

AUDIT BOARD

13th December 2012

BENEFITS INVESTIGATIONS April – September 2012

Relevant Portfolio Holder	
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation service.

2. RECOMMENDATIONS

**The Committee is asked to RESOLVE that
subject to any comments, the report be noted.**

3. KEY ISSUES

Financial Implications

3.1 There are no specific financial implications.

Legal Implications

3.2 There are no specific legal implications.

Service/Operational Implications

3.3 Within the Finance and Resources Service there is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1 April to 30 September 2012.

Background

3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. During the period April 2012 to September 2012 there were around 5680 live benefit claims at anyone time and on average there were 58 new claims and 271 change in circumstances decided each week. Direct expenditure on Housing Benefit and Council Tax Benefit for the year up to the end of August was £11,876,813. About 45% of the caseload is made up of people of

working age which results in a large number of claims from customers who are moving in and out of work and also claiming other out of work benefits. Although measures have been put in place to make this transition easier for customers, it remains an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Benefit are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working.

- 3.5 The Fraud Team comprises a manager, two investigation officers and a support officer. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.

Activity

- 3.6 During the period this report covers 67 fraud referrals were received by the team.
- 3.7 Approximately 51% of the referrals came from data-matching, the majority of these through the Housing Benefit Matching Service which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records. The other referrals under this category were raised as a result of the National Fraud Initiative. Although data matching is an excellent tool in detecting fraud, some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation.
- 3.8 Approximately 31% of the referrals were from official sources. Apart from the joint working invitations received from the DWP, the majority of these were within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.9 The remaining, approximately 18% of the fraud referrals received during the period came from members of the public. An increase in referrals from this source is usually experienced following reports of successful prosecutions in the local press, showing the value of issuing press releases giving the public details of the case and how to report suspicions of benefit fraud whenever possible. One of the main concerns of customers who are being interviewed under caution for benefit fraud offences is that their name will be in the paper.
- 3.10 Many fraud referrals relate to benefits paid by both BDC and the DWP.

In these cases, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources by preventing duplicate investigation work.

- 3.11 38 Investigations were closed during the period and fraud or error was established in 31 of these.
- 3.12 3 customers were prosecuted. The offences in 2 of these cases were related to undeclared work and the other to an undeclared partner.
- 3.13 Cautions were accepted by 9 customers. The offences in 4 of these cases related to undeclared work, a further 2 cases related to undeclared increases in income, 1 case related to undeclared capital, 1 to an undeclared partner and the other to an undeclared change in a non-dependant's income.
- 3.14 Administrative penalties were accepted by 5 customers. The offences in 4 of these cases related to undeclared work and the other to undeclared capital.
- 3.15 The remaining 14 cases were closed for other reasons. Most of these were classed as claimant error, meaning that an overpayment of benefit had been identified but there was insufficient evidence to justify taking the case any further. The alleged fraud in 2 cases, although found to be true did not result in overpayments of benefit. Both of these cases related to undeclared Carer's Allowance and although additional income was established to be going into the household, the entitlement to Carer's Allowance means that the Carer Premium is payable on the claim and as a result there is no net loss. Outcomes such as these will be taken into consideration when deciding whether similar cases should be accepted for investigation in future. Although fraud was not proven on a further claim, the claim came to an end and the investigation was considered to be the causal link of this.

Impact on other areas

- 3.16 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. For the year up until the end of September 2012 the team identified £85,180.51 in overpaid Housing Benefit and excess Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

Future plans

- 3.17 The Welfare Reform Act received Royal Assent on the 8th March 2012 and will have far reaching consequences. There are changes to Housing Benefit from April 2013 and Council Tax Benefit will be replaced by local schemes. Also from April 2013 the grant towards Discretionary Housing Payments will increase substantially and discretionary social fund payments, currently decided by DWP, will be replaced with local schemes. From October 2013 Universal Credit will gradually replace Income Support, Income based Job Seekers Allowance, income based Employment Support Allowance, Housing Benefit, Working Tax Credit and Child Tax Credit.
- 3.18 To support these changes the DWP propose combining the various fraud services into a Single Investigation Service (SFIS) which will combine local authority benefit fraud investigation staff with those of the DWP and Revenues and Customs. 4 pilot sites for the Service were due to commence during November 2012 and regular updates from these should soon commence. All benefit fraud investigation work will be branded as SFIS between April 2013 and March 2014. During this time local authority investigators will continue to be employed by the councils that they currently work for and unless involved in a pilot or pathfinder site will continue to work to current procedures. The final rollout of SFIS will take place between April 2014 and March 2015.
- 3.19 Consideration is also being given to the investigation of claims from April 2013 under Local Council Tax Reduction schemes. It is clear that the investigation of these claims will not fall within the remit of SFIS and will be the responsibility of the local authority. It is hoped that data will be able to be shared with SFIS in order for both teams to work together and possibly extend this to other areas of work generally covered by local authorities, for example tenancy fraud.

