

Report of the Head of Finance and Delivery

Audit Committee – 17 September 2014

BENEFITS INVESTIGATION TEAM - END OF YEAR REPORT - 2013/14

Purpose:	To report on the activities and achievements of the Benefits Investigation Team during 2013/14.
Policy Framework:	Anti-Fraud and Corruption Strategy.
Reason for Decision:	No decision is required.
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) The Report be noted.
Report Author:	Talfryn Davies
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. GLOSSARY

CTB - Council Tax Benefit.

CTR - The Local Council Tax Reduction Scheme which replaced CTB from 01.04.13.

Data Matching – An electronic comparison of Council records to those of other Council's and participating organisations. The aim is to identify and investigate discrepancies and minimise overpayments of benefits. There are two main types of Data Matching:

- **HBDMS** - The Housing Benefit Data Matching Service are part of the DWP. Each month they compare Council Benefit records to those of the other Council's, DWP, Retirement Pension, Royal Mail, and Her Majesty's Revenue and Customs. HBDMS highlights actual discrepancies.
- **NFI** - The National Fraud Initiative is a bi-annual exercise coordinated by the Audit Commission. They compare all Council records both internally and externally to other Councils and participating organisations. Records compared include Payroll, Pensions, Housing Rents, Taxi Licenses, Personal Alcohol Licenses, Student Loans, and Immigration. NFI simply highlights matches rather than actual discrepancies. Further evaluation is required to determine if benefits have been paid correctly or not.

DWP - Department for Work & Pensions.

FES - DWP's Fraud and Error Service (based in Morriston).

FES(O) - DWP's Organised Fraud and Error Service (based in Cardiff).

HB - Housing Benefit.

IUC - Interview Under Caution

An IUC is a taped interview conducted in accordance with the Police & Criminal Evidence Act 1984 (PACE).

An IUC is undertaken where an Investigator considers there is evidence to suspect a person has committed a criminal offence.

LA - Local Authority.

Sanction – After an IUC there are three Sanctions that can be applied / offered to persons who are considered to have committed Benefit fraud. They are:

- **Formal Caution**

A verbal warning. The person must sign a declaration confirming that they accept the warning and that they have committed a criminal offence.

- **Administrative Penalty**

A 'fine' offered to claimants or employers who have caused an overpayment. The person must sign a declaration confirming that they have committed a criminal offence.

- **Prosecution**

Criminal proceedings in the Magistrates or Crown Courts where the defendant has been Summoned or bailed to attend Court and subsequently found guilty of Benefit fraud.

Defendants have the option to refuse to accept the offer a Formal Caution or Administrative Penalty. However, if they do so, or they fail to attend an interview to discuss the offer, the Authority must consider prosecuting them instead. The standard of evidence for Formal Cautions and Administrative Penalties are the same as those for Prosecutions.

SFIS – The DWP's Single Fraud Investigation Service.

2. SUMMARY

2.1 **Headline figures:**

- Referrals = 1,396.
- Investigated / under Investigation = 878.
- Fraud proven / Benefit Saved = 215.
- Interviews Under Caution (IUC's) = 238.
- Overpayments created and/or Sanction action started = 178 cases, overpayments of £748,877.96.
- Sanctions achieved = 180.

2.2 **Joint Working with DWP Investigators:**

- Day to day joint between investigators generally continued to work well.
- However, the following have continued to result in less joint working cases
 - DWP no longer being able to offer Formal Cautions to offenders.
 - DWP focusing on cases with the potential to yield prosecutions.

2.3 **Data Matching:**

- *National Fraud Initiative (NFI)*
The examination & investigation of Matches for NFI 2010 & NFI 2012 continued.
- *Housing Benefit Data Matching Service (HBDMS)*
573 Data Match Referrals received and actioned by the Benefits Section.

2.4 **Fraud Awareness:**

- 'Adverts' screened at the Contact Centre.
- Court cases reported in the local media.
- Achievements 'publicised' to interested parties.
- Internet based training aids utilised.

2.5 **Staff Resources:**

- The following has impacted on current staff resources:
 - Participation in 'Operation Bugs', a significant multi-subject public protection / Benefits investigation.
- The following will impact on future staff resources:
 - The retirement of an Assistant Benefits Officer on 31.03.14.
 - The transfer of functions and staff to the Single Fraud Investigation Service (SFIS) on 01.06.15.

