

Reducing Benefit Fraud in Sefton.

The Benefit Enquiry Team.

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1. How well are Sefton at tackling Benefit Fraud?

- The Benefit Fraud Inspectorate (BFI) in their report commented that the Authority had taken positive steps to counter benefit fraud, having had an Anti-Fraud and Corruption Policy in place since 1998, complemented by a benefits specific Sanctions and Prosecutions Policy introduced in January 2001. Other positive comments made by the BFI included:
- Highly trained Fraud staff
- Participation in the National Fraud Initiative and the Housing Benefit Matching Service data matching initiatives
- Use of the *Do not Redirect* Scheme
- Joint working with the DWP
- Close working with the Police to achieve successful prosecutions
- Effective use of prosecutions as a key deterrent.

Criticisms included:

- At the time of the report the Council had not made use of alternatives to prosecution in the form of Cautions and Administrative Penalties.
- Counter fraud resources and skills could be used more effectively to increase the numbers of detected frauds
- More work needed to deal with the threat of Landlord Fraud.

(NB. Penalties and Cautions were introduced wef April 2002. A separate report dealing with Landlord Fraud was completed for Scrutiny and Review in Nov 2002)

Documents attached as background information are listed below:

- Anti Fraud and Corruption Policy
- Sanctions and Prosecutions Policy
- Internal Audit Benefit Anti-Fraud Strategy
- Internal Audit Annual Report 2002/2003
- BET work and Landlord Fraud Report Nov 2002 (Scrutiny and Review)
- BFI report dated June 2002 (available on BFI website at www.bfi.dwp.gov.uk)

APPENDIX 1A

In answer to the question of how well Sefton are at tackling benefit fraud, as a basic measure, it may be worth comparing Sefton's current performance with that of the other Merseyside Authorities in relation to the numbers of Sanctions imposed.

Attached is a table showing current benefit caseloads, Fraud staffing levels and the numbers of Sanctions administered from 1/4/03.

Over all it can be noted that Sefton compares more than favourably with its neighbouring authorities.

2. How is benefit fraud identified?

As well as pro-active work carried out by the team, the BET rely on many sources of referrals including:

- Housing and council tax benefit staff
- Other departments within the Council eg. Housing, Revenues, Recovery etc.
- The Public in the form of anonymous letters and phone calls.
- Other Government Departments – DWP, Inland Revenue etc
- The Police
- Sefton Councils own Benefit Fraud Hotline number (08000 567000)
- Data Matching exercises carried out by the Audit Commission (NFI) and the DWP (HBMS)

The BET have also undertaken Fraud Awareness sessions with Housing/Council Tax benefit staff and Area Housing staff and have produced Fraud Awareness booklets which have been issued to all staff (copy attached)

3. How many checks are carried out on addresses?

The BET no longer carries out the mass residency based visiting schemes of previous years as the Team's terms of reference have now changed.

WBS, which was the main driver of the team's work, has now been replaced by a system of rewards for the imposition of Sanctions and as a consequence the Team now directs its resources into more quality investigation work.

Some routine visits are still carried out as pro-active exercises and visits to addresses are still made for all cases of suspected non-residency.

When the Council becomes verification compliant next year, it is anticipated that visits to addresses will increase substantially.

4. What information do/can we ask from a claimant?

In order to investigate cases of alleged benefit fraud, BET officers can ask for any information from a claimant which they consider relevant to the investigation.

As many investigations result in interviews under caution being carried out, BET staff are bound by the rules of PACE.

It must be noted that although the BET can ask any questions they wish, the claimant can take advantage of the caution given and elect to remain silent.

5. Can we simplify the form?

Question has been addressed by the Benefits Manager.

6. What training is given to staff on new legislation?

- In house training sessions
- All staff have access to the F Series of benefit circulars relating specifically to fraud issues.
- Team briefings/meetings

7. What are the targets?

The only target set by the Government for the Council is the Weekly Incorrect Benefit Target (WIB). The Council receives a monetary reward for the identification of overpayments and this target is achieved by aggregating the amount of the rewards for overpayments identified in the year (both fraudulent and Claimant error).

