

AUDIT COMMITTEE

26 SEPTEMBER 2012

SINGLE FRAUD INVESTIGATION SERVICE (S-FIS)

Report from: Internal Audit

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Summary

This report provides an update to the Audit Committee on the Single Fraud Investigation Service.

1. Budget and Policy Framework

- 1.1 It is within the remit of the Audit Committee to review the Council's anti-fraud arrangements and anti-corruption measures.

2. Background

- 2.1 The coalition government's strategy for tackling welfare fraud and error, published in October 2010, set out a commitment to create the Single Fraud Investigation Service (S-FIS) to investigate benefit and tax credit fraud and, when commenced, Universal Credits. S-FIS would be part of the Department for Work and Pensions. Universal Credit will be introduced from April 2013, but claimants with existing relevant benefits will continue to receive those benefits until the full migration to Universal Credit is completed.
- 2.2 This commitment will be achieved by bringing together investigation staff from Local Authorities, Department for Work and Pensions, and Her Majesty's Revenues and Customs. The Council's response to the Consultation paper regarding how Local Authority investigation staff might be best included into S-FIS was presented to the Audit Committee in November 2011.
- 2.3 The option that was selected was for Local Authority staff to remain employed by Local Authorities, but operate under S-FIS DWP powers, policies, procedures, processes and priorities.
- 2.4 The latest update from the DWP was received in early August (**Appendix A**) and confirmed that the arrangements will be piloted in four Local Authorities. We have received informal feedback from one of the pilot sites, which indicates that the pilots are due to start officially in October 2012, but early indications are that there are significant issues still to be addressed, including

finding an IT solution. There is apparently no fixed end date for the pilots which therefore places an element of uncertainty over the start date of the S-FIS roll out.

- 2.5 The Corporate Anti-Fraud Team that currently investigate fraud for the Council will be impacted by this change. It is at present difficult to plan for this change as there is insufficient clarity over the SFIS arrangements, including the timetable of change and the flexibility of the arrangements with the DWP. In preparation for this change the resourcing requirements for investigating non-benefit fraud and delivering on the Authority's Fraud Resilience Strategy are being considered, and once the DWP arrangements are clarified then a proposal regarding resources will be presented to Audit Committee.

3. Risk Management, Financial and legal implications

- 3.1 There are no risk management, financial and legal implications arising from this report.

4. Recommendations

- 4.1 Members to note this update on the Single Fraud Investigation Service.

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Background papers

None

Single Fraud Investigation Service (SFIS) Update

Background

A joint DWP/HMRC Fraud and Error strategy was launched in October 2010 and refreshed in February 2012 in a joint report with HMRC and the Cabinet Office - *Tackling Fraud and Error in Government: A Report of the Fraud, Error and Debt Taskforce*. This set out the Government's plans to tackle fraud and error in the tax credit and benefit systems and reduce fraud and error overpayments in the welfare system by one quarter (£1.4 billion) by March 2015.

One area of the strategy proposed the launch of a Single Fraud Investigation Service (SFIS) covering the totality of welfare benefit fraud.

SFIS

- will operate under a single policy and one set of operational procedures for investigating all welfare benefit fraud.
- will conduct single investigations covering the totality of the welfare benefit fraud.
- aims to rationalise existing investigations and prosecution policies in order to create a more coherent investigation service that is joined up, efficient and operates in a more consistent and fair manner, taking into account the totality of offences that are committed.
- enhances closer working between DWP, HMRC and Local Authorities.
- will bring together the combined expertise of all 3 services drawing on the best practices of each.
- supports the fraud and error integrated strategy of preventing fraud and error getting into the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.

Whilst the overarching responsibility to design and implement SFIS is managed by the DWP, all other partners are key to its successful design and delivery.

The SFIS programme is working alongside the Mobile Regional Taskforce (MRT).

First steps

In November 2011 following consultation with Local Authority (LA) partners it was agreed that initially LA investigators would remain employed by their LA but operate under SFIS powers, policies, processes and priorities, SFIS will be a partnership of staff from DWP, LAs and HMRC rather than a singly owned entity.

Workshops then took place earlier this year, and in April the high level design for SFIS was published and comments welcomed.

The project also asked for LA volunteers to pilot the service and a number of expressions of interest were received.

Pilots

The Fraud and Error programme board has now agreed that piloting work should start with an initial 4 pilots. This is expected to be increased at a later stage once emerging findings are known. From the piloting activities the lower level design of SFIS will be drawn out.

The SFIS programme is working with the following LAs as well as other partners;

- Corby Borough Council
- Glasgow City Council
- London Borough of Hillingdon
- Wrexham Council

On 25/26 July the SFIS programme team met with representatives from the four Local Authorities, the corresponding DWP teams, HMRC and the Crown Prosecution Service. It is anticipated that representatives from the Crown Office in Scotland will be able to join in the future.

The group looked at the SFIS process followed by identifying activities that would need to be undertaken by either themselves or the programme to commence the pilots.

The pilots will test the design of SFIS (including new powers to conduct single investigations under the Welfare Reform Act) and identify any issues or changes which need to be considered for national roll out. Whilst it is intended to have one single policy and procedure by national roll out we will be using the pilot phase to test and measure some alternatives and then select the most effective. The pilots will also test the two organisational design models outlined in the High level Design paper to consider the advantages and disadvantages of each.

SFIS pilots are intended to drive out some of the lower level requirements for our future IT systems. In the short term the pilots will make use of existing IT systems which all parties agreed may initially be “clunky” and this will be reflected in the pilot evaluation.

A lot was gained by bringing all of the partners together for the two days and we will continue to meet on a regular basis in order to review progress and share ideas and concerns. However, engagement over the next few weeks will take place at a local level to identify activities specific to each pilot.

As these pilots progress towards a go live date we will continue to update you on progress. In the meantime, if you have any queries please contact the programme by e mail as follows;

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or your representative <<each to add own contact details>>