

Report by the
Benefit Fraud Inspectorate

***Brentwood Borough Council
Inspection of security of
administration***

May 2006

Highlighted parts of this report are omitted from the published version as they may assist fraudsters or may contain confidential commercial information.

Copies of BFI reports are available from:

DWP Information Centre
Room 114
The Adelphi
1 – 11 John Adam Street
London
WC2N 6HT

Tel: 020 7962 8176
Fax: 020 7962 8491

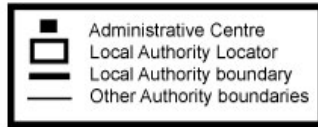
You can also e-mail requests to
bfi-distribution@dwpgsi.gov.uk

BFI reports are also available from the internet at
<http://www.bfi.gov.uk>

Contents

<i>Executive summary</i>	1
Introduction	1
Background	1
Overall performance	2
Summary of recommendations	3
<i>BFI findings</i>	5
<i>Security</i>	7
Counter-fraud activities	7
Sanctions	13
<i>Resource management</i>	15
Assurance	17

The maps on this page show the area covered by Brentwood Borough Council in relation to neighbouring authorities, and its geographical location in the country.



Executive summary

Introduction

1.1 This report assesses Brentwood Borough Council's counter-fraud arrangements. The council was selected for inspection because it reported to the Department for Work and Pensions (the Department) that it had carried out a limited number of sanctions against fraudsters in 2003/04.

1.2 We have limited the scope of this inspection to those Performance Standards' components that have a direct impact on the council's counter-fraud performance.

1.3 To establish the effectiveness of the council's performance we:

- analysed management information provided by the council
- examined relevant policies and procedures
- extracted and analysed data from the council's fraud management system
- sampled 31 fraud cases investigated between April and December 2005 and 10 fraud referrals received in January 2006
- reviewed 6 evaluation questionnaires following fraud awareness training
- interviewed officers and managers.

1.4 Our sample of 31 fraud cases included a random selection of 25 cases chosen from the council's fraud management system and a further 6 cases which had led to an administrative penalty, caution or prosecution.

1.5 This report should be read in conjunction with the Performance Standards pack, which can be downloaded from the Department's website:

<http://www.dwp.gov.uk/housingbenefit/publications/perf-stands/index.asp>

1.6 We are grateful to Brentwood Borough Council for its help and cooperation throughout this inspection, the on-site phase of which took place during January and February 2006.

Background

1.7 The Benefit Fraud Investigation Team was part of Brentwood Borough Council's Internal Audit. The Senior Investigation Officer was responsible for the management of the Team comprising one Investigation Officer and an Investigation Administrative Officer (part-time). The Senior Investigation Officer reported to the Chief Assistant (Internal Audit) who reported to the Director of Finance.

Overall performance

1.8 Before this inspection, Brentwood Borough Council provided up-to-date information relating to the performance measures and enablers relevant to counter-fraud, including discrete elements of the Resource management theme.

1.9 For most of 2004 the Senior Investigation Officer was absent due to serious illness. The lack of effective management during this period meant that the quality of investigations deteriorated.

1.10 In March 2005 the council reorganised the Benefit Fraud Investigation Team, promoting the Investigation Officer to fill the Senior Investigation Officer position. In addition, a new Investigation Officer was employed in July 2005.

1.11 Since March 2005 the council had improved its approach to the detection, investigation and deterrence of fraud. This was achieved by:

- implementing a training programme to ensure all officers in the Benefit Fraud Investigation Team are Professionalism in Security trained
- providing guidance on completing and making referrals
- introducing periodic fraud awareness training
- inviting participants of its fraud awareness training to consolidate their knowledge by spending one day annually with the Benefit Fraud Investigation Team
- prioritising the risk assessment of referrals to ensure that investigations could commence quickly
- increasing the number of sanctions it undertook by successfully applying 13 sanctions between April and December 2005.

