



Department  
for Work &  
Pensions

# FRAUD AND ERROR SERVICE

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Session 2, UK

**WORKSHOP ON  
REDUCING ERROR, FRAUD & CORRUPTION (EFC) IN SOCIAL PROTECTION  
PROGRAMS**

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An introduction to the Fraud and Error Service (FES) which is the Department's 'operational' arm for the detection and investigation of fraud and error.

BUT

FES is only one player in the Department's aim to minimise fraud and error in benefit payments.

# The Creation of the Fraud and Error Service (FES)

The bringing together and coordination of all DWP Fraud and Error Services meant that everyone delivering fraud and error services could fully focus on

- Preventing
- Detecting
- Correcting
- Punishing
- Deterring

All aspects of fraud and error across DWP

In partnership with the Fraud and Error Programme and Human Resources the move towards a fully integrated Fraud and Error Service is led by Richard West.

Working together we will find more fraud and error, penalise more fraud and error, and identify the root cause of more fraud and error.

# Current Ways of Operating

**Prevent**

**Stopping fraud and error getting into the system**

**Detect**

**Increasing the likelihood of finding incorrect and fraudulent claims**

**Correct**

**Quickly putting incorrect cases right, getting back what we're owed**

**Punish**

**Strengthening penalties for those caught**

**Deter**

**Publicising tough punishments and the high likelihood of being caught**

# The scale of our current efforts cannot be underestimated

Protecting the gateway	Gathering information	Reviewing & investigating	Punishing & Deterring
<p><b>Verification</b></p> <ul style="list-style-type: none"> <li>• Verify and process around 7m benefit claims every year</li> <li>• Conduct around 20m customer interviews every year</li> <li>• Take around 75m calls per year</li> </ul>	<p><b>Hotline</b></p> <p>Annually, there are around 230k calls to the National Benefit Fraud Hotline</p>	<p><b>Fraud Investigations</b></p> <p>Investigate around 165k cases a year. Around 14k of these are joint with Local Authorities.</p>	<p><b>Penalties</b></p> <p>DWP and LAs administered over 50,000 penalties for fraud and error last year. New £50 civil penalty for claimant error introduced October 2012.</p>
<p><b>New IT Links</b></p> <p>Automatically notified changes to over 600k Housing benefit claims where other benefits or Tax Credits have changed</p>	<p><b>Staff Referrals</b></p> <p>Around 140k referrals made by staff each year</p>	<p><b>Compliance</b></p> <p>Around 30k compliance interviews are undertaken each year</p>	<p><b>Prosecutions</b></p> <p>DWP and LAs expect to refer over 10,000 cases for prosecution this year</p>
<p><b>Checks on high risk Pension Credit claims</b></p> <p>Prevent fraud/customer error in around 9,000 Pension Credit new claims each year.</p>	<p><b>Data matching</b></p> <p>Around 700k referrals issued each year</p>	<p><b>Case Cleansing</b></p> <p>Around 1,300 staff reviewing and correcting claims across all benefits every year.</p>	<p><b>Debt Recovered</b></p> <p>Recovered benefit debt of around £420m last year</p>
	<p><b>Measurement</b></p> <p>Measurement teams review the cases of around 35k people every year</p>	<p><b>Checking</b></p> <p>Checking Teams: around 425k routine management checks and around 54k random checks carried out each year.</p>	<p><b>POCA</b></p> <p>Recover assets of around £3m a year</p>
		<p><b>Internal Investigations</b></p> <p>Internal investigation teams investigate around 750 allegations of misconduct. Each year. Audit Trail Analysis identify around 1000 discrepancies each year.</p>	<p><b>Press</b></p> <p>Around 300 national press stories about benefit fraud equivalent to an advertising value of around £5m</p>

# We continue to receive excellent results from initiatives

Correction programmes have already delivered £814m for an investment of £118m

- From activity to end of March 2013, the fraud and error change programme:
- has delivered: **£814m**
- **which will mean £1.184bn delivered by end of 2014/15**



£1 spent currently returns £7 in benefit savings



# Interventions

- Benefits Administration – the need to ask the right questions, challenge where necessary and verify documents and information.
- Fraud and Error Prevention – A targeted approach to reviewing claims using telephone interviews.
- Customer Compliance – Robust interviews in response to some allegations, high risk cases, targeted reviews. Can be done by telephone or home visit but mostly by office interview.
- Investigation – Response to allegations or data matching where the case is likely to be serious enough to justify prosecution or penalty. Evidence gathered using procedures set in law and presented to the Courts.