Customer / Equalities and Diversity Implications

None specific.

4. RISK MANAGEMENT

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and that additional costs could be incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

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5. APPENDICES

Sanctions comparison compared to other districts in the County.

Example cases

SFIS Frequently asked questions

6. BACKGROUND PAPERS

None

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APPENDIX 1**County investigation and sanction comparison
April 2011 – March 2012**

Description	Q1	Q2	Q3	Q4	Total
No. of Investigations closed					
Bromsgrove	45	90	31	14	180
Malvern Hills	20	26	20	20	86
Redditch	85	84	83	74	326
Worcester	40	59	48	50	197
Wychavon	26	31	45	30	132
Wyre Forest	62	58	52	49	221
No. of Cautions accepted					
Bromsgrove	15	17	8	6	46
Malvern Hills	3	6	5	4	18
Redditch	6	9	11	17	43
Worcester	6	12	7	10	35
Wychavon	4	8	9	6	27
Wyre Forest	3	1	2	1	7
No. of Admin Penalties accepted					
Bromsgrove	2	2	2	1	7
Malvern Hills	0	0	1	4	5
Redditch	1	1	1	0	3
Worcester	1	5	1	0	7
Wychavon	2	3	2	0	7
Wyre Forest	2	1	3	2	8
No. of Prosecutions successful					
Bromsgrove	1	1	0	2	4
Malvern Hills	6	2	0	0	8
Redditch	4	2	6	5	17
Worcester	0	0	4	10	14
Wychavon	4	1	1	6	12
Wyre Forest	8	4	6	6	24

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**County investigation and sanction comparison
April 2012 – September 2012**

Description	Q1	Q2	Q3	Q4	Total
No. of Investigations closed					
Bromsgrove	18	21			39
Malvern Hills	Not available				
Redditch	67	78			145
Worcester	Not available				
Wychavon	Not available				
Wyre Forest	Not available				
No. of Cautions accepted					
Bromsgrove	2	7			9
Malvern Hills	5				5
Redditch	11	12			23
Worcester	19				19
Wychavon	6				8
Wyre Forest	Not available				
No. of Admin Penalties accepted					
Bromsgrove	3	2			5
Malvern Hills	0				0
Redditch	0	0			0
Worcester	3				3
Wychavon	3				3
Wyre Forest	Not available				
No. of Prosecutions successful					
Bromsgrove	2	1			3
Malvern Hills	5				5
Redditch	3	5			8
Worcester	14				14
Wychavon	4				4
Wyre Forest	Not available				

APPENDIX 2

Example cases.

360064943

A 53 year old man was prosecuted for falsely claiming Housing Benefit, Council Tax Benefit, Carer's Allowance and Jobseeker's Allowance by failing to declare that he had returned to work.

The referral on this case came from the Benefit Team after suspicion was raised when the customer's partner visited the Hub. The DWP were invited to join the investigation as the suspected fraud was also likely to affect the Carer's Allowance and Job Seeker's Allowance which he had also been claiming. As is usual in most cases of joint working the prosecution was lead by the DWP who now prosecute through the Crown Prosecution Service.

The investigation established that although the customer had been made redundant he had been employed again by the same company not long afterwards and had failed to notify either Bromsgrove District Council or the Department for Work and Pensions of this.

Overpayments of £4,892.23 Housing Benefit, £1,452.90 Council Tax Benefit, £6,112.05 Carer's Allowance and £484.95 Jobseeker's Allowance were identified.