1.12 However, this approach can be further improved by:

- implementing an effective management checking regime to cover all aspects of investigation work in order to:
 - prevent delays and ensure consistency in investigative work
 - confirm all relevant lines of enquiry are explored
 - identify any breaches of the council's Investigation Officers' Code of Conduct
 - provide assurance that counter-fraud activity meets all legislative requirements
 - identify areas where qualitative improvements can be made or further training is required
- fully utilising its fraud management system to develop and monitor performance indicators to measure key elements of performance
- ensuring that case files contain a comprehensive record of all activities in accordance with the requirements of the Criminal Procedure and Investigations Act 1996 and its Code of Practice
- independently reviewing sanction cases to ensure consistency and fairness.

Summary of recommendations

1.13 The following tables list the recommendations we have made in this report in priority order.

Recommendations		
High priority		
We recommend that Brentwood Borough Council:		Paragraph
1	• performs regular management checks and key stage reviews to gain assurance that investigations are carried out to a high standard.	2.31
2	• complies with the Criminal Procedure and Investigations Act 1996 and its Code of Practice by keeping complete records of the activities that take place in all investigations.	2.34
3	• ensures that interviews under caution are carried out in accordance with the Police and Criminal Evidence Act 1984 and its Codes of Practice.	2.38
4	• monitors the use of authorised officers' powers to ensure compliance with the law.	2.42
Medium priority		
We recommend that Brentwood Borough Council:		Paragraph
1	• utilises existing intelligence held on its fraud management system to identify possible improvements to the risk assessment of fraud referrals.	2.19
2	• monitors the fraud partnership agreement with the Department's Counter-Fraud Investigation Service and ensures relevant investigation activity is notified.	2.45
3	• amends its Prosecution Policy to clarify the actions to be taken before applying cautions or prosecutions.	2.55
4	• carries out an independent review on every case before applying a sanction.	2.56
5	• checks the Police National Computer for records of previous convictions in cases where it intends to offer an administrative penalty or caution.	2.57
Low priority		
We recommend that Brentwood Borough Council:		Paragraph
1	• gives written feedback to all staff who make referrals to encourage further quality referrals.	2.14

BFI findings

Security

2.1 It is important that councils have effective measures and processes to prevent, deter and detect fraud. Sufficient resources must also be employed to investigate suspected fraud thoroughly and professionally, and appropriate sanctions should be applied.

2.2 The council met 9 of the 18 enablers relevant to Security.

Counter-fraud activities

2.3 This section reports on Brentwood Borough Council's efforts to detect and deal with fraud.

2.4 The council employed a Senior Investigation Officer and an Investigation Administrative Officer who were both accredited in Professionalism in Security. In addition, an Investigation Officer, who was recruited in July 2005, was being similarly trained at the time of our inspection. The training was due to be completed in March 2006.

Performance measures

2.5 Figure 2.1 shows the council's reported performance for 2003/04 and 2004/05.

Fig. 2.1: Performance measures – counter-fraud activities

Performance measure	Description	Performance	
		2003/04	2004/05
13	Number of fraud referrals per 1,000 caseload	56.27	87.47
14	Number of fraud investigators employed per 1,000 caseload	0.42	0.39
15	Number of fraud investigations per 1,000 caseload	42.62	67.35

Source: Brentwood Borough Council

2.6 Figure 2.1 shows that the number of referrals and investigations per 1,000 caseload increased from 2003/04 to 2004/05. The council told us this was due to:

- the Department's Housing Benefit Matching Service providing increased numbers of data matches on a monthly basis which could be investigated relatively quickly

- increasing numbers of referrals from Revenues and Benefits staff following the introduction of an annual fraud awareness training programme.

Enablers

Fraud referrals

2.7 Brentwood Borough Council met enabler E21 but not enabler E20.

2.8 The council provided fraud awareness training to all Revenues and Benefits staff responsible for processing Housing Benefit (HB) and Council Tax Benefit (CTB) claims. This training was given to new staff as part of their induction and annually to existing staff. In January 2006 this training was delivered to 24 officers, comprising:

- 12 HB assessors
- 8 Customer Services officers
- 4 Council Tax officers.

