auditors working along side staff qualified in criminal investigations to tackle fraud and bring financial benefits to the Council in doing so. This provides the opportunity to retain some of the skills of the Benefit Fraud Team within the Authority but is dependent on the level of budget available for such a service.

#### **4. Case Studies**

- 4.1 Below are examples of some recent investigations conducted by BFIT which demonstrate the range of skills, the complexity of the cases and the level of expertise of these officers.

##### **4.2 Investigation 1**

Mr D alias Mr R - Fraud £ 34,000 from 2004 - 2011

A benefit fraud investigation was opened in respect of Mr D alias Mr R of Hotwells. Mr D was receiving housing and other social security

benefits based on his being unemployed and living in rented social housing. The allegation concerned his owning 2 properties and that these were rented out to tenants.

A detailed investigation established that that Mr D and Mr R were one in the same. Purporting to be unemployed, Mr D turned out to be a well-known local self-employed entrepreneur who also ran a well organised and successful letting business under his alias of Mr R.

A joint operation between the Councils Benefit Fraud Team, the Police and officers from the DWP, saw Mr D arrested and a search made of his properties. Documents, property and other items seized provided the final evidence required to charge him with Benefit offences. In September he pleaded guilty at Bristol Crown Court and is awaiting sentence. The judge has not ruled out a term in prison.

BFITs Financial Investigator will now pursue confiscation proceeding under Proceeds of Crime Legislation to recover any losses as Mr D has realisable assets in the form of the properties he owns. It is likely he will have to sell these to settle his debt to the Council.

### **4.3 Investigation 2**

Mr C – Fraud £73,225 from 2002 – 2010

This fraud came to light by chance following the suspicions of another Local Authority and a vigilant Investigator working for BFIT.

Mr C was an owner occupier living in Bristol receiving Council Tax benefit and other social security benefits because he was not working and reported savings of less than £250. However, information from another LA suggested Mr C was the owner of a property in their area and that he had tenants. The Investigator followed this up and revealed a very different financial situation than that declared to the Council. The Investigator uncovered that Mr C had been purchasing properties, making applications for mortgages and then renting the properties out to tenants.

In less than a year after he made his initial claim for benefit in 2003, Mr C purchased his first flat in Cardiff for £38,000 and less than a year later sold it for £107,000. The Investigator established that at points during the investigation, Mr C owned up to 10 properties across the South west and was receiving £thousands in rental income. Mr Cs property portfolio at times was worth nearly £1million.

He was convicted at Bristol Crown Court and sent to prison. The work of the Team's Financial Investigator resulted in the Judge ordering Mr C repay £30,000 to the Council and the DWP.

## **4.4 Investigation 3**

Mr L – Landlord Fraud £10,000

The investigation started over concerns that a benefit claimant may not be resident in the flat at which he claimed benefit. Rent payments were being made directly to his landlord, Mr L.

BFIT Investigators working with DWP colleagues traced the claimant to the Gambia where he was living and allegedly running a business. The investigation established that he had been out of the country and spent time in a Gambian prison away from the Bristol address. This was confirmed following contact with the British High Commissioner in Fajara, The Gambia.

During the time the tenant was abroad, the Landlord, Mr L, not only failed to notify BCC of this but submitted a further claim for his absent tenant at another of his addresses, supplying false information and forging his tenant's signature securing £10,000 of Housing benefit payments he was not entitled to.

The case was referred for prosecution. When sentencing the judge commented that the offending had been motivated by pure greed and that Mr L had narrowly escaped immediate imprisonment. He was sentenced to 4 months imprisonment suspended for 2 years, a 90 day tagged curfew between 7.00 p.m. and 7.00 a.m. and costs of £8,500. The landlord has since repaid the £10,000 in full plus interest

As a preventative measure it was decided to conduct a full audit of the landlord involving unadvised visits to 4 properties. On this occasion all was found to be in order.

## **5.0 Risk Assessment**

- 5.1 Staffing levels on the Team are reducing with investigative staff leaving the Team and others reducing their hours. These vacancies have not been filled due to budget pressures and anticipated reductions to the Administration Grant which helps to fund this area of work.
- 5.2 Following this and issues highlighted in the Annual report representation has been made to Lord Freud, the Minister for Welfare Reform, on 24<sup>th</sup> September concerning reducing funding and the impact this is having on the Counter Fraud effort. His response is awaited.
- 5.3 Fraud staff are likely to be effected by a proposed transfer from the LA to SFIS. The specialist BFIT investigative resource will be

reduced at the Council if this Team of skilled and specially trained accredited criminal investigators are TUPEd into the DWP. However, the proposed formation of a Corporate Fraud Team within Internal Audit may provide the opportunity for retention of some of these key skills.

- 5.4 The Council has a statutory duty under Section 151 of the Local Government Act 1972 and under Section 5 (4a) Accounts and Audit Regulations to protect the public purse and prevent and detect fraud and inaccuracy.

**6. Equalities Impact Assessment**

No implications arising from this report

**7. Legal and Resource Implications**

**Legal** - none sought.

**Resources** – Administration Grant position for 2014/15 awaited.

**Appendix 1 – April – September 2013 Referrals to BFIT**

**Appendix 2– Financial Information 2008 - 2013**

**Appendix 3 – Sanction Statistics 2000 - 2013**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

## APPENDIX (14) 1

### Referrals to BFIT April - September 2013

Source	No. Referrals Received	No.		No. Positive		No. Prosecutions	No. Admin Penalties	No. Cautions	No. No Fraud
		Criminal		Criminal					Criminal
		LA Only	J/Working	LA Only	J/Working				
Benefits Section	133	38	31	13	5	4	3	2	77
Fraud Hotline	59	4	16	1	5	1	0	2	18
Data Matching	59	53	12	30	7	8	4	3	91
DWP	76	0	78	0	40	18	1	2	39
Interventions									
Other Visiting Activity									
Proactive	74	49	16	22	2	1	3	5	55
Other Internal	29	11	13	6	3	3	2	1	23
Other External	131	12	21	2	6	2	0	1	25
<b>TOTAL</b>	<b>561</b>	<b>167</b>	<b>187</b>	<b>74</b>	<b>68</b>	<b>37</b>	<b>13</b>	<b>16</b>	<b>328</b>



**Benefit Fraud Investigations Team Performance Information 2008-2012**

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	13-14 April-Sept
POCA	£103,672	£56,959	£21,467	0	0	£110,939
Court Orders	£156,245	£125,199	£86,502	£145,258	£84,853	£8,000
Legal Costs Awarded	£6,350	£12,534	£13,257	£23,760	£37,703	£17,156
Adpen Income	£1,357	£1,659	£8,947	£8,488	£18,427	£11,000
Value of overpayments identified - incl DWP	£1,283,436	£1,330,033	£1,472,555	£1,795,196	£1,893,207	£1,080,401
Value of Savings Achieved - WIB	£230,516	£467,948	£486,408	£705,484	£662,584	£387,036

**SANCTION STATISTICS**

<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	82	97	84	177	166
2013/14	82	37	82	29	164	66*

\* Performance at 30th September 2013