

# Appendix 1

## Steering Group Members

Albert Tait	Depute Chief Executive Convention of Scottish Local Authorities
Bernie Keay	Deputy Head Benefits Agency (Security Branch)
Chris Duffield	Chief Executive and Director of Finance London Borough of Bexley
David Gray	Head of Benefits Bradford City Council
Diana Bruno-Gaston	Head of Revenue Services London Borough of Waltham Forest
George Mackle	Inspector Benefit Fraud Inspectorate
Jim Wilkinson	Chief Auditor Birmingham City Council
John McVitie	Independent consultant on fraud prevention Former APACS adviser on plastic card fraud
Joseph De Feo	Non-executive Director DSS Board of Directors
Keith Luck	Director of Finance London Borough of Lewisham
Michael Levi	Professor of Criminology University of Cardiff
Peter Leeming	Director of Finance London Borough of Croydon
Peter Linnett	Area Director Benefits Agency (Mercia Area)
Roy Sainsbury	Senior Research Fellow Social Policy Research Unit University of York

NB - the job titles shown are those held by members when first invited to join the Steering Group

## Appendix 2

### Organisations/individuals interviewed during the review

Area Director AD5	Birmingham
Area Director AD6	Birmingham
Audit Commission	London
BA Chief Executive	Leeds
BA Director of Field Operations North	Falkirk
BA Director of Field Operations South	London
BA Security Branch Active Case Management Group	Leeds
BA Security Branch Deputy Head	Leeds
BA Security Branch Head	Leeds
BA Security Branch Head of Implementation	Leeds
BA Security Branch Probity & Transformation Service	Leeds
BA Security Branch Security Research Group	Leeds
BA Security fraud hotline	Preston
BASIS	Birmingham
BASIS	Bracknell
BASIS	Canons Park
BASIS	Cardiff
BASIS	Glasgow
BASIS	Hinchley Wood
BASIS	Liverpool
BASIS	Manchester
BASIS	Newcastle
BASIS	Nottingham
BASIS FIU	Canons Park
BASIS IFRU	Newcastle
BASIS IOP Validation Team	Canons Park
BASIS Manager	Birmingham
BASIS NIU	Manchester
BASIS NIU	Newcastle
Benefit Investigation Service	Northern Ireland
BFI Chief Executive and others	Harrogate
BFIS Area Fraud Manager	Manchester
BFIS CLOUT Team	Glasgow
BFIS Fraud Area Manager	Bristol
BFIS Fraud Area Manager	Leicester
BFIS Fraud Area Manager	Wrexham
BFIS investigators/managers	Birmingham
BFIS investigators/managers	Birmingham
BFIS investigators/managers	Bradford
BFIS investigators/managers	Bristol
BFIS investigators/managers	Cardiff
BFIS investigators/managers	Leeds
BFIS investigators/managers	Leicester
BFIS investigators/managers	Newcastle
BFIS investigators/managers	Swansea
BFIS investigators/managers	Telford
Central Support Unit Scotland (CSUS)	Edinburgh
CGU Insurance	Dundee
CIFAS	London
CIPFA	London
Customs and Excise, Deputy Head of Intelligence	London
Customs and Excise, Head of Investigation Service	London
Fraud Squad	Northumbria

Fraud Squad	Strathclyde
Fraud Squad	West Mercia
Inland Revenue	Newcastle
Inland Revenue NIU	Newcastle
ITSA	Lytham St Annes
LA Finance Director and others	Birmingham
LA Finance Director and others	Lewisham
LA Head of Revenue Services	Waltham Forest
LA investigators/managers	Aylesbury
LA investigators/managers	Blackpool
LA investigators/managers	Cardiff
LA investigators/managers	Cheltenham
LA investigators/managers	East Lanarkshire
LA investigators/managers	Edinburgh
LA investigators/managers	Glasgow
LA investigators/managers	Lewisham
LA investigators/managers	Liverpool
LA investigators/managers	Shrewsbury
LA investigators/managers	South Lanarkshire
Local Government Association	London
London Team Against Fraud (LTAF)	London
Metropolitan CID officers	London
MIDAS	Lytham St Annes
National Anti Fraud Network Chairman	Tameside
National Audit Office	London
NCIS	London
NHS Counter Fraud Service	London
Post Office Counters	London
Post Office Investigators	Manchester
Professionalism in Security (PINS)	Birmingham
Security Service	London
Social Security Agency Chief Executive	Northern Ireland
Sol B solicitors	Cardiff
Sol B solicitors	Liverpool
Sol B solicitors	London
Southern Region Cheque Squad	Welwyn Garden City