3. INTERVIEWS UNDER CAUTION (IUC)

3.1 This table illustrates the total number of IUC's undertaken and also those carried out jointly with FES.

IUC'S UNDERTAKEN – 2003/4 TO 2013/14																					
2003/4		2004/5		2005/6		2006/7		2007/8		2008/9		2009/10		2010/11		2011/12		2012/13		2013/14	
TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT	TOTAL	JOINT
159	84 52%	213	111 52%	226	110 49%	225	141 62%	185	125 68%	201	114 57%	152	79 62%	236	134 57%	320	201 63%	223	105 47%	238	84 35%

4. OVERPAYMENTS AND SANCTION ACTION

4.1 This table illustrates overpayment and Sanction cases.

OVERPAYMENTS CREATED AND/OR SANCTION ACTION STARTED, CONCLUDED OR ONGOING			
TYPE	NUMBER OF CASES	JOINT CASES WITH FES	VALUE OF LA & DWP OVERPAYMENTS
BROUGHT FORWARD FROM 2012/13 <i>I.E. CASES NOT CONCLUDED BY 31.03.13</i>	71	58	£916,756.35
NEW CASES FOR 2013/14 <i>I.E. CASES STARTED BETWEEN 01.04.13-31.03.14</i>	178	53	£748,877.96
TOTAL	249	111	£1,665,634.31
CASES CARRIED FORWARD TO 2014/15 <i>I.E. NOT CONCLUDED BY 31.03.14</i>	39	23	£435,047.22

4.2 This table illustrates Sanctions achieved.

SANCTIONS ACHIEVED – 2003/4 TO 2013/14												
Type / Year	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	Total
Formal Caution	8	17	26	21	36	53	62	78	91	80	94	566
Admin Penalty	29	21	54	32	17	25	20	15	18	14	17	262
Guilty Verdict	50	41	77	42	50	47	39	43	71	69	69	598
Total	87	79	157	95	103	125	121	136	180	163	180	1426
Sanctions Target						125	130	125	150	180	180	
Sanctions Achieved v Target						100%	93%	109%	120%	91%	100%	

4.3 For 2013/14 the Team achieved it's Sanctions Target of 180.

4.4 For 2014/15 the Target remains unchanged at 180 Sanctions.

5. JOINT WORKING WITH DWP

- 5.1 Day to day joint working with FES generally continued to work well. In addition, joint investigations have been undertaken with FES(O).
- 5.2 84 IUC's were undertaken jointly (35% of total IUC's).
- 5.3 68 Sanctions were achieved from joint working cases (38% of total Sanctions).
- 5.4 However, the following DWP policy changes introduced from 01.04.12 have continued to result in less joint working cases being undertaken:
 - No longer being able to offer Formal Cautions to offenders.
 - Focusing on prosecution cases (i.e. with potential overpayments of at least £2,000).

Over the last 2 years the number of joint working invitations received from FES has fallen by 69%:

- 2011/12 = 177 invitations;
- 2012/13 = 79 invitations = a 55% reduction on the previous year;
- 2013/14 = 54 invitations = a 31% reduction on the previous year.

6. NATIONAL FRAUD INITIATIVE (NFI)

6.1 NFI 2010

- 5 Sanctions achieved in 2013/14.
- Since the Matches were 'published' in January 2011:
 - 21 Sanctions achieved in total.
 - Overpayments of £348,752 identified (£165,828 in LA Benefits & £182,924 in DWP Benefits).
- 1 investigation is ongoing.

6.2 NFI 2012

- January 2012 - Data Matches were 'published' by the Audit Commission.
- The Authority had 3,647 HB/CTB related Matches from 36 different Reports.
- 1346 Matches examined to determine if further investigative action is appropriate.
- 83 Matches were subject to an investigation.
- Overpayments of £62,205 identified (£23,422 in LA Benefits & £38,783 in DWP Benefits).
- 7 Sanctions achieved in total – all in 2013/14 (4% of total Sanctions).
- 16 investigations are ongoing.

7. HOUSING BENEFIT DATA MATCHING SERVICE (HBDMS)

7.1 573 Data Match referrals were received.

7.2 129 Matches were passed directly to Investigators. However, 79 of them were recalled by HBDMS due to issues with data quality.

- 7.3 444 matches were initially passed to Processors. After Processors corrected any discrepancies, 23 of these matches were subsequently considered for investigative action.
- 7.4 13 Sanctions were achieved, (7% of total Sanctions), from the 73 Matches considered by Investigators

8. FRAUD AWARENESS

- 8.1 Five different adverts highlighting benefit fraud and how to report suspicions continue to be shown on screens in the main reception area at the Civic Centre.
- 8.2 An externally produced internet based training aid called '*Focus on Fraud Awareness*' continued to be utilised by staff in Benefits, Council Tax, and District Housing Offices. The aid has also been included in the Corporate Induction Course for all new staff.