The BET have internal targets to achieve in terms of successful sanctions

Terms of reference: Reducing Benefit Fraud in Sefton**The Benefit Service****Christine finnigan, Acting Benefits Manager****1. How well are Sefton at tackling benefit fraud**

The Benefit Fraud Inspectorate made positive reference to the evidence checks made by the benefit staff, thus identifying fraud. Benefit staff verify all claims and supporting documentation according to statutory requirements and Government guidance, in particular the requirements of the Verification Framework.

2. How is benefit fraud identified

- The assessment and verification process. Cross checking all the information provided with the claim and on the form itself. Comparing with previous claim and evidence details. Making use of computer procedures i.e. council tax discrepancies, duplicate/multiple claims.
- Household composition – cross checking information.
- Examine supporting evidence – genuine documents, false stamps, handwriting etc.
- Requesting further information to support claim – e.g. claims with no income.
- Returned mail – including cheques.
- ID checks – require original documents.
- Telephone calls – sometimes they are anonymous
- Information from other departments i.e. Environmental Health, Social Services.
- Information from other parties i.e. Rent Service, Housing Department and landlords.
- Police

3. How many checks are carried out on addresses

- No program for visits within Benefit service. Visits are made for those who are housebound and request 'discretionary hardship payments'.
- The authority has not yet adopted the Governments Verification Framework. Once compliant the visiting module will be addressed.

4. What information do/can we ask from a claimant

- This will depend on the type of claim made. For example a housing benefit claim will require proof of rent and liability.
- Proof of identity and National Insurance, this includes partner (if applicable). We require original documents.
- Evidence of all income including capital.
- Information on the household composition.
- Any discrepancies we can ask the claimant to clarify and provide supporting evidence.
- Document enclosed – Evidence Requirements Checklist.

APPENDIX 1B

5. **Can we simplify the form** – the application form has been modelled on the BFI form in line with BFI recommendations. The DWP are looking at a shorter version form for reviewing claims from April 04.

6. **What training is given to staff on new legislation** –

- Training sessions are provided with procedure notes (by external & in house trainers).
- Government circulars are followed up with briefing notes to staff.
- Follow up sessions are provided with questions & answers to staff.
- Monthly newsletter from the DWP is issued to staff via e-mail.
- Staff are updated via team briefings.

7. **What are the targets**

No targets for fraud referrals in the Benefit service to ensure quality referrals. However a percentage of staffs work is checked by the Quality & Development team. This includes a check on fraud awareness.

**FINANCE DEPARTMENT
INTERNAL AUDIT SECTION
BENEFIT ENQUIRY TEAM.**

**SCRUTINY AND REVIEW WORKING PARTY.
“Tackling Benefit Fraud”**

EXAMPLE - FRAUD SCENARIO.

Miss X is a single parent with 2 children aged 2 years and 7 years living in private rented accommodation.

She is in receipt of housing and council tax benefit and income support.

You have received an anonymous telephone call alleging that she has an undeclared partner, Mr Y, living with her, and that the youngest child is his. The caller says that Mr Y has been there for about 6 months and works as a self-employed builder.

He further says that Mr Y uses a white transit van for work which he parks round the corner from the house every night.

You have done observations on the property (after receiving the appropriate authorisation) for two weeks and you have seen the van parked up on at least 8 occasions over this period both morning and night.

You have also seen a male entering and leaving the property, both in the morning and at night.

Having checked the van registration number, you find that it is registered to Mr Y at Miss X's address.

Checks with the Inland Revenue show Mr Y to be a self-employed builder in regular work whose last known address was in Liverpool.

Checks with Liverpool City Council show the address to be Mr Y's parents with no benefits or discounts.

You and a colleague visit the address at 7.00pm and find Miss X at home with the same male you have seen entering and leaving the house previously.

Please interview Miss X (and Mr Y if you think appropriate) regarding the living together allegation and try and provide enough evidence to enable the DWP to withdraw her claim for Income Support and consequently her claim for housing and council tax benefit.