2.9 The fraud awareness training included information about the:

- aims and objectives of the Benefit Fraud Investigation Team
- types of benefit fraud
- methods of investigation
- legislation used to sanction offenders
- information staff should provide on fraud referral forms.

2.10 We examined 6 of the 24 training evaluation questionnaires from staff that attended this training. The training was rated as excellent by 50% of staff in our sample, the rest rated it as good. All trainees felt the training improved their knowledge of fraud issues and would help them better identify potentially fraudulent claims.

Revenues and Benefits staff were encouraged to spend a day each year with the Benefit Fraud Investigation Team.

2.11 Revenues and Benefits staff were encouraged to spend a day each year with the Benefit Fraud Investigation Team. We considered this to be good practice as it gave staff the opportunity to consolidate what they learnt in their fraud awareness training and improved working relationships.

2.12 Written guidance was provided to Revenues and Benefits staff on how to complete the fraud referral form. This ensured that fraud referrals included all the necessary information and could be consistently risk assessed and scored by the Benefit Fraud Investigation Team.

2.13 At the time of our inspection the council did not provide fraud awareness training for staff outside Revenues and Benefits. For example, staff involved in areas that could identify potential frauds, such as Housing, did not receive fraud awareness training. However, we were told that a rolling programme of training for all relevant staff was planned for July 2006.

2.14 Although the council told us that it provided written feedback to staff following referrals, we found no evidence of this in the investigations in our sample. **(Low priority recommendation 1)**

2.15 The council had a free and confidential fraud hotline for members of the public to report suspected fraud. This hotline was staffed during office hours and an answerphone service was available outside working hours. The telephone number was widely publicised on the council's website, in council offices, libraries and on annual Council Tax bills. The council's quarterly magazine *Vision*, delivered to all residents, included articles on the work of the Benefit Fraud Investigation Team to raise public awareness of benefit fraud and encourage referrals. The council also subscribed to the National Benefit Fraud Hotline.

2.16 At the time of our inspection, the Senior Investigation Officer had not received training to extract data from the fraud management system on the source of fraud referrals. This meant that the council was unable to establish how many referrals were received from the hotlines. This training was booked to take place in April 2006.

Risk profiling referrals

2.17 Brentwood Borough Council met enabler E23 but not enabler E22.

2.18 A risk-assessment matrix was used to score referrals and identify, and target high-risk cases. Cases that did not attain a sufficient score were not investigated.

2.19 The results of previous investigations were held on the fraud management system but not used to refine the matrix or the sifting process. By failing to make use of existing intelligence in this way, the council could not be sure that it was accurately prioritising its investigations and making best use of limited investigative resources. **(Medium priority recommendation 1)**

2.20 The council gathered intelligence from a range of sources. The National Anti-Fraud Network was used to process requests to financial institutions for details of customers' bank accounts when information was not obtainable from, or refused by, the customer. In addition, the Department's Operational Intelligence Unit was used to process requests for information from Her Majesty's Revenue and Customs.

Action on referrals

2.21 Brentwood Borough Council met enablers E24 and E25.

2.22 The council recorded all referrals on its fraud management system. Once a referral was accepted for investigation, the fraud management system was used to record the name of the Investigation Officer responsible and provide an audit trail of the investigation history.

2.23 Our sample of 31 fraud investigations included 17 referrals from the Housing Benefit Matching Service. The remaining 14 referrals took an average of 13 working days to score and sift against the Performance Standards requirement of 10 days.

...we reviewed all 10 referrals received in January 2006, excluding Housing Benefit Matching Service cases, and confirmed greatly improved performance with referrals scored and sifted in an average of 2 days.

2.24 The Senior Investigation Officer reported that the time taken to sift referrals had improved since this work had been prioritised in August 2005. To verify this, we reviewed all 10 referrals received in January 2006, excluding Housing Benefit Matching Service cases, and confirmed greatly improved performance with referrals scored and sifted in an average of 2 days.

