

BENEFIT FRAUD INVESTIGATION TEAM



ANNUAL REPORT

2011 / 2012

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The Benefit Fraud Investigation Team (BFIT) is specifically responsible for the investigation of suspected Housing and Council Tax Benefit fraud in Sefton. The work of the team is guided by analysis and risk assessment of fraud in the benefits sector and its area of work up to 30 September 2008 was incorporated in the Internal Audit Plan. On 1st October 2008, BFIT was transferred to arvato Public Sector Services, Sefton and continues to remain under the control of the Benefits Manager.

The following provides a brief commentary on the main areas of the activity of the BFIT in 2011/12

Referrals

The BFIT received 915 referrals (compared to 724 in 2010/11) for investigation and in addition generated 34 cases from its own proactive work. The increase in the number of referrals received is due in part to an increase in the number of data-matched referrals received in respect of the Audit Commission's National Fraud Initiative (NFI) and the new Credit Reference Agency (CRA) data-matches received as part of the normal Housing Benefit Matching Service (HBMS matches). This could also be due to an increase in the benefit caseload due to the current economic climate.

The following tables show the main sources of referrals and the category of referral.

| <u>Source</u> | <u>Nos</u> | <u>%</u> | <u>Category</u> | <u>Nos</u> | <u>%</u> |
|------------------------------|-------------------|-----------------|---------------------------|-------------------|-----------------|
| Housing/Council Tax Benefits | 187 | 20 | Residency | 285 | 30 |
| | | | Undeclared income | 170 | 18 |
| Data Matching (HBMS/NFI) | 484 | 53 | Undeclared capital | 61 | 6 |
| Anonymous Information | 96 | 10 | Living Together | 239 | 26 |
| Other Council Departments | 18 | 2 | Working | 86 | 9 |
| External (DWP, Police etc) | 130 | 15 | Household – incl Non-deps | 80 | 8 |
| | | | Tenancy related | 26 | 3 |
| | | | Fraud Drives | 0 | - |
| | <u>915</u> | <u>100</u> | ID fraud | 1 | - |
| | | | SOD/Exemptions | 1 | - |
| Proactive | <u>34</u> | | Other | | - |
| | <u>949</u> | | | <u>949</u> | <u>100</u> |

Completed Investigations

During the year, 904 investigations were completed (734 in 2010/11).

The following tables analyse the results of the last two years:

| <u>Category of Closure</u> | <u>2011/12</u> | | <u>2010/11</u> | |
|--|-----------------------|------------|-----------------------|------------|
| | Nos | % | Nos | % |
| Fraud proven | 185 | 21 | 240 | 33 |
| Incorrect Benefit | 21 | 2 | 22 | 3 |
| Not Resident | 49 | 6 | 41 | 6 |
| Living Together (now incorporated in fraud proven/incorrect benefit) | | | - | - |
| Earnings declared (as above) | | | - | - |
| Passed to DWP | 4 | 1 | 5 | 1 |
| No fraud established | <u>645</u> | <u>70</u> | <u>426</u> | <u>57</u> |
| | <u>904</u> | <u>100</u> | <u>734</u> | <u>100</u> |

The above table highlights the following points:

There has been an increase in the number of cases investigated from the previous year, largely due to the BFIT receiving more data-matched referrals for investigation. In total a successful result was recorded on 255 cases (303 in 2010/11). These results include cases closed as fraud proven, not resident and incorrect benefit. This represents a success rate of 29%, which is lower than that achieved in the previous year (41% in 2010/11). Of the 645 cases closed no fraud, 308 (48%) were as a result of HBMS referrals, including the new 'CRA' matches as identified above. During 2011/12, 154 'CRA' matches were closed no fraud, representing 24% of the overall cases closed no fraud. The apparent poor quality of these types of referrals has been previously identified in the latest Audit and Governance Report for the quarter Nov '11 to Feb '12 (inclusive) and it may therefore be necessary to reassess our approach to these types of referrals in order to make best use of resources.

Data Matching Initiatives

The BFIT continues to participate in the two main data matching initiatives, the Housing Benefit Matching Service (HBMS) run by the DWP, and the National Fraud Initiative (NFI) run by the Audit Commission. Work has been continuing on the latest data matches released by the Audit Commission as part of the National Fraud Initiative 2011 and details of the outcome of this work is included below.