TACKLING BENEFITS FRAUD

**Report To Working Group
From Chief Internal Auditor**

2 March 2004

1. Purpose of the report:

- 1.1 At the meeting of the 'Tackling Benefits Fraud' Working Group on 20 January 2004, Officers were requested to provide further information indicating the performance of the Benefit Enquiry Team (BET) together with supporting statistics and to look at whether extra resources would be beneficial in tackling benefit fraud and where these resources would be best placed. Additionally the Working Group requested a brief outline of the changes in the Benefits system from April 2004.
- 1.2 These issues are addressed in this report.

2. Benefit Enquiry Team – Performance and Statistics.

2.1 Benefit Fraud Inspectorate – Summary of Conclusions (June 2002)

In the summer of 2001, the Council was visited by the Benefit Fraud Inspectorate. A major part of the inspection involved an in-depth review of the work of the Benefit Enquiry Team. The final report was published in June 2002 and amongst other things commented favourably that:

- The Council had taken positive steps to counter benefit fraud.
- The BET were highly trained fraud staff and were appointed as 'Authorised Officers'.
- The Council participated in both National Fraud Initiative (NFI) and Housing Benefit Matching Service (HBMS) data matching initiatives.
- The Council used the Royal Mail *Do Not Redirect* scheme.
- The BET worked closely with the Benefits Agency (now the Department for Work and Pensions (DWP) and the Police.
- The quality investigative work done by the BET had resulted in successful prosecutions.

Areas of concern included:

- As at August 2001 the BET had not yet made use of the alternative Sanctions available – Administrative Penalties and Local Authority Cautions.
- Output from the National Fraud Initiative had stalled.
- Counter fraud resources needed to be used more effectively to increase the number of benefit frauds detected.
- More work needed to be done on the threat of landlord fraud.

There has been continuous dialogue with the BFI since the publication of the report and each BFI recommendation involving the BET has been addressed to the satisfaction of the BFI. With regard to the areas of concern listed above, it will be seen from the attached statistics that the BET has made substantial use of the alternatives to prosecution since April 2002.

The BFI recognised that work on the NFI had been delayed, however this had been completed well before the publication of the report. Statistics also show an increase in the number of benefit frauds detected since 2001.

A report to Scrutiny and Review Committee entitled Benefit Enquiry Team – Fraud Investigation, Key Performance Indicators and Landlord Fraud was made to members on 5 November 2002, a copy of which members of the Working Group were supplied with at the initial meeting of the Group.

It is now almost three years since the BFI inspection and during this time the work of the BET has changed substantially. Security Against Fraud and Error (SAFE) has been introduced by the DWP replacing the old Weekly Benefit Savings scheme (WBS). The emphasis for Local Authority fraud teams has now moved to more ‘quality’ investigation work leading to the imposition of Sanctions (prosecutions, cautions and Admin Penalties).

The only target set by the DWP for the Council is the Weekly Incorrect Benefit (WIB) target. This target is achieved by the aggregation of rewards for the identification and classification of overpayments – basically an administrative function undertaken by the Benefits Section.

Any overpayments identified by the BET during the course of its investigations will count towards the Council’s target. From April 2004 WIB targets will no longer apply and Councils will be rewarded on every actual fraud/claimant error overpayment discovered by pro-active means.

2.2 BET Performance 2003/2004 – Internal Targets

Although there are no DWP set targets for fraud investigation teams, internal targets have been set for the BET by way of Key Performance Indicators (Appendix 1 refers).

A new indicator has been introduced in 2003/2004 to look at the quality of evidence gathered before and during an interview under caution (IUC). The target set requires at least 40% of all IUCs to result in a Sanction.

As can be seen from Appendix 1, the BET normally achieve the indicators/targets set.

2.3 HB/CTB Performance Standards.

The DWP and BFI have published HB/CTB Performance Standards, a section of which deals with Counter Fraud performance. This package identifies standards so that each authority can assess its own performance against the recognised standard. This self-assessment will be mandatory from April 2004.

Initial reviews would indicate that although the BET scores ‘above standard’ on certain sections, there are other sections where the BET is not ‘at standard’ and consequently this would reduce the overall marking to be ‘not at standard’.

However work is in progress to improve the score on the sections of the standards where the BET fall below the level required, with the ultimate aim to be overall ‘above standard’.