However, to save on costs, an in-house developed training aid will be available and replace the externally provided '*Focus on Fraud Awareness*' aid from April 2014 via the Corporate learning Pool.

- 8.3 Throughout the year:
- Specific and detailed training was provided to new starters in the Benefits Section, as necessary.
 - Regular Newsletters and media publicity have been issued and forwarded to relevant LA staff & FES.

9. STAFF RESOURCES

- 9.1 '**Operation Bugs**' was a significant multi-subject public protection/Benefits investigation. Of the six Investigation Officers, one was involved in the Operation almost full-time from June 2011. Further, as and when required, other Team members were also utilised to varying degrees on an as and when needed basis. The operation has involved Trading Standards, Benefits, DWP Fraud (FES(O)) and South Wales Police and has encompassed 25 subjects. Although the results and media interest were significant, participation in 'Operation Bugs' did impact on the availability on staff resources and impair the Team's ability to consistently and effectively maintain a turnover of Fraud Referrals and Fraud Investigations. Appendix A - A summary of Operation Bugs.
- 9.2 **Following on from an Assistant Benefits Officer leaving the Authority** in September 2012, another Assistant Benefits Officer retired on 31.03.14. Due to austerity measures, neither Officer has been replaced. This means that from 01.04.14, only one Assistant Benefits Officer will 'service' the Investigation Team.

9.3 ***The Single Fraud Investigation Service*** (SFIS) was introduced nationally on 01.04.14. It is located within the DWP and will be 'rolled-out' gradually from 01.04.14 and 31.03.16.

The relevant investigative functions currently undertaken by the authority are scheduled to be transferred to SFIS on 01.06.15.

This means that from 01.06.15, SFIS will be solely responsible for investigating all welfare benefit fraud in the Swansea area, including HB & CTB.

There are decisions to be made regarding the Authority's post-SFIS requirements (as the authority will still be responsible for investigating CTR fraud).

These post-SFIS requirements will then inform how many posts from the authority's Benefits Investigation Team will transfer to SFIS on 01.06.15, and how many will remain with the authority.

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications to those set out in the report.

11. LEGAL IMPLICATIONS

11.1 There are no legal implications to those set out in the report.

12. EQUALITY AND ENGAGEMENT IMPLICATIONS

12.1 An EIA Screening Form has been completed with the agreed outcome that a full EIA report is not required.

BACKGROUND PAPERS: None

APPENDICES:

Appendix A – A Summary of Operation Bugs.

Appendix B – Bar Charts & Pie Charts.

Appendix C – A selection of publicity.

APPENDIX A - A SUMMARY OF OPERATION BUGS

Background

Operation Bugs was a significant multi-defendant Public Protection & Benefit Fraud case involving Swansea Council's Trading Standards and Benefits Sections, the DWP & South Wales Police.

Swansea Council's Trading Standards first became aware of the scam after several hundred complaints from customers all over the United Kingdom were received about an illegal call centre business, based in Swansea, trading under a variety of names including Aurora Logistics, Cable Guy and 1st Choice Satellites.

They would 'cold call' consumers and claim to be authorised to sell insurance and service contracts in respect of Sky boxes and Sky equipment ranging in price between £69.99 and £99.99.

In the main the people being conned were elderly and / or vulnerable. The aim of the business was to sell at all costs to get money from the people being called who were given false or misleading information in order to get them to agree to the purchase of the contract. They were led to believe that the caller was calling on behalf of Sky TV, or was authorised by Sky TV to make the call.

Others were misled into believing that they already had a policy with the company on whose behalf the call was being made, and so were led to believe that they were simply renewing an existing policy – whereas in fact no such policy or contract existed.

Some of those called did not wish purchase the product, or having agreed to the purchase, changed their minds and cancelled the policy. The scammers took the money anyway.

Once a person had agreed to purchase a contract, that wasn't the end of the scam – renewals of these 12 month contracts were taken without the knowledge or consent of the customer, or were taken out early, so that some customers were taking out 2, 3 or even 4 policies within a 12 month period, i.e. paying 2, 3 or 4 times for the same product.

There was also a suspicion that some of the employees working at the call centre were not declaring any earnings for benefit purposes.

Investigation

Following a period of DWP surveillance at the business premises in Mansel Street, and the collation of witness statements from some of the consumers that had been defrauded, officers from Trading Standards, the Benefits Section, the DWP and the police executed a number of search, seize, and arrest warrants at the call centre and some residential addresses of the scammers.

