

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
27<sup>th</sup> June 2014**

**Report of:** Chief Internal Auditor

**Title:** Benefit Fraud Investigation Annual Report 2013-14

**Ward:** City Wide

**Officer presenting report:** Alison Mullis/Melanie Henchy-McCarthy, Chief Internal Auditor (J/S)  
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**Recommendation**

The Audit Committee is recommended to accept the Annual Report

**Summary**

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

**Significant Issues**

- Team Performance – Paragraph 2 Activity and Sanction Reports
- Case Studies – Paragraph 4
- Single Fraud Investigation Service and BFIT transfer update – paragraph 3.2

**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 is an established and successful unit employed by the Council to investigate, sanction and prosecute housing and other social security benefit fraud - one of the highest fraud risk areas faced by Local Authorities.
- 1.2 Significant numbers of fraud referrals continue to be received, overpayments identified, savings made and sanctions and prosecutions applied by the Team.
- 1.3 In the last 10 years 1513 individuals have been prosecuted or sanctioned for benefit fraud as a result of criminal investigations undertaken by BFIT.

## **2. Performance Information**

- 2.1 During 2013–14 the Team investigated 776 cases and conducted 185 interviews under caution with suspected benefit fraudsters.
- 2.2 As a result of these investigations, 142 individuals have been prosecuted or sanctioned. Sentences and penalties have varied but in summary over the last year punishments have included:-
  - 5 individuals sent to prison
  - 30 received suspended sentences narrowly avoiding imprisonment
  - 23 receiving Curfew Orders severely restricting their movements
  - 28 individuals having to do over 550 days of work in the community, serving the people of Bristol for their benefit offences as well as the imposition of various fines.
- 2.3 The Team has identified £1,769,835 in benefits being incorrectly claimed by benefit recipients. Further subsidy payments of £707,934 can be achieved if these amounts are collected so opportunities to earn additional revenue through taking a robust approach to the recovery of these debts and pursuing settlement vigorously.
- 2.4 A further £569,140 in fraudulent claims has also been stopped as a result of the counter fraud work carried out by BFIT representing another saving to the public purse.
- 2.5 Other direct financial benefits of the Teams work include:-
  - £22,000 in court costs awarded
  - £19,000 in Administrative Penalty fines imposed on claimants
  - £110,939 of Proceeds of Crime awards (POCA) repaid as a result of 4 financial investigations conducted into benefit fraud. £44,326 in additional subsidy payments will be achieved having successfully recovered this overpayment in full via POCA.

- 2.6 The Teams performance is steady although the target for sanction achievement of 162 was not met during 2013 - 2014, instead achieving 142. **Appendix 1** – Sanction Statistics – demonstrates the team's performance over time and demonstrates the effect on performance of staff reductions experienced by the team. This is the result of staff leaving BFIT, an increase in more complex, high value cases deemed suitable for prosecution and staff pressures in Legal Services which have all contributed to work not being progressed as quickly. The Investigations Assistant left in June 2013 and an Investigator left in February 2014. Due to the uncertainties presented by the potential move of the team to the DWP (see paragraph 5) and continued reductions to the admin grant that fund the team, these staff have not been replaced. Yet the team have more work than ever to manage and progress.
- 2.7 Fraud referrals were received from a variety of different sources including the Benefits Service, pro-active data matching initiatives, calls to the Hotline and a program of proactive audits. **Appendix 2** provides details and shows the number of cases referred and investigated together with the outcomes from those investigations.
- 2.8 The analysis shows that the largest numbers of referrals continue to come from the Benefit Service and the majority of the allegations concern undeclared living together where there is a partner in the household who hasn't been advised. However the most successful cases come from joint working with the DWP Fraud Team and concern working and claiming allegations.