2.4 Fraud Referrals.

The BET investigates all referrals of potential fraud. These come from a variety of sources including those from within the Council (Benefits, Housing etc.); from the public (Fraud Hotline, anonymous information etc.); from other external agencies (DWP, Police etc.); and from Data Matching exercises (HBMS, NFI etc.)

The table at Appendix 2 shows a statistical breakdown of BET activity for the current year to the end of January 2004 compared with the performance in the previous year.

When taken as a percentage of cases actually investigated, the BET has recorded a positive result on 33% of those investigations. This is an increase of 7% from 2002/2003.

Positive results are those cases closed as fraud proved, not resident, incorrect benefit and living together.

2.5 Merseyside Authorities – Comparable Statistics.

A table at Appendix 3 shows comparable statistics, with regard to fraud staffing, benefit caseloads and sanctions achieved by the Merseyside Authorities.

It must be pointed out that these are 'crude statistics' only and should not be interpreted as one authority being better than another

It is difficult to compare fraud teams performance in one area with another as these areas differ substantially in make-up, however merely looking at the total numbers of sanctions achieved against the numbers of fraud staff in post, Sefton would appear to be more than equal to its neighbouring authorities.

3 Resources.

The Internal Audit Annual Report 2002/03 submitted to Scrutiny and Review on 11 November 2003 drew attention to the BET's work on sanctions and prosecutions advising that this was an area where the BET could successfully expand its activities if more resources were available. Members noted the Report. Cabinet Member, Corporate Resources on 12 November 2003 also received the Report and requested that the Finance Director bring forward proposals to address staffing issues as raised in the Annual Report. Proposals to deal with Internal Audit and BET staffing issues are currently with the Finance Director who will shortly be bringing a report to Cabinet Member, Corporate Resources.

With regard to the BET, the recruitment of an experienced, fully trained Investigator would increase the number of investigations the team could complete.

From April 2004, The Housing Benefit Matching Service will be carrying out monthly matches as opposed to the current quarterly scans.

APPENDIX 3

This will lead to more referrals for the BET to investigate. HBMS estimate that Sefton Council could receive up to 300 referrals per month – a substantial increase on the current referral level.

Also, as a result of the ending of benefit periods, details of which are provided later in this report on the subject of Benefits Issues/Changes, it is expected that the BET will receive additional fraud referrals from the review system which will be put into place by the Benefits Section.

As a consequence of the increased workload, it is expected that the number of sanctions (Prosecutions, Admin Penalties and Cautions) will increase, and the extra post will be funded by the increase in the sanction reward subsidy payable to the Council.

The Working Group support for this would be welcome.

4 Benefits Issues and Changes

The Working Group asked for information on overpaid benefits. The Assistant Finance Director (Revenues and Benefits) advises as follows:

4.1 Overpaid Housing Benefit (HB)

Overpayments of HB can arise as a result of: -

- Late advice from the claimant about changed circumstances
- Delays in processing changes of circumstances
- Claimants failure to notify change in circumstances (fraud)

The Council recognises that it is important to take steps to recover overpaid HB, both for financial reasons (potential for loss of subsidy) and as a deterrent to Benefit fraud. For this reason, as part of a restructure of the service in October 2001, an overpayment recovery team consisting of 3 members of staff was established, and this team was strengthened in December 2003 by an additional 4 posts, bringing the team to 7 posts in total.

The staffing structure of the Benefits Section is currently being reviewed again and consideration is being given to the creation of a court officer to take overpaid benefit cases through the court process.

With regard to the changes in the Benefits system, the Assistant Finance Director (Revenues and Benefits) advises as follows:

4.2 Verification Framework

Some time ago the Government introduced the Verification Framework (VF) as a formal structured way of ensuring that all benefit claims are properly verified before they are put into payment. The VF is a voluntary Framework which authorities are encouraged to adopt and for which funding is provided centrally. The VF is split into 3 modules covering:

- New claims
- Renewal claims
- Home visits

APPENDIX 3

Sefton has not yet formally adopted the framework but plans to do so in late 2004. However, in the Benefit Fraud Inspectorate (BFI) report on the Benefits Service published in June 2002, Sefton's Benefits Service was complimented on its rigorous verification procedures and the DWP and BFI have accepted that it would not be wise for the council to implement VF whilst implementing other initiatives such as the Comino document management system (introduced June 2002).