## Appendix 3

### AN OVERVIEW OF THE RESEARCH

During the course of the review the review team interviewed a large number of people and organisations. A full list can be found at Appendix 2. We also carried out a postal survey of 158 local authorities and held two seminars for local authority representatives - one in London under the auspices of the LGA and the other organised by COSLA in Edinburgh.

The rest of this section gives a brief synopsis of the research that has been carried out.

### Organised and non-organised benefit fraud

It became clear at a very early stage in the review that the concept of “organised” and non organised” fraud (there is no precise antonym) was at best nebulous. The organisation devoted to organised fraud within the BA is the Benefits Agency Security Investigation Service (BASIS). They have their own definition of organised fraud. This does not tally exactly with that given to us as part of the terms of reference of the review, which can be found at Chapter 1. The other investigation service within the BA - the Benefit Fraud Investigation Service (BFIS) in England and Wales, the Benefit Investigation Service (BIS) in Scotland - deals with cases such as collusive employers which could fairly be said to amount to *organised* fraud. Local authorities have their own ideas as to what constitutes organised fraud, having had no real need to define it or to reach a consensus as to what it should cover.

### Nature of organised benefit fraud

Organised benefit fraud as pursued by BASIS is mainly concerned with Multiple Identity (MI) fraud and Instrument of Payment (IOP) fraud. The former involves setting up false identities to make multiple claims for benefit, the latter the forging or manipulation of Girocheques and order books. Other forms of fraud which might reasonably be described as organised include employer/employee and landlord/tenant collusion to obtain benefits fraudulently. These may be compared with non organised or opportunist fraud, typically involving one person working whilst fraudulently claiming benefits or not declaring the presence of a working partner.

Those individuals who have been detected as committing organised fraud are predominantly male and aged between 21 and 45 years of age. There is a wide variation in professionalism of what could be classed as organised fraud. It can range from sophisticated IOP counterfeiting to collusion between those involved in a family business about the non-declaration of a relative's earnings. BASIS spend a considerable proportion of their time (one investigator quoted 40%) investigating the theft of IOPs within the postal system.

### Extent of organised benefit fraud

The extent of organised fraud is more difficult to ascertain. As one investigator put it, “the more you dig, the more you discover.” The relatively short timescale of this review precluded us from attempting to carry out our own research in this area. We present here the official figures produced by the DSS from the system of Area Benefit Reviews (ABR)

The latest figures seen by the review team show fraud to be present in 5.4% of IS claims, at an annual loss of £504m. The proportion was higher for JSA(IB) at 8.9% of claims, at an annual loss of £258m. If cases where there is a “high suspicion” of fraud, in ABR terminology, are included, then the headline figure increases to **£1,071m for IS** and **£456m for JSA(IB)**. The annual expenditure on Income Support in 1997/98 was £12,046m and for JSA(IB) £3,359m.

Fraud in **Housing Benefit** is shown by ABR to be present in 1.9% of cases at an annual loss of £180m. If cases where there is a strong suspicion of fraud are included the figures increase to 5.9% and **£610m** respectively. The total amount of Housing Benefit expenditure in 1997/98 was £11,563m.

The extent of **multiple identity fraud** against the BA has been estimated at between £17m and **£154m** per annum. These figures derive from the ABR, with the lower figure representing confirmed identity fraud and the higher figure including instances of non-residency. **IOP fraud** involving order books alone is estimated to cost the BA around **£50m** per annum.

The extent of organised fraud within local government is still more difficult to determine. However, it should be noted that “**non residency**” **HB fraud** accounted for one third (**£60m**) of the £180m referred to earlier.

Crime statistics produced by the Home Office show that fraud and forgery offences recorded by the police **increased** by **28%** in the year ending March 1999. This occurred against a background of falling crime overall - the **total level of offences** reported to the police **fell** by **1%** over the same period.