The customer was sentenced to a 12 month community order with a requirement to carry out 100 hours unpaid work.

The Housing Benefit overpayment is being recovered from current ongoing correct entitlement at £20.65 weekly and the Council Tax Benefit overpayment has been returned to the Council Tax account for recovery.

360056455

A 66 year old man who was falsely claimed Housing Benefit of £2,850.85 and Council Tax Benefit of £1,830.20 accepted an administrative penalty as an alternative to prosecution.

This case had been referred for investigation by the Benefit Team previously because the Housing Benefit payable left a large shortfall against the rent being charged on the property that the customer chose to live in. No evidence could be found to prove any offences at that time and the customer denied having any additional income or capital. This investigation was started after the customer volunteered information that he had been claiming incorrectly as he had inherited over £50,000 more than 2 years earlier.

Prosecution would normally have been considered as the appropriate sanction in this case, particularly in view of the denials the customer had made in previous investigations which had taken place since he had received the inheritance. However, the customer was leaving the property and going abroad and it was therefore considered more appropriate to offer the penalty with a condition of full payment which was made upon acceptance.

360106945

A 19 year old man accepted a caution after falsely claiming Housing Benefit of £544.19 and Council Tax Benefit of £33.51 by failing to declare that he was no longer receiving Jobseeker's Allowance and was working.

This referral was received through the Housing Benefit Matching Service after a match against Jobseeker's Allowance records identified the discrepancy.

360034656

A data match was received on an 80 year old man identifying an undeclared private pension. The claim had been in payment for a number of years but as the pension was in respect of the customer's late wife and no claim forms had been completed since the pension started, it was considered inappropriate to take any further action than recovery of the overpaid benefit.

APPENDIX 3

SFIS FAQs

Q. How will SFIS directly affect staff terms and conditions?

A. Initially SFIS will be a partnership between HMRC, DWP and LAs. When SFIS is introduced, staff dealing with the investigation of welfare benefit fraud will remain employed by their current employer, for example, DWP staff will continue to be employed by DWP on their existing terms and conditions. The same will apply to LAs and HMRC staff.

Q. What does SFIS Branding mean?

A. Initially you will still operate in the same way as you do now and claimants will not see a difference. We want to start to create a unique identity and pave the way for the cultural changes that are needed for a successful implementation. The pilot sites will be testing the lower level detail such as who undertakes prosecution, how data is shared and how communications are branded.

Q. What work will SFIS undertake?

A. SFIS will be responsible for the investigation of welfare benefit fraud. As with any organisation, the amount of resource will dictate the number of investigations which can be undertaken, in the same way that each of your organisations currently decides which work will be given to your fraud team and your compliance/administration teams. The pilots will be testing a number of collaborative approaches, which includes a joint prosecution policy that will feed into the final policy for national? Or further pilot? roll out. We will be working with partners to look at how we join up activity across other fraud areas, for example Local Council Tax Support.

Q. Will SFIS staff, regardless of employer, be located in the same office and which office will this be?

A. Our four SFIS pilots are currently testing a number of models and one of these does have a centralised team of DWP and Local Authority (LA) staff based in LA accommodation. Feedback from the pilots will allow us to evaluate the benefits and costs of these different models and then agree the design for national rollout. We are aware that in many areas the current DWP FIS teams do not match with LA boundaries so we may see slightly different arrangements in different locations. As this work progresses, we will share information with you.

Q. How can I get some more information on SFIS?

A. We issue a bi-monthly newsletter which provides updates on the Fraud & Error Programme. We are also developing a Communications Hub which will allow all our stakeholders to access the most up to date information and will also offer the opportunity to ask questions. More information about this will be available soon.

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Within the DWP Fraud Investigation Service (FIS) community, progress on the Fraud & Error Programme is discussed at each 6-weekly Area Fraud Investigators meeting and a monthly FIS update note is also cascaded to all staff and placed on the FIS internal website. FIS colleagues have the opportunity to raise questions (and have them answered!) at FIS Your Call events and on the FIS Discussion Group on the DWP FIS Intranet pages.

Q. Will we be working under SFIS policy and procedure from April 2013?

A. Presently if you are not in a Pilot or Pathfinder site, the SFIS policy and procedure will come into force during 2014/15.