### 3. Going forward

- 3.1 BFIT staffing levels for 2014/15 have reduced with Investigators (FTE) reducing from 5.5 last year to 4.0 at this point. Targets have been reduced accordingly as the same levels of performance cannot be maintained. Additionally, the forthcoming changes expected to the service (detailed in the paragraphs below) and the need to meet reduced budget expectations make an uncertain environment which cannot be recruited to. The Team will however continue to work hard with the resources it has in the most efficient way to prioritise cases, maximise its performance and ensure the Council's response to benefit fraud remains robust.
- 3.2 In October 2010 the Government announced a series of strategies to tackle Fraud and Error in the Welfare System one of which was the establishment of SFIS (a **Single Fraud Investigation Service**) to investigate the range of benefits administered by the Department for Work and Pensions (DWP) Local Authorities (LA s) and Her Majesties Revenue and Customs ( HMRC). Work currently undertaken by the LA will move across to the DWP together with the transfer of employees involved predominantly in this work. In Bristol this involved 9 specialist staff (7.6 Fte).
- 3.3 The SFIS Project is progressing to support a phased implementation and roll out which will take place between October 2014 and March 2016 with

Local Authority Benefit Fraud Investigation work moving across to the DWP. On 1<sup>st</sup> May, the DWP wrote to the City Director and advised that the implementation date for Bristol is 1<sup>st</sup> March 2016 making this authority one of the last to go across. Representations have been made to the DWP for an earlier transfer to SFIS. This would fit more closely with the Councils own corporate restructure and ensure that either SFIS or the Councils new corporate fraud team benefit from dedicated, experienced and high performing fraud staff as the remaining staff may look for other opportunities before the March 2016 implementation date.

- 3.4 A Corporate Fraud Team is being created within Internal Audit to look at fraud and error across the whole Authority to further develop the work already completed by the Audit Team. This may present opportunities for some staff (and their skills) to remain through the establishment of 2 new investigator posts within the audit team. Otherwise the 9 BFIT staff are deemed to be in scope to move to SFIS in a TUPE like transfer. Prior to the transfer date, DWP and LA Human Resource practitioners will work together looking at staff terms and conditions to ensure a smooth transition.

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

- 4.1 Below are some examples of recent investigations conducted by BFIT. They demonstrate the types of cases the BFIT staff become involved in and the scale and complexity of frauds they have to investigate. Increasingly BFIT work in partnership with the Police and DWP fraud staff bringing together the expertise and legislative powers to gather the evidence required to bring these fraudsters to justice.

##### **4.2 Case study 1 - Undeclared Capital of £100,000**

Mr and Mrs S of Whitchurch own their house and were claiming council tax benefit from Bristol City Council and social security benefits from the Department for Work and Pensions. Information was received that suggested they may have undeclared capital of in excess of £90,000 which if correct would mean they would not be entitled to benefit.

A joint investigation was conducted by BFIT and the DWP which confirmed the existence of investments of £100,000 and both claimants were interviewed by fraud investigators.

During 2010 – 2013 they received £13,000 of benefits they were not entitled to and on 18<sup>th</sup> October 2013 were sentenced at Court to 8 weeks in prison, suspended. They were also ordered to pay £7250 in fines and costs and have since repaid the £13,000 in benefits they defrauded.

##### **4.3 Case study 2 - False Identity**

Following an intelligence led audit of an employment agency, information was obtained that a Ms E was working with no national insurance number. This was unusual and alerted the Fraud staff. On checking DWP and Council records, there was no Ms E at the address only the benefit claimant Ms P. The investigators used their skills and knowledge to establish that Ms E and Ms P were one in the same.

From 2007 to 2013 Ms P had been employed working under a false name and during that time claimed £60,000 of benefits she was not entitled to. On 24<sup>th</sup> March 2014 she was sentenced to 8 months in prison.

#### **4.4 Case study 3 - Single Person Discount alerts BFIT Staff to Fraud.**

Following the Local Tax Single Person Discount audit, information came to BFIT suggesting that Mr H of Knowle may not be on his own after all! A joint operation between BFIT, the Police and officers from the DWP saw Mr H arrested and his property searched. It was established that Mr H was living with his wife who was in full time work and that he had a job too. This had been going on for over 10 years and during that time he had claimed £75,000 of benefit he was not entitled to. On 31<sup>st</sup> March 2014 he was sentenced to 12 months in prison.