2.25 The council acknowledged that the investigation caseload was too large. In March 2005 there were in excess of 100 ongoing investigations, making monitoring and management of individual cases impractical. At the time of our inspection this caseload had reduced to 60. The Senior Investigation Officer aimed to reduce this to a maximum of 45 by August 2006.

2.26 Progress on investigations was not routinely monitored because the council was unable to run the necessary reports from the fraud management system. In practice, progress could only be monitored by time consuming clerical reviews. This was because training on the fraud management system reporting tools had not been provided. The council told us that this training would be given to the Senior Investigation Officer in April 2006.

2.27 In 50% of cases in our sample, the council did not start investigations within 10 working days of the case being sifted. However, the Senior Investigation Officer reported that performance in this area had improved since a new Investigation Officer was employed in July 2005. We verified this improvement by reviewing all 10 referrals received in January 2006 and found that following the sifting process, investigations had started in an average of 3 working days.

Fraud investigators' code of conduct

2.28 Brentwood Borough Council met enabler E28 but not enablers E26, E27 and E29.

2.29 The Investigation Officers' Code of Conduct provided staff with a comprehensive set of standards, applicable in all dealings with the public and council colleagues. The code of conduct described standards relating to:

- how staff should conduct themselves during the course of their work
- performing duties in accordance with legislation
- declarations of interest
- disclosure of information
- health and safety issues.

2.30 The Benefit Fraud Investigation Team had access to the Department's guides and circulars, including the *Fraud Procedures and Instructions Manual*. The council had also developed local procedures relating to:

- use of authorised officers' powers
- document authentication
- obtaining information
- proactive fraud drives
- prosecution file preparation
- surveillance
- press and publicity.

The work of the Benefit Fraud Investigation Team was not subject to regular management checks or key stage reviews.

2.31 The work of the Benefit Fraud Investigation Team was not subject to regular management checks or key stage reviews. **(High priority recommendation 1)**. This meant the council did not have assurance that investigations met legislative requirements or that staff complied with local procedures. Our sampling identified a number of cases where the council had failed to follow good investigative practice. These included:

- delays in carrying out investigation activities
- a lack of consistency and completeness in case file documentation
- failure to undertake all appropriate lines of enquiry.

2.32 Investigators should record information about their work in line with guidance set out in the Criminal Procedure and Investigations Act 1996 and its Code of Practice. The Department's *Fraud Procedures and Instructions Manual* also provides guidance on how fraud files should be constructed, the retention of evidence and recording of investigative activities. Although not compulsory, this guidance is recommended for use by councils.

2.33 The council maintained a separate fraud file for each investigation. Access to investigation documents and the fraud management system was controlled and restricted to appropriate staff. Files were securely stored in an office with restricted access and there was a clear desk policy.

2.34 The council used a combination of paper files, an electronic document management system and the fraud management system to record investigative actions. In 15 cases (48%) in our sample we found that records kept on the investigation files fell below the standard required by the Criminal Procedure and Investigations Act 1996 and its Code of Practice. However, all 6 sanctions cases in our sample complied with legislation.

(High priority recommendation 2)

2.35 Staff kept a contemporaneous account of their day-to-day investigative work in pocket notebooks that were held securely. All notebook entries were made in accordance with the requirements of the Criminal Procedure and Investigations Act 1996 and its Code of Practice, and the Police and Criminal Evidence Act 1984 and its Codes of Practice.

2.36 Where there are reasonable grounds to suspect an offence has occurred and the investigating officer interviews under caution, these interviews should follow the requirements of the Police and Criminal Evidence Act 1984 and its Codes of Practice.

2.37 Interviews under caution were used by the Benefit Fraud Investigation Team to obtain evidence and put allegations of offences to interviewees in 11 of the 31 cases sampled (35%). We found that staff had correctly:

- provided potential interviewees with advance written notifications
- ensured interviews followed a logical structure
- provided explanations of interviewees' rights, including access to a written copy of the Police and Criminal Evidence Act 1984 and its Codes of Practice
- explained interviewer, interviewee and third party roles and responsibilities.