HBMS

Over the year 390 (184 in 2010/11) referrals were received from the DWP Housing Benefit Matching Service (HBMS). The increase in the number of these referrals is mainly due to the new 'CRA' matches, as mentioned previously. Many of the HBMS referrals have been dealt with directly by the BFIT; however, some referrals continue to be processed by the Benefits Section, where information held by the Council should facilitate the timely reassessment of benefits claims.

Overall, the majority of the HBMS referrals received by BFIT are usually of a fairly high quality - identifying undeclared work, capital, pension and other benefits etc, however, the quality of the credit reference agency matches, which are used to identify, for example, non residency and undeclared partners etc have so far proved disappointing and this is reflected in the results shown below. In the year investigations were completed on 412 cases derived from the HBMS. Of the 394 requiring some form of fraud investigation, positive results were recorded on 86 cases (22%). Of the 115 Sanctions (prosecutions, cautions and administrative penalties) achieved in 2011/1, 39 (34%) have been as a result of HBMS referrals. Therefore, despite the apparent poor-quality of the 'CRA' matches, many referrals from the Housing Benefit Matching Service continue to provide some good results for the BFIT.

NFI

The National Fraud Initiative is a data matching exercise run every two years by the Audit Commission. This exercise matches data nation-wide from various sources, including Housing Benefits, Housing Rents, Payroll, Pensions, Asylum Seekers, Student Awards, and Creditors etc.

All matches identified from the exercise are sent to the relevant Councils for investigation. Due to the amount of 'mis-matches' and non-fraudulent matches in the NFI output, arising from the allowed tolerance levels in the matching rules eg. 'fuzzy matches' where 4 out of 6 digits in the date of birth match, it requires a considerable amount of sifting before direct investigative work can commence on identified potential fraud.

The Council has recently received access to the latest matches via the NFI secure website and work is continuing to sift through the output and set up any appropriate cases for further investigation. NFI has identified 3,682 matches in total with 531 recommended for possible investigation. So far, 551 NFI referrals have been checked for possible fraud or discrepancies and necessary further action. Of the 94 cases set up for further investigation, 41 have been closed no fraud, 4 are currently awaiting a reassessment of benefit, 43 are still being investigated and 6 have been closed with positive results. So far, overpayments totalling just over £25k have been recorded in respect of these referrals.

Pro-active work.

The BFIT generated 34 cases through its own proactive enquiries during the year (135 for the year 2010/11). These referrals mainly arose as a result of investigations leading on from overpayments created in respect of housing and council tax benefits. Of the 46 proactive cases that have been investigated during 2011/12, 21 have been closed 'no fraud' (46%), 0 have been closed 'not resident', 7 have been closed 'incorrect benefit' (15%) and 18 have been closed 'fraud proven' (39%). Positive results have therefore been recorded on 54% of the proactive cases investigated during 2011/12.

Prosecutions / Sanctions

The BFIT continues to implement the Sanctions and Prosecutions Policy which not only includes prosecutions through the Courts but also enables the BFIT to offer other Sanctions as alternatives to prosecution. These include Local Authority Cautions (similar to a Police Caution) and Administrative Penalties (where the claimant agrees to pay an additional 30% on top of the existing benefit overpayment). Changes to administrative penalties have been made as part of the Welfare Reform Bill. This means that, from May 2012, a flat rate admin penalty of £350 can be offered as an alternative to prosecution where an attempt to claim benefit only has been made – ie, where an offence has been committed, but no benefit has been paid. In addition, the 30% rate of administrative penalty will increase to 50% in some cases, with a maximum administrative penalty of £2000 being introduced.

The following table shows the breakdown of the 115 sanctions recorded during the year:

| <u>OFFENCE</u> | <u>PROSECUTION</u> | <u>LA CAUTION</u> | <u>ADMIN PENALTY</u> |
|--|---------------------------|--------------------------|-----------------------------|
| Failing to declare employment | 4 | 8 | 2 |
| Failing to declare other income | 8 | 23 | 2 |
| Failing to declare capital | 4 | 10 | 6 |
| Failing to declare other partners resident | 10 | 14 | - |
| Contrived Tenancy | - | 3 | 1 |
| Not resident at property | 1 | 15 | - |
| ID Fraud | 1 | - | - |
| Landlord | - | - | - |
| Household (Non Dep) | - | 2 | - |
| Other | - | - | - |
| TOTALS | 28 | 76 | 11 |

The 28 prosecutions listed above involved benefit frauds covering not only Council benefits (HB/CTB) but also DWP benefits (JSA/IS) totalling just over £370k.