# Structure of FES

We have over 4500 staff in over 350 sites across Great Britain deployed in five lines of business

- a **Central Criminal Intelligence & Investigation Service**, including the capability to investigate cyber crime and refer cases for intervention
- a centralised **Fraud and Error Prevention Service**, operating across five centres undertaking targeted case reviews for pensions and working age customers
- a **Fraud and Error Local Service** that aligns the works of the Customer Compliance and Fraud Investigation teams
- a **Strategic Operational and Campaign Centre**, a single strategic, operational and campaign management function that drives delivery of the Fraud and Error Service based on risk, analysis and evidence
- an **Operational Management & Assurance Team** which will deliver key services with clear and appropriate levels of assurance and governance across FES; driving improvements and consistency against standards and efficiencies

*our **Business Partners** also provide external support, assurance and challenge to FES on finance, HR and business/performance improvement*



# Breakdown of Staff within FES

- Fraud and Error Prevention – 1079
- Local Service – Customer Compliance – 846
- Local Service – Investigation Teams – 2096
- Central Criminal Intelligence – 249
- Central Criminal Investigation – 246



# More Spooks less Sweeney

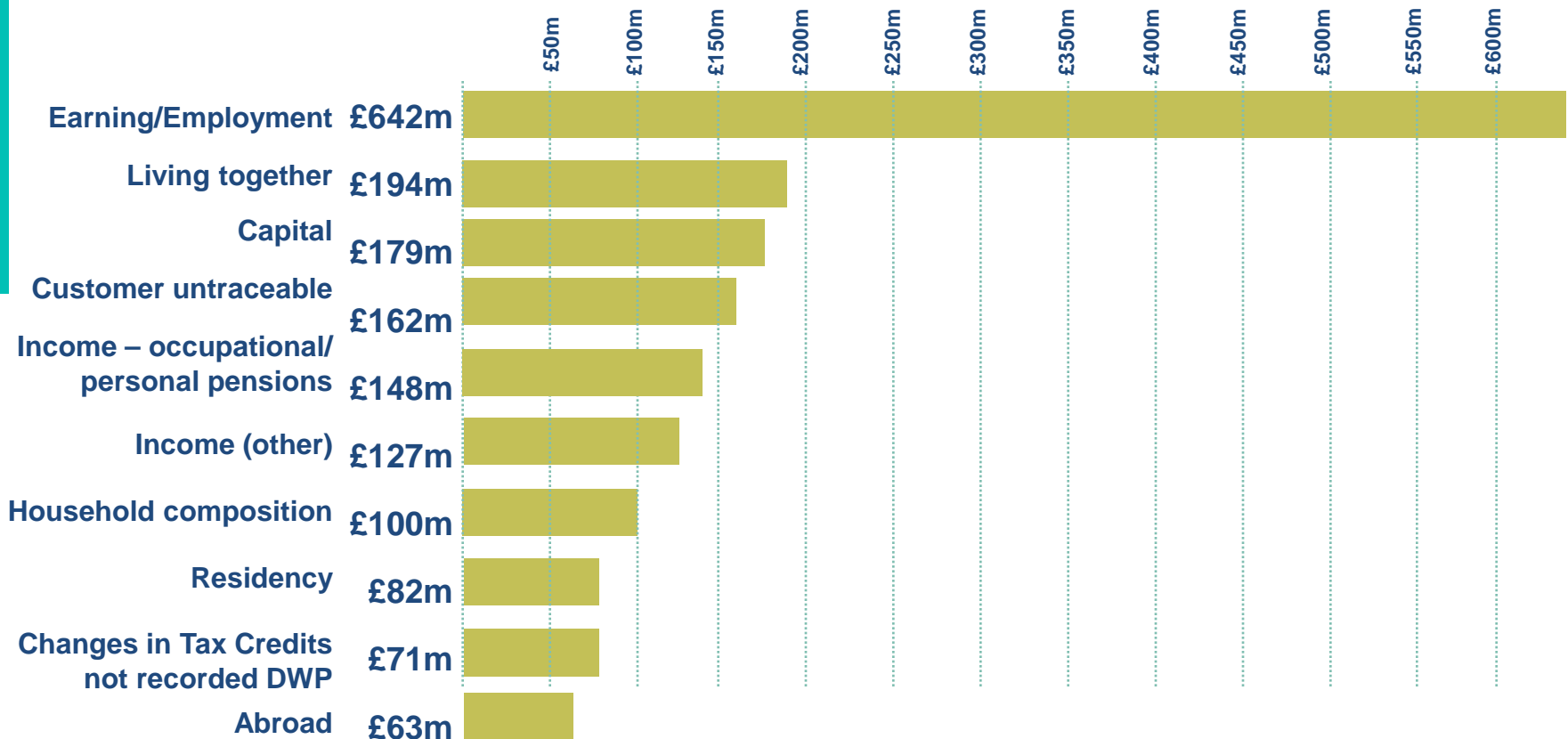


- Better use of intelligence
- Less intrusive
- Costs less
- Quicker
- More modern
- More professional