2.38 However, in 2 of the 11 cases (18%) where interviews under caution had been used, the officer carrying out the interview failed to comply fully with the requirements of the Police and Criminal Evidence Act 1984 and its Codes of Practice. In one case, an interviewee stated he had limited understanding of the English language but the interviewing officer failed to suspend the interview until an interpreter could attend. In the other case, the interviewing officer inappropriately told the interviewee what the likely outcome of the case would be. These breaches did not undermine potential sanctions as neither of these cases met the council's sanction criteria. **(High priority recommendation 3)**

The local authority fraud policy

2.39 Brentwood Borough Council met enablers E30, E32 and E34 but not enablers E31 and E33.

2.40 The council's Anti-Fraud and Corruption Policy, approved by Members in October 2005, was underpinned by a range of up-to-date corporate policies and procedures, including:

- Financial Regulations
- Employees' Conditions of Service
- Prosecution Policy
- codes of conduct for:
 - employees
 - Members
 - Benefit Fraud Investigation Team staff.

2.41 The 2005/06 Internal Audit Service Plan comprehensively covered the work of the Benefit Fraud Investigation Team. The service plan set targets and defined how progress would be monitored. Targets were reviewed annually to ensure they were stretching yet achievable.

2.42 The council followed the Department's guidance when appointing its Senior Investigation Officer as an authorised officer. Written procedures set out when and how authorised officers' powers should be used. Although records were kept detailing the use of authorised officers' powers, no formal monitoring took place. **(High priority recommendation 4)**

2.43 There were 4 cases in our sample that involved the use of authorised officers' powers. In all these cases the powers were used correctly.

2.44 The council operated the Do Not Redirect scheme in accordance with legislation and procedural guidance issued by the Department.

2.45 The council had a fraud partnership agreement with the Department's Counter-Fraud Investigation Service, however, there had been no formal meetings in 2005/06. The agreement was not monitored by either party to ensure compliance and notifications of investigations were not routinely issued to prevent duplication of work. **(Medium priority recommendation 2)**

2.46 Despite this, we found evidence of frequent joint working and joint training events. From April 2005 to February 2006 the council had worked with the Counter-Fraud Investigation Service on 16 cases.

2.47 The council ensured requests for information from Her Majesty's Revenue and Customs were correctly made through the Operational Intelligence Unit. Requests were recorded along with the dates responses were received from the unit.

Sanctions

2.48 This section reports on the arrangements for sanctioning benefit fraudsters.

Performance measures

2.49 Figure 2.2 shows the council's reported performance from April 2003 to December 2005.

Fig. 2.2: Performance measures – sanctions				
Performance measure	Description	Performance		
		2003/04	2004/05	April to December 2005
16	Number of successful sanctions per 1,000 caseload	3.3	1.9	3.4

Source: Brentwood Borough Council

2.50 In 2004/05 the council set a target of 3.6 successful sanctions per 1,000 caseload. The council did not achieve this target due to severe staffing problems.

2.51 From April to December 2005, the council completed 7 cautions and 6 successful prosecutions. At the time of our inspection, the council had a further 11 prosecutions and 2 administrative penalties which were due to be applied by March 2006.

2.52 The resolution of staffing and training issues during 2005/06 led to a significant improvement in performance. At the time of our inspection we estimated that the council would exceed its 2005/06 target of 4 successful sanctions per 1,000 caseload.

Enablers

A balanced sanctions policy

2.53 Brentwood Borough Council met enabler E37 but not enablers E35 and E36.

2.54 The council revised its Prosecution Policy in December 2005 to incorporate the Department's new financial guidance for sanctions cases. This was due to be approved by Members in April 2006. In accordance with this policy, the council considered each sanction on its merits and fraudsters were only prosecuted when the case met evidential requirements and it was in the public interest.