The Courts imposed a variety of sentences including: Imprisonment (3) Suspended Sentence (4), Curfew Orders (9) Community Penalties (7), Fines (3), Conditional Discharges (2), Warrants outstanding (-)

Although BFIT Officers do not have the right to appear before the Magistrates Court in order to present prosecution cases, they maintain a good working relationship with the Council's Legal Department - who continue to check files and present cases at both North and South Sefton Magistrates Courts on behalf of the Team.

An example of joint working

On 17th May 2011, Macica Hlicia, formerly of 16 Blossom Street, Bootle was found 'guilty' at Southwark Crown Court relating to charges of 'conspiracy to defraud contrary to common law' and included charges against the Department for Work and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC) and 'England and Wales Local Authorities'. After liaising with the DWP Fraud Team in Birmingham evidence was received by the BFIT to suggest that Hlicia's claim for housing and council tax benefit was fraudulent on the grounds that she was, in fact, Dorina Dumitru - a Romanian who had been created a false identity in order to obtain benefits. As a result, 'Hlicia's' claims for income support, housing and council tax benefit were cancelled, creating total overpayments of £12,314.61. As a result of making these fraudulent claims, Dumitru received a 2 year custodial sentence. As part of this investigation, checks were also conducted in relation to claims for income support, housing and council tax benefit made by Marian Gheorghe, formerly of 9 Antonio Street, Bootle. These enquiries showed that Gheorghe had no entitlement to reside within the UK and as such had no recourse to public funds. As a result, her claims to these benefits were reassessed, creating total overpayments of £42,363.42. She was charged under the same legislation and on 21st May 2011 received a custodial sentence of 2 years and 4 months.

Administrative Penalties

Income from accepted Administrative Penalties this year will amount to £5821.95 once collected. This money is paid by various methods ranging from full payments immediately to payment by instalments.

Benefit Savings and Overpayments

As a result of BFIT investigations throughout the year, overpayments of benefit (housing and council tax) amounting to £406,542.71 were identified.

The weekly value of claims either stopped or reduced in 2011 / 2012 amounted to £10280.00. In a study carried out by the DWP some time ago it was calculated that, on average, a claimant would continue to receive benefit for a further 32 weeks had that claim not been stopped. Based on these findings the amount of benefit potentially stopped by the BFIT is in the region of £328,960.00.

Mersey Mets Fraud Performance 2011/2012.

The table below compares the fraud performances of each Merseyside council.

| <u>Authority</u> | <u>Caseload</u> | <u>Prosecutions</u> | <u>Ad Pens</u> | <u>Cautions</u> | <u>Total</u> | <u>Sanctions Per 1000 caseload</u> | <u>Investigators Per 1000 caseload</u> | <u>Sanctions Per Investigator</u> |
|------------------|-----------------|---------------------|----------------|-----------------|--------------|------------------------------------|--|-----------------------------------|
| Sefton | 36,000 | 28 | 11 | 76 | 115 | 3.2 | 0.12 | 25.5 |
| Liverpool | 86,000 | 70 | 6 | 106 | 182 | 2.12 | 0.13 | 16 |
| St Helens | 23,500 | 30 | 15 | 48 | 93 | 4.0 | 0.25 | 15.5 |
| Knowsley | 25,900 | 40 | 41 | 61 | 142 | 5.5 | 0.15 | 35.5 |
| Wirral | 46,000 | 52 | 10 | 39 | 101 | 2.2 | 0.16 | 13.5 |

As can be seen from the above table, Sefton has a ratio of 0.12 fraud Investigators per 1000 benefit caseload – the lowest of the Merseyside Authorities – but has still achieved the second highest level of sanctions per investigator during the year. The sanction targets for the BFIT this year are no longer based on the caseload, but a minimum of 85 sanctions. This has taken into account the assistance provided by the BFIT for benefits processing and the reduction in staff over the last 2 years.

The table below gives the 2010/2011 Mersey Mets performance:

| <u>Authority</u> | <u>Caseload</u> | <u>Prosecutions</u> | <u>Ad Pens</u> | <u>Cautions</u> | <u>Total</u> | <u>Sanctions Per 1000 caseload</u> | <u>Investigators Per 1000 caseload</u> | <u>Sanctions Per Investigator</u> |
|------------------|-----------------|---------------------|----------------|-----------------|--------------|------------------------------------|--|-----------------------------------|
| Sefton | 31,800 | 24 | 28 | 101 | 161 | 5.06 | 0.20 | 29.27 |
| Liverpool | 81,000 | 86 | 9 | 101 | 196 | 2.42 | 0.14 | 17.19 |
| St Helens | 23,200 | 26 | 24 | 25 | 75 | 3.23 | 0.15 | 21.43 |
| Knowsley | 25,500 | 49 | 26 | 35 | 110 | 4.31 | 0.20 | 22 |
| Wirral | 42,000 | 30 | 18 | 63 | 111 | 2.64 | 0.18 | 14.80 |

Benefit Fraud Hotline

The BFIT received 115 calls to the Benefit Fraud Hotline (08000 567000) during 2010/11 (111 in 2010/11).