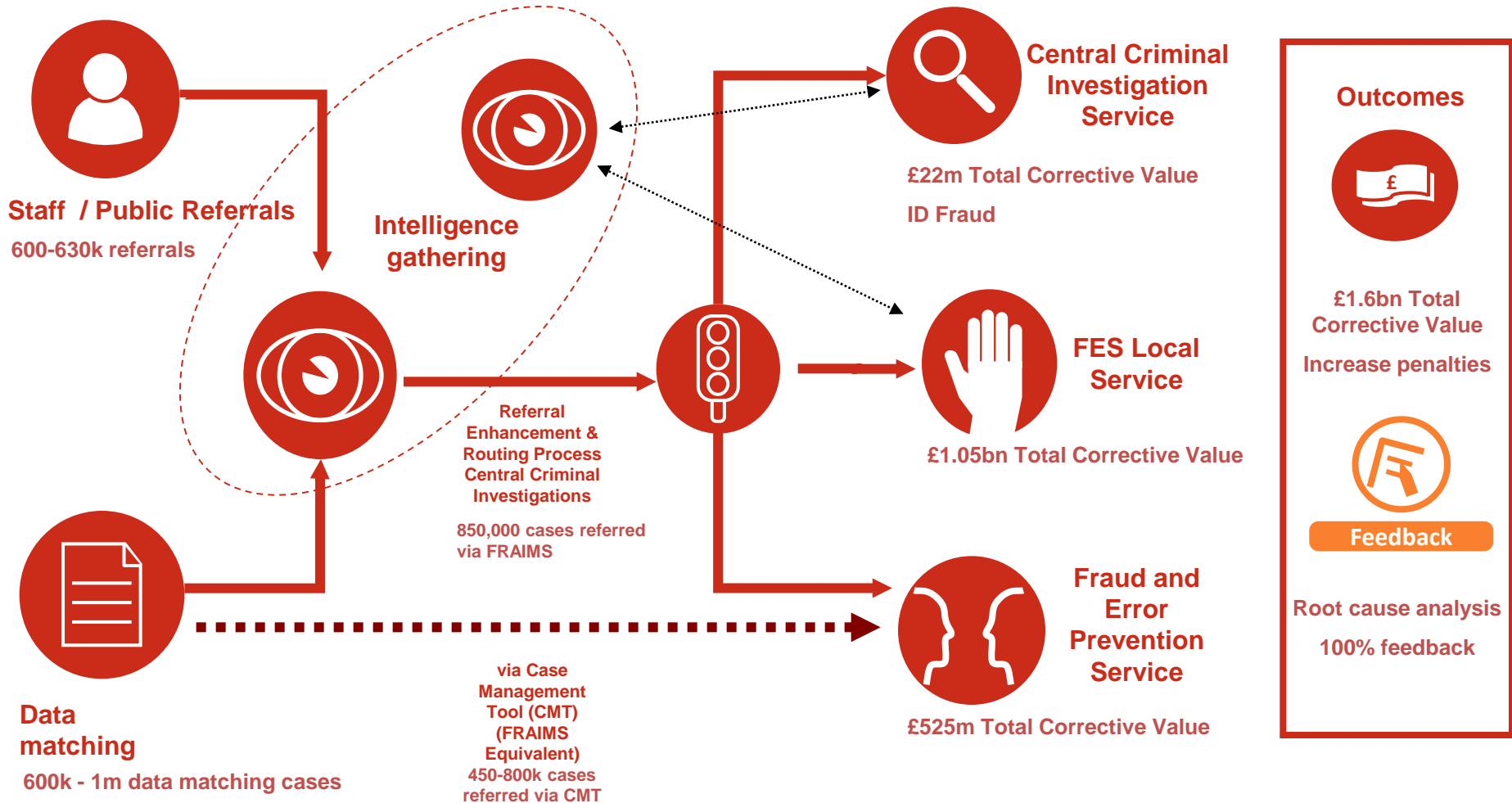
# We understand where our problems lie

- Top ten types of loss in the benefit system:



Figures from: *Fraud and Error in the Benefit System: Preliminary 2012/13 Estimates*

# Referral Allocation



INPUT

RISK & REFERRAL

INTERVENTION

OUTCOME

# Referral Enhancement and Routing (RER)

- All referrals/allegations are considered by FES Intelligence Officers
- Basic computer system checks are performed (Legacy systems, E-NIRS, Child Benefit On-Line, LA and Tax Credit information obtained where applicable)
- Extra quick Intelligence checks are performed according to the allegation type (such as Credit Reference Agency checks, Land Registry, basic internet searches)
- Estimation of size of potential overpayment is calculated
- Decision made on the most suitable FES intervention or case closed if intervention not warranted (e.g. no trace of suspect or no relevant benefit in payment)
- Case routed with opening summary explaining action and decision and attaching relevant evidence obtained by the intelligence officers
- All of the above stages are performed in a standardised logical order. The majority of cases (over 80%) will have action completed within 5 working days

# Error or Fraud – What is the Difference?

Error

A mistake or inaccuracy

Incorrect information recorded or omission

Fraud

Deliberate deception intended to gain an advantage

Telling lies



**Focus resource on investigations with the resulting deterrent effect?**

**OR**

**Focus resource on prevention/detection**

# Where should you put your resource – an example

	Total Corrective Value Target					Budget £m	TCV per £ £m
	Over payments Detected	Over payments Prevented	Under payments Detected	Under payments Prevented	TCV		
	£m	£m	£m	£m	£m		
<b>Core Fraud &amp; Error Services</b>							
Central Criminal Intelligence Service	0	0	0	0	0	0	0
Local Service - Investigations	213	213	0	0	426	64	6.62
Local Service - Compliance	85	527	1	13	627	27.8	22.58