2.55 The Prosecution Policy explained when sanctions against fraudsters should be considered. Although the policy correctly stated that there must be an admission of an offence before a caution could be issued, it failed to specify that intent to commit fraud should also be established at the interview under caution. In addition, the guidance incorrectly stated that a prosecution should only be considered if the customer had been interviewed under caution.
(Medium priority recommendation 3)

2.56 In one of the 6 cases (17%) in our sample where a sanction had been applied, the council applied a different sanction to that recommended in its Prosecution Policy. We were unable to validate this decision because the council did not carry out independent reviews of cases before applying a sanction.
(Medium priority recommendation 4)

2.57 The council correctly notified the Department of all sanctions it applied but did not carry out Police National Computer checks when an administrative penalty or caution was being considered.
(Medium priority recommendation 5).

2.58 We were told that if a caution or administrative penalty was refused the case would be referred for prosecution. We saw examples where cautions and administrative penalties had been refused and had then been successfully prosecuted.

Resource management

3.1 Benefit administration, including counter-fraud activity, has to be set within the broader context of a local authority's overall strategies and responsibilities. Members, managers and staff should therefore have a clear sense of direction, purpose and focus for their work. Members and senior officers should also have assurance that HB and CTB administration is effective and secure.

3.2 The council met 8 of the 9 relevant enablers for Resource management.

Enablers

Managing the Benefit Fraud Investigation Team

3.3 Brentwood Borough Council met enablers E50 and E51.

3.4 Targets for the Benefit Fraud Investigation Team were included in the:

- Corporate Performance Plan
- 2005/06 Revenues and Benefits Service Plan
- 2005/06 Internal Audit Service Plan.

3.5 Figure 3.1 shows the targets set for the Benefit Fraud Investigation Team from 2004/05 to 2006/07.

Fig. 3.1: Performance targets 2004/05 to 2006/07				
Performance measure	Description	Targets		
		2004/05	2005/06	2006/07
13	Number of fraud referrals per 1,000 caseload	None set	None set	None set
14	Number of fraud investigators per 1,000 caseload	0.44	0.5	0.5
15	Number of fraud investigations per 1,000 caseload	44	80	85
16	Number of successful sanctions per 1,000 caseload	3.6	4	5

Source: Brentwood Borough Council

3.6 Although the council had not set a target for the number of fraud referrals, it planned to baseline its performance during 2005/06 and use this information to set targets for subsequent years.

IT systems

3.16 Brentwood Borough Council met enabler E60 but not enabler E59.

3.17 The Benefit Fraud Investigation Team's fraud management system was used to record progress on investigations. This system produced the standard performance data required by the Department and was capable of producing customised management reports. However, at the time of our inspection, the Senior Investigation Officer had not completed the necessary training to enable her to write bespoke reports. This meant there was a lack of management information to monitor outstanding work or identify specific cases. Training for the Senior Investigation Officer, booked for April 2006, would address this problem.

3.18 The council managed and monitored the contract arrangements with the provider of the fraud management system to ensure compliance with agreed and documented performance standards.

Assurance

3.19 Large numbers of HB and CTB payments pass through a council's accounting and payment system. It is therefore essential that there are rigorous internal control mechanisms to provide assurance that the benefit system is secure.

Secure administration

3.20 Brentwood Borough Council met enablers E64 and E65.

3.21 The council operated a comprehensive risk-based internal audit programme to examine and provide assurance on corporate functions and individual service operations.

3.22 Internal Audit plans included an allocation of resources to complete an annual review of all the council's financial systems including Revenues and Benefits. The council shared an audit resource with a neighbouring council to provide specialist IT audit work. This covered the functionality and security of the council's IT systems, including the fraud management system.

3.23 The Benefit Fraud Investigation Team was not audited annually as it did not attract a sufficiently high score on the council's risk assessment. The last audit was in 2003/04 with a further audit planned for 2006/07.

3.24 The council recorded all Internal Audit recommendations on a database. A summary of outstanding recommendations was reported to the Director of Finance monthly. Members and senior officers were notified of all outstanding recommendations quarterly. In addition, all Internal and External Audit recommendations were checked on subsequent audits to confirm that relevant action had been taken. There were no outstanding Internal Audit recommendations relevant to the council's counter-fraud operation.