#### **4.5 Case study 4 – Undeclared partner**

Following information from another Council department, BFIT started a criminal investigation into a benefit claim being made by Ms M of Southmead. The allegation concerned the fact that she was not a lone parent as she had claimed but lived with her husband who was working, running several businesses. The assistance of the Police was sought to search the property for evidence of their living together as a couple / family unit and Mr M was found to be at the property at the time of the arrest. A 2 year, complex investigation followed and it was established that Ms M husband was living with her and that she was not entitled to the benefits she had claimed during a nine year period. From 2003 to 2012 Ms M claimed £99,000 she was not entitled to and on 25<sup>th</sup> February was sentenced to 12 months in prison.

### **5.0 Risk Assessment**

- 5.1 These specialist BFIT staff, together with their skills and experience will be lost when the Team of accredited criminal investigators are TUPEd into the DWP. The creation of 2 posts in a Corporate Fraud Team within Internal Audit (to compliment 2 newly accredited audit investigation staff in that team) may provide the opportunity for retention of some of these staff but the majority will be lost to the Council and with them their expertise and knowledge.
- 5.2 Staffing levels on the Team are reducing with investigative staff leaving the Team during a period of uncertainty and organisational change. These vacancies have not been filled due to budget pressures and reductions to the Administration Grant which helps to fund this area of work.
- 5.3 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. Without sufficient resources being available to detect and investigate suspected fraud the same levels of performance cannot be

maintained and the Council may not have assurance that it is fully meeting its statutory responsibility.

**6. Equalities Impact Assessment**

No implications arising from this report

**7. Legal and Resource Implications**

**Legal** - none sought.

**Resources**

**Appendix 1 – Sanction Statistics Report 2008 - 2013**

**Appendix 2– Benefit Fraud Team Activity Report 2013-2014**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

**Appendix 1****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	86	82	56	164	142
2014/15	72		47		119	

# Performance 13/14 Bristol City Council - Benefit Fraud Team

Appendix 2

Source	No. Referrals Received	No. Investigations Undertaken			No. Positive Cases			No. Prosecutions	No. Admin Penalties	No. Cautions	No. No Fraud Found	
		Compliance	Criminal		Compliance	Criminal					Compliance	Criminal
			LA Only	J/Working		LA Only	J/Working					
Benefits Section	397		156	85		48	27	13	6	6		166
Fraud Hotline	88		7	28		2	7	2	1	2		26
Data Matching	75		98	17		48	8	10	8	4		59
DWP	137		0	168		0	90	47	5	3		78
Interventions												
Other Visiting Activity												
Proactive	147		88	24		42	5	4	6	11		65
Other Internal	62		19	25		6	7	5	2	1		31
Other External	212		25	36		5	12	5	0	1		44
TOTAL	1118		393	383		151	156	86	28	28		469

Fraud Type	No. Referrals Received	No. Investigations Undertaken			No. Positive Cases			No. Prosecutions	No. Admin Penalties	No. Cautions	No. No Fraud Found	
		Compliance	Criminal		Compliance	Criminal					Compliance	Criminal
			LA Only	J/Working		LA Only	J/Working					
Working and Claiming	217		65	86		29	48	25	12	11		74
Living Together	366		49	170		7	55	27	1	4		157
Tenancy Related Fraud	52		28	3		12	1	3	1	3		18
Undecl.Capital or Property	75		43	64		13	32	15	3	0		62
Undecl.Other Income	162		79	41		34	10	4	5	1		76
Household Comp.Fraud	53		8	0		1	0	0	0	0		7
Non-Residency Fraud	177		119	10		54	5	10	6	9		70
Identity Fraud	3		1	7		1	4	2	0	0		3
Other	13		1	2		0	1	0	0	0		2
TOTAL	1118		393	383		151	156	86	28	28		469