<b>Local Service Total</b>	<b>298</b>	<b>740</b>	<b>1</b>	<b>13</b>	<b>1,053</b>	<b>92.1</b>	<b>11.43</b>
Central Criminal Investigation Service	11	11	0	0	22	9.5	2.33
<b>Total Core Services</b>	<b>309</b>	<b>751</b>	<b>1</b>	<b>13</b>	<b>1,075</b>	<b>101.6</b>	<b>10.58</b>
Prevention Service	90	427	2	7	525	30.4	17.29
Other FES costs						16.5	
<b>Total Fraud &amp; Error Service</b>	<b>399</b>	<b>1,177</b>	<b>3</b>	<b>20</b>	<b>1,600</b>	<b>148</b>	<b>10.77</b>

Data shown is for illustrative purposes only





# Standard Operating Approaches

- FES has developed high level steps and detailed process maps that represent, and link to current guidance. Aiming to make it easier to find and identify the processes we must follow and the guidance we must use.
- 21 process map have been developed to enable the user to navigate around key aspects of the business process, from the start to the end of an investigation.

The Referral

Initial Case Action

Type of Offence

Request for Information

Internet Evidence

Joint Working

Witnesses

Surveillance

Arrest

Search and Seizure

Forensics

Decision Making Units

Interview Under Caution

Loss of Benefit Penalty

Administrative Penalty

Prosecution

Disclosure

Advanced Warnings

Media

Financial Investigation Unit

Organised Fraud

## Feedback to DWP colleagues who make referrals

- We have a national fraud awareness training presentation that coaches staff on how to make referrals when they suspect benefit fraud is being committed.
- Investigators rely on good quality information and staff are encouraged to give as much details as possible.
- Referrals from our DWP colleagues are very valuable and on many occasions lead to benefit being stopped when the claimant has no entitlement and the overpayments identified mean the case goes forward for prosecution.
- Investigators are now actively encouraged to provide Feedback to DWP colleagues who made the referral.
- The feedback can be given in person or via email.