## **Who investigates organised benefit fraud?**

### *Benefits Agency Security Investigation Service (BASIS)*

BASIS was officially formed in April 1998 but has its origins in the original DSS Multiple Claims Teams and Organised Fraud Teams of the mid 1970s/1980s. Its inception can be traced back to the theft of several million pounds worth of DSS order books in 1976 in London. It became apparent then that there was no internal governmental organisation equipped to investigate such losses. As a result, a small team was formed who dealt with policy matters and advised organisations such as the police on matters relating to criminal activity within the social security benefit system. The original investigators were based in London but could deploy nationally if required. Regional teams were also formed to help in countering MI fraud.

Following the BA being granted agency status and several reviews of organised benefit fraud, it was recommended that the various teams working independently should amalgamate to form one national organisation (BASIS). It was also recommended that one unit should concentrate on “sector fraud” i.e. the non organised form of benefit fraud, and that this organisation (BFIS/BIS) should be controlled by the newly formed Area Directorates.

The agreed BASIS establishment for 1999/00 is 388 personnel, of whom around 50% are investigators. It is organised into 14 operational teams, based in former regional fraud office areas. There are 6 teams based in London and further teams in major conurbations. There are also 5 sub

units who combine to form the National Intelligence Unit (NIU), discussed later. Each investigation team is established for 12 investigators, although few teams ever reach their full complement.

The skills possessed by BASIS investigators are much in demand by other public sector organisations such as the Inland Revenue and local authorities. A recent recruitment drive by the newly formed NHS Investigation Service attracted 20 investigators - some 7% of complement - away from BASIS.

### *BFIS/BIS*

BFIS, or BIS in Scotland, are charged with the investigation of sector fraud, as opposed to organised fraud. Its total strength is approximately 5000, of whom around two thirds are investigators. They are arranged in sectors within each of the 13 BA Area Directorates. These sectors may or may not coincide with the boundaries of the districts within the Area Directorates. Typically, there are between seven and 13 sectors within an Area Directorate, each managed by an HEO. Overall management within the Area Directorates is provided by a Fraud Area Manager at SEO level.

BFIS investigators normally investigate less serious benefit fraud, ranging from individuals 'doing the double' to joint working with LAs against collusive landlords (which really constitutes organised fraud). The investigative expertise within BFIS varies, with the more experienced and more professional investigators being allocated the more demanding investigations.

Although the investigation of organised fraud is not within BFIS's remit, it nevertheless is carried out in locations where the fraud managers and investigators have a background and history of more complicated fraud investigations. In a number of cases, some BFIS teams would not refer organised fraud cases to BASIS as they (BFIS) believe that they are equipped and experienced enough to conduct such investigations. Where BFIS teams were observed conducting organised fraud investigations, they were found to be both professional and successful.

### *Local Authorities*

It is not possible to give a complete picture of the counter fraud activity within the 400 and more local authorities within Great Britain. Local authorities (LAs) differed substantially in the standards of personnel and the policies that they pursued. Staffing levels and the degree of professionalism in investigative work varied considerably. The recent focus on fraud has encouraged some LAs to carry out highly professional investigations against more professional fraudsters. However, the effect of the Weekly Benefit Savings Scheme (WBS) is to discourage such investigations as they are time-consuming and do not produce the WBS results by which local authorities are judged and from which they derive their funding.

It also has little effect as an incentive to prevent, rather than detect, fraud. Some interviewees made it clear that the fear of financial penalties for poor WBS performance had in fact resulted in targets being exceeded, leading to increased staffing levels.

Most LAs have an explicit or implicit prosecution policy but relatively few prosecutions are mounted: another reason for investigators not becoming involved with organised fraud. Most LAs were involved with some form of joint working with BFIS and some were keen for exchanges of personnel to take place. Almost all the respondents to our survey (97%) said that there should be more joint working with BA investigators. Appendix 4 gives some examples of successful joint working initiatives.

LA investigations tended to concentrate on HB fraud, although some were involved in the fraudulent

claims of educational funding. Most LAs had specialist investigation teams responsible for 'internal corruption' but were loath to discuss these types of investigations. LAs were found to be better equipped than BFIS in relation to IT support, and comparison of salaries and benefits between LA and BA personnel indicated that the LA staff were paid higher salaries for doing the same sort of job.