4.3 End of Benefit Periods.

At present benefits are put into payment generally for a period not exceeding 52 weeks and at the end of the benefit period, benefit will only continue in payment if a new full application is made. From April 2004 benefit periods are to be abolished although there will be a requirement for 40% of cases to be reviewed annually. This rolling review process will be structured in such a way to ensure as far as possible that fraud is minimised.

**KEY PERFORMANCE INDICATORS
BENEFIT ENQUIRY TEAM**

INDICATOR	TARGET SET 2003/2004	ACHIEVED BY 31/1/04 (10 months)	2002/2003
SANCTIONS	To achieve 66 sanctions by 31/3/03	58 sanctions have been recorded by 31/1/04	64 Sanctions achieved
TIMESCALES	To complete investigations within a period of 60 days.	The average time to close a case currently stands at 51 days.	Average time to close a case was 61.5 days.
VISITS	Each Auditor to complete a minimum of 10 visits per week.	An average of 11 visits per week per Auditor has been carried out.	An average of 12 visits per week per Auditor were completed
ROYAL MAIL DO NOT REDIRECT	To investigate all cases raised as a result of the Royal Mail Do Not Re-direct service.	1 case has been referred and investigated.	6 cases were referred and investigated
QUALITY CHECKS	Principal Auditor to complete quality check of all sanction cases and minimum of 10% of all others.	Completed.	Completed
NATIONAL FRAUD INITIATIVE	To investigate all matches supplied by the Audit Commission NFI exercise.	All matches from NFI 2002 have been investigated resulting in 49 cases being investigated.	Output from NFI 2002 received in Jan 2003, investigation continuing
HBMS	To participate in the DWP Housing Benefit Matching Service.	419 cases have been referred by HBMS and investigated.	310 referrals received and investigated.
FRAUD HOTLINE	To investigate all cases referred by the Council's Fraud Hotline	55 cases have been set up and investigated as a result of 101 calls to the Hotline.	89 calls received, 44 cases investigated.
%AGE OF SANCTIONS BY INTERVIEWS UNDER CAUTION	To monitor the number of sanctions achieved against the number of IUCS carried out and aim for a 40% success rate.	114 IUCS 58 Sanctions 51% success rate	Not applicable

STATISTICAL SUMMARY

	2003/04	2002/03
Cases opened	1105	1133
Cases closed	1084	1351

Cases closed by Category.

Undeclared Income/capital	481	546
Not Resident	281	405
Living Together	128	213
Working	100	76
Household	61	88
Tenancy	24	21
Other	9	2

Source of Closed Cases.

HBMS	419	397
Other Council Departments	230	202
Housing/Council Tax Benefits	219	439
Public	76	106
Fraud Hotline	55	54
NFI	48	10
Pro-active	37	143

Status of Closed Cases.

Fraud Proved	111	158
Not Resident	112	87
Incorrect Benefit	86	77
Living Together	2	0
Passed to DWP	16	14
Not Investigated	146	117
No Fraud	611	898

Sanctions.

Summons issued	14	10
LA Cautions	19	7
Police Cautions	2	2
Admin Penalties	27	46
Convictions	10	9
Total Sanctions (excluding summons)	58	64

**COMPARABLE STATISTICS 2003/04
MERSEYSIDE AUTHORITIES
AS AT 31 JANUARY 2004**

	Sefton	Liverpool	Wirral	St Helens	Knowsley
Benefits Caseload	30,000	75,000	38,000	19,400	24,000
Fraud staffing	8	16	10	8	8.5
Pros	10	22	5	5	2
Summons	14	47	5	9	5
Cautions	21	19	11	9	20
Adpens	27	12	1	4	1
Total Sanctions (excluding summons)	58	53	17	18	23
Pros Referrals	20	51	13	22	13
%age positive result	33%	28%	N/A	23%	N/A