**Positive feedback generates more good quality referrals.**

# Root Cause Analysis

- It is essential to discover what allows fraud into the benefit system.
- All cases where an overpayment has occurred are now analysed by a root cause analysis team of 11 staff.
- They identify the point in the claim when fraud or error took place.
- They liaise with policy and product owners to implement changes to prevent similar situations occurring again.

# Punishment

- **Civil Penalty** - The Civil Penalty allows DWP to impose a £50 penalty on claimants who:
  - Are overpaid benefit amounting to £65 or more as a result of their negligence in making incorrect statements and not correcting it
  - Fail, without reasonable excuse, to notify the Department of a change in their circumstances
  - Fail to provide information to the Department when required without reasonable excuse.
- **Administrative Penalty** – A financial penalty
  - Added to an overpayment as an alternative to prosecution.
  - A minimum penalty of £350 or 50% of the overpayment, whichever is greater (up to a maximum penalty of £2,000).
- **Prosecution** – The case is suitable for criminal proceedings through the Court system, sentencing can include
  - Fine
  - Community order
  - Custodial sentence suspended
  - Custodial sentence
- **Loss of benefit** – Those given an Administrative Penalty or prosecuted will lose benefit entitlement for periods of 23 weeks, 26 weeks, or 3 years depending on the circumstances
- The overpayment of benefit is always recovered

# TV Documentaries – do they help or hinder?

- On the fiddle?
- Saints and Scroungers
- Trevor McDonald investigates
- Panorama
- News night



Also included in story lines for popular British television series, e.g. benefit street

# Media Headlines

- **A claimant falsely claimed over £80,000 of benefits, failing to tell the Department and her local authority that she was in a relationship with her 'landlord'. The couple were sentenced to nine months each in jail.**
- **This claimant will spend 13 months in prison for fraudulently claiming over £14,000 in benefits using three false identities.**



- **A mother of 8 children, aged between 7 and 23 submitted a series of claims for DLA for 5 of her children between May 2000 and June 2010. The DLA claims stated that the children suffered from problems with speech and language, physical disabilities, mental health problems, severe learning and behavioural problems, poor coordination and walking difficulties. However the children were appearing in theatre productions which would not have been possible given the level of disability claimed. She was arrested and charged for claiming fraudulently. At the time of her arrest she was living in a 7 bedroom country mansion. The outcome of the trial was a four year prison sentence after she was found guilty of defrauding the taxpayer of over £350,000.**



# Financial Investigations

- These run in tandem to some fraud investigations where the overpayment is likely to be large or the offender has assets.
- The intention is to recover assets or money that has been obtained through crime. It is to demonstrate that **crime does not pay**.
- It is the accused who has to prove that assets were obtained using funds lawfully obtained.
- We have 73 Financial Investigators based in six teams.
- The Act used to seek recovery is the Proceeds of Crime Act 2002 (POCA2002)
- Financial Investigators are accredited and they need to prove their competency.
- It is a two year training period.
- Last year our Financial Investigators identified £6.9m over and above the overpaid benefit.
- Our Government gives an incentive to investigating authorities to keep part of this recovered money. Last year we kept £800,00 and invested this in additional equipment for investigators.
- Enforcing recovery is the responsibility of the Courts. Failure to pay results in increased custodial sentences.



# Our People

- The right people in the right jobs
- Trained to a high standard
- Motivated
- Learning through experience
- Integrity
- Judgement
- Good interviewing skills

We train our people using a modular approach – the right training at the right time

Professionally accredited through Portsmouth University.