## **Intelligence**

Intelligence work is carried out within BASIS by the National Intelligence Unit (NIU). This consists of five units located in Manchester, Newcastle and London (3). The NIU's remit is to analyse data related to organised and serious fraud, and to use those data to assist in the detection and prevention of organised/serious benefit fraud.

It has two analysis teams who produce intelligence files for specific organised fraud operations. It also contains discrete units for dealing with IOP fraud, MI fraud and the tracing and recovery of criminal's assets - the latter recovered some £1m in the last financial year. The NIU will also produce detailed intelligence reports relating to specific modus operandi, as well as producing the analysis of all BASIS/BFIS loopholes.

There is a considerable amount of varied and imaginative work being done by the NIU. The NIU's policy is to advertise its services, and it takes the view that to attack fraudsters and reduce fraudulent attempts, it has to go beyond benefit fraud. It can provide a strategic resource that will analyse information relating to any fraud for any government agency.

BFIS do not have a local intelligence network or dedicated intelligence support staff as they tend to rely upon local knowledge. The main source of information and collation that is managed by BFIS is the Fraud Information by Sector (FIBS) system. This is a stand-alone system for investigators, which does not have the capacity to share information. Information about fraud is recorded on it, but this can then only be accessed at a local level.

There are several units in BA that are outside the investigation field but which are involved in intelligence work. Namely MIDAS (Matching Intelligence and Data Analysis Services), SRG (Security Research Group) and ACMG (Active Case Management Group).

Without describing their work in detail, they are all involved in the gathering and analysis of data in order to reduce the level of fraud and incorrectness in the system. Advanced computer software is used, particularly in the case of MIDAS, to analyse data, spot trends and identify high areas of risk or even single cases that have a high risk of fraud. They all come under the umbrella of BA Security, although only comparatively recently in the case of ACMG.

The research carried out into individual local authorities did not reveal any organised effort to gather and analyse information about fraud and incorrectness. There were instances of authorities learning from their experiences - for example by changing their application forms to include a declaration from the landlord - but this was occurring on an ad hoc basis, rather than through any structured system. More importantly, perhaps, there appears to be no formal system via which such good practice can be shared amongst local government in general.

Investigative intelligence is quite likely to stay within the boundary of a local authority - there is no universal structure allowing for the exchange of this sort of intelligence between authorities. Having said that, there are a number of voluntary structures which do exist to share information and good practice amongst local authorities. These tend to centre around London - for example LTAF (London Team against Fraud), and LBFIG (London Boroughs Fraud Investigators Group). However, there are organisations which extend further, notably LAIOG (Local Authority Investigating Officers Group) and NAFN (National Anti Fraud Network).

NAFN promotes the gathering and exchange of information about fraud and fraudsters amongst local authorities. It is regrettably handicapped by the fact that less than half of the 400 or so authorities across the UK have joined the network.

### **The prosecution process**

During 1998, BASIS investigations into organised fraud led to the prosecution of about 650 persons. However, since BFIS takes on very many cases that are organised fraud by our definition, this number is only a baseline. Some 300 collusive employers are prosecuted annually following BFIS investigations. In the year to March 1999 12,300 cases were referred by BFIS to Sol B (the DSS solicitors) of which almost one in five (2,390) were rejected. Our survey showed that one in five local authorities had not mounted any prosecutions in the previous 12 months. The majority (49%) had mounted between one and five.

Since April 1999, there have been 1,516 formal cautions and 1,617 administrative penalties (as at 15 September 1999) We were unable to ascertain how many of these related to organised fraud cases.

An experiment to increase the rate of Housing Benefit fraud prosecutions by paying for them centrally has resulted in only about 50 cases in 143 LA areas. A parallel project in Scotland involves the recent secondment of two LA staff to the Central Support Unit Scotland (CSUS). It is too early to say if the use of LA secondees by CSUS will result in a greater number of HB cases being taken to court, but the sharing of knowledge and experience can only be empowering.