From these calls, 38 cases were opened and investigations commenced. In total, 36 cases (including carry-over from the previous year) derived from the Hotline, were closed during the year. Positive results were recorded on 6 (17%) of these cases. The majority of the calls during 2011/12 consisted of either 'living together' or working allegations. However, information regarding non-residency or of owning another property was also received during this period. As always, although the BFIT endeavours to investigate as many of these cases as possible, some of the information provided can often be spurious or misguided. In addition, allegations of 'living together' are probably the most difficult area to investigate and prove.

The effectiveness of the Hotline is dependent on publicity which the Team endeavours to seek in respect of successful prosecutions. Efforts are also made to publicise the Hotline number as widely as possible e.g. in the Council Tax Leaflet, notices in public buildings etc.

Interviews and visits

From 1st April 2011 to 31st March 2012 officers from BFIT completed 402 visits to claimants throughout the Borough (105 notified and 297 un-notified).

Over the same period, BFIT carried out 167 interviews under caution with claimants suspected of committing benefit fraud offences.

Performance Indicators

The BFIT is responsible for achieving the 3 Performance Indicators as set out in the table below – NB 'B11' has been changed and the BFIT now have a target of a minimum of 85 sanctions and 'B13' has been removed.

| <u>PI</u> | <u>Explanation of Performance Indicator</u> | <u>Target 2011/12</u> | <u>Achieved 2010/11</u> |
|------------------|---|------------------------------|--------------------------------|
| B11 | Number of sanctions to be achieved | Min. 85 Sanctions | 115 Sanctions |
| B12 | Percentage of fraud staff PINS accredited | 100% | 100% |
| B15 | Percentage of sanctions achieved against IUCs carried out | 50% | 68% |

Liaison with DWP/Other Local Authorities

Regular meetings are held between BFIT and the DWP Fraud Investigation Service (FIS). Liaison between the BFIT and DWP is further aided by way of two nominated officers - one from each agency - who are responsible for initiating and monitoring joint investigations, thereby helping to facilitate the joint working process. Records of joint working invitations are kept by each nominated officer and the table shown below shows the number of LA/DWP invitations for the period 1/4/11 – 31/3/12

| <u>Agency</u> | <u>No of invitations given</u> | <u>No of invitations accepted</u> |
|------------------------|---------------------------------------|--|
| DWP (FIS) | 101 | 96 |
| Local Authority (BFIT) | 48 | 28 |

In total there have been 124 joint working investigations undertaken. Of the investigations closed, 28 have lead to successful prosecutions, as stated above.

Sefton are also members of the Merseyside Joint Board (LA/DWP) and attend regular meetings. The purpose of the JB is to ensure that the strategy leading to a joint approach to counter fraud activities is followed by both agencies.

The BFIT also meets regularly with its counterparts on the other Merseyside Councils as part of the Merseyside Fraud Investigators Group (MFIG). These meetings are very useful for sharing good working practices and new ideas for investigation.

Fraud Awareness

The BFIT continues to be involved in providing fraud awareness to both internal and external staff. During June and July 2011, 38 members of staff within 'One Vision Housing' – Sefton's largest Registered Social Landlord – attended fraud awareness training sessions. Training will also be given to internal members of staff over the coming months.

Publicity

The BFIT continues to have a good working relationship with the local press, which results in excellent publicity for the Section, both in terms of cases undertaken by BFIT alone and as a result of joint working with the DWP. Such positive press coverage raises the profile of the BFIT and normally results in increased usage of the Fraud Hotline.

Single Fraud Investigation Service

A new integrated fraud service has been proposed as part of the Welfare Reform Act, which received Royal Assent earlier this year. This service will incorporate fraud investigators from local authorities, the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) and is expected to be operational from April 2013. At the present time, local authorities are awaiting further details on how this service will function; however, the BFIT is currently actively involved with arvato's Welfare Reform Act Project Team, which is looking at changes made to legislation and the possible impact this could have on service provision. It has also involved in one of the design workshops, aimed at identifying best practice.