# Accredited Foundation Programme

- **Legislation**
- **Investigative Techniques**
- **Surveillance**
- **Investigative Interviewing**
- **Courtroom Procedures**
- **Intelligence Awareness (for managers)**
- **Financial Investigation Awareness (for managers)**

The foundation programmes are delivered as a blended learning solution and include:

- E Learning
- On line Assessments
- Open Learning Workbooks
- Case Studies
- Classroom Events

# Other Events Delivered

- Living Together and Nominated Officer training
- Authorised Officer Training
- Requesting Surveillance
- Requesting Information
- Managing Surveillance
- Employer Compliance Investigations
- Developing Investigative Interviewing
- Criminal Intelligence Analysis Programme
- OIU Intelligence Programme
- Witness Interviewing
- Tax Credit Investigations
- Interview Evaluation (for Managers)
- Interview refresher (Investigator)
- Courtroom Awareness Refresher

# Two common types of fraud

- Overstating disability
- Failing to declare earnings

# Disability Related Fraud



The investigation requires a different approach to that used when investigating other benefits.

The benefits are not based on financial need or unemployment.

The entitlement conditions are complex but they are based on a customer's mobility restrictions and/or personal care needs.

The evidence is not easily obtained.

Prosecutions are difficult but can be of high deterrent value.

# The Award

## Mobility Component

- Higher Rate mobility – awarded to customers who are unable or virtually unable to walk.
- Lower Rate mobility – awarded to customers who can walk but cannot take advantage of their ability to walk outdoors on unfamiliar routes without guidance or supervision.

## Care Component

Care component is appropriate for customers who are so severely disabled either mentally or physically that they require:

- Day attention – frequent in connection with their bodily functions throughout the day.
- Night attention – prolonged or repeated attention in connection with their bodily functions at night.
- Day supervision – continual supervision throughout the day.
- Night watching – someone to watch over them on a prolonged or frequent basis during the night.

# Disability Related Fraud



This type of fraud is generally where the claimant gives an incorrect statement about their ability to move or ability to look after themselves

- If the statement or declaration is proven to be untrue, or there has been a change since the original statement - a criminal offence might exist and prosecution can take place
- A lot of good publicity can be achieved in prosecuting these cases and publicising in the newspapers and on TV because the evidence will normally contain photographs or video recordings which can be shown on TV
- The cases are not easy to prosecute
- The defence is normally that it was a 'good day' on the day filming took place
- If evidence about the individual's extent of mobility is available from other sources, such as a third party an employer, or a golf club -it is better
- There can be mixed emotions in prosecuting in some such cases

# How to investigate disability type fraud

Need to compare what is stated on the application with what the claimant can actually do

Gather evidence from:

- Evidence from employer
- Neighbour
- Informant
- CCTV
- Clubs such as golf clubs, sports club
- Surveillance using recording devices



# Working whilst claiming Benefit



- **Some benefits are paid to people because they say that they are not working and have no other form of income**
- **Jobseekers Allowance** – claimants do not have an employer and are not self employed receive this benefit if they are available to work and are actively seeking work.
- If they find any work, paid or unpaid, part time or full time – this must be declared to the office that pays their benefit. They may have a reduced entitlement or no entitlement at all.
- **Employment and Support Allowance** – claimants who are declared as not fit to work due to illness claim this allowance.
- If they find work, they must be capable of working – this must be declared to the office that pays their benefit. They may be allowed to do some permitted work that is considered to be therapeutic, or have no entitlement at all.

## Hidden Economy Fraud (Certain types of working whilst claiming)

- Working for an employer who pays the claimant by cash
- Working for an employer with false identity details
- Someone who is self employed but will only accept cash from their customers for their services
  
- This type of fraud is difficult to investigate without costly surveillance because there is no tax or national insurance deducted
- No financial trail to follow through bank accounts
- Self employed fraudsters do not keep accounts

## How to Investigate Non Declaration of Work



### This type of fraud can be either:

- Allegations where the suspect is said to be working but no details given of where or for whom – **financial checks and/or surveillance**
- Those who fail to declare earnings where the employer is good and willing to give evidence – **obtain evidence from the employer and a witness statement**
- Those who fail to declare earnings where the money is paid ‘cash in hand’ or employer likely to be collusive – **financial checks and/or surveillance**
- Those who say they didn’t know they had to report earnings/work – **review declarations made on forms - Interview techniques to show how unlikely this excuse is**
- We are also starting to link benefits with PAYE tax systems using Real Time Information system to enable benefit teams to see almost immediately if a claimant has not told us about earnings or occupational pensions.