A Metropolitan police officer has been seconded to the FIU to help BASIS and BFIS recover assets after a successful prosecution. The unit is well-functioning, motivated and productive, working harmoniously with BA staff from both BASIS and BFIS. The Unit obtained £955,000 in confiscation orders in the past year, from which they actually recovered £900,000.

### **Professionalism**

The level of professionalism within BASIS is impressive, but the position within BFIS and the LAs is considerably more uneven: unsurprisingly perhaps, given the "quick hit" culture that WBS encouraged. Some BFIS and LA investigators are carrying out extremely professional investigations and are using imagination and initiative in seeking out new ways of countering fraud. Others have become used to WBS being the sole goal of counter fraud work and are reluctant to stray from the route that leads to a quick discontinuation of the fraud (the "knock off" as it is succinctly described by investigators).

The introduction of Professionalism in Security (PINS) should enhance the degree of technical expertise and competence within the BA and LAs. The current commitment to have all BA investigators accredited to PINS standard by March 2001 is laudable, as is the proposal to have 1500 LA investigators similarly accredited by the same date.

## Appendix 4

### Examples of Joint Working

We have come across numerous examples of successful joint working between BA and local government. One such is Operation Rigsby in Newcastle upon Tyne.

Op Rigsby is a local police driven operation against collusive landlords in the west of the city which to date has saved £2,268,109 and has resulted in several convictions. Op Rigsby was set up in 1995 to investigate 26 unscrupulous landlords who were involved in a variety of crimes including OBF. To date the Rigsby team have identified numerous other collusive landlords as well as identifying other benefit fraud and a high level of HB overpayments. The Rigsby team consists of the local police, two LA investigators and two members of BFIS.

In Glasgow, too, a local BA/LA initiative targeting collusive landlords has been successful:

CLOUT (Collusive Landlords Operation Undercover Team) was formed in late 1998, and has been uncovering weekly HB fraud to the sum of £360,000. The CLOUT team currently consists of 3 BIS (the Scottish counterpart of BFIS) investigators with support from various LAs. In BASIS Scotland's case they are aware of the CLOUT operation but simply are overworked and cannot spare any manpower. In addition, the local Glasgow BIS teams are currently 'job shadowing' their BASIS counterparts and this has resulted in BIS investigators gaining extra OBF experience.

A joint team was set up in Blackpool following a BFI inspection:

A BFI inspection (the first to be carried out) was critical of the LA's efforts, particularly against landlord fraud. This led to the setting up of a joint LA/BA investigation team (LAMPS) in 1998 specifically to counter landlord fraud. It consists of one LA investigator and two BFIS investigators, based in the LA offices and with the LA providing administrative support. The team has had considerable success in terms of both prosecutions and publicity. They are now seeking to integrate work against HB/IS fraud with work involving other agencies, both inside and outside the LA.

A further initiative took place in Swansea:

The initiative resulted from the Area Fraud Manager realising that he had 43 members of staff and with Programme Protection wanted to give his investigators more interesting work. A chart of all agencies that they wanted to work with was drawn up, and individual Liaison Officers (LOs) were nominated. The organisations included local police (CID and Special Branch), Customs and Excise, Inland Revenue, various Home Office departments located in Wales, the Land Registry, Companies House, Trading Standards, the two LAs, Immigration Dept and the local prison. The LOs made contact, and eventually, case conferences were arranged where different agencies would declare their interest in various areas of criminal activity. The first joint working exercise involved Trading Standards and the local police at a pop concert, which resulted in several prosecutions. To date, joint working is a common occurrence, with the latest operation involving Immigration and Customs and Excise.

A joint working initiative in Leicester owed its existence to a TV programme:

The Fraud Manager in Leicester was watching TV several years ago and noticed that on one of the Cook Reports several agencies came together. The Trading Standards and the Inland Revenue helped Cook investigate:

*“Sweat Shops. Leicester is full of ‘Sweat Shops’, that’s what they do here so we thought why can’t we get people together to see if we can be supportive. Two years down the road, we have had some very successful joint operations ranging from ‘money laundering to family credit. There are bi-monthly case conference in which local agencies give briefings about forthcoming operations. The only problems we have is that different agencies have different standards of prosecution. As a result the investigators (BFIS) have been employed on a wider range of investigations than normal”.*