Initial evidence suggested that up to 19 of the employees who were making the calls were illegally claiming benefits by failing to declare they were working (receiving 'cash in hand' payments).

What followed was a lengthy, painstaking and detailed investigation that included hours of formal interviews with the defendants, trawling through paper records and call recordings, as well as the forensic examination of computer records, handwriting samples and call recordings.

Arriving at a figure in respect of the money stolen from customers and wages paid to employees proved problematic as following the execution of the search warrant, the company's IT expert remotely dialled into their server and attempted to delete the company's computer records.

However, by piecing together the information contained on paper records, the fragmented data base, and call records, investigators were able to produce figures to demonstrate the minimum extent of the fraud.

Financial loss

- Thousands of consumers, most elderly & vulnerable, were victims and lost just short of £500,000.
- In addition, the call centre employees cheated the Benefits system out of £51,000.

Alleged criminal offences

- Investigations were undertaken in respect of 25 subjects as follows:
 - Persons running or working for the company conspired to miss-sell products they had no right to or had no intention to provide.
 - The management within the company knew full well that they were employing persons on benefit and paid them in cash to facilitate the ongoing illegal benefit claims.
 - 60% of the employees fraudulently claiming Benefits.
- Of the 25 subjects:
 - 9 were subject to Trading Standards offences only.
 - 10 were the subject to Benefit Fraud offences only.
 - 9 were subject to both Trading Standards and Benefit Fraud offences.

Outcomes

- 4 - action discontinued at an early stage.
- 4 - accepted Formal Cautions in respect of Benefits offences (one was subsequently prosecuted for Trading Standards offences).
- 18 Subjects were brought before the criminal courts:
 - 1 - discontinued (one on health grounds as the defendant collapsed in court).
 - 1 - no case to answer.
 - 1 - not guilty.
 - 15 - convicted by the courts of Trading Standards and / or Benefits offences. Sentences ranged from community orders, imprisonment, & fines.
- The Authority / DWP are seeking to recover all overpaid Benefits (£51,221.63).

A full list of the prison sentences (*T = Trading Standards, B = Benefits*)

- Jonathan Stocking: 4 years (T)
- Paul Delamare: 4 years (T)
- Jordan Diment: 3.5 years (T)
- Darren Smith: 3.5 years (T)
- Barbara Swain: 2 years (T)
- Richard Imms: 2 years (T). 8 weeks suspended for 12 months, 100 hours unpaid work, £100 costs (B)
- Michael Stocking: 2 years (T) and 3 months (B) to run concurrently
- Neville Watkins: 21 months (T) and 3 months (B) to run concurrently
- Nicholas Griffiths: 12 weeks imprisonment (T & B)
- Ryan Davey: 20 months suspended for 12 months (T) and 4 months (B) to run concurrently and 240 hours unpaid work (B)
- Jamie Williams: 20 months suspended for 12 months (T)
- Thomas Howlett: 15 months (T) and 3 months (B), both suspended for 12 months, supervision order for 150 hours, to attend a thinking skills course (B)
- Sammy-Jo Matthews: 10 months suspended for 12 months, 200 hours unpaid work (T). Formal Caution (B)
- Sara Nash: 10 months suspended for 12 months & 200 hours unpaid work (T). £170 fine, £100 costs, £20 victim surcharge (B)
- Bridie McGinn: 2 months suspended for 12 months & 200 hours unpaid work (B)

Examples of the scam

- **Mr and Mrs A** - aged 83 and 82 respectively.
They have a Sky dish which receives Freeview – they don't even have a Sky box. In a little over 2 years 6 payments were taken from them totalling £457.59.
- **Mr B** - retired and suffering from ill-health, including memory loss.
He already had insurance for his Sky equipment through Sky Protect, the official Sky insurance scheme, so he didn't need any other insurance. Over a period of 18 months made 3 payments totalling £259.97.
All payments were for policies he didn't need, but that he took out because he was vulnerable. Until he was visited by investigators he was unaware he even had these policies.
- **Mrs C**. Her mother is 84 years old and has suffered from a stroke, which left her with severe health problems. Cable Guy contacted her and she took out a policy. Mrs C contacted Cable Guy and spoke to someone. They agreed that her mother had no need for the policy and that the policy would be cancelled. However, it wasn't cancelled. This only came to light sometime later when Mrs C's daughter opened a letter addressed to her mother from Cable Guy. She checked her mother's bank statements and found that not only had the cancellation sum not

been refunded, but that 4 subsequent payments had been taken totalling £299.86.

- **Mr H** - retired, in poor health and hard of hearing. In a little over 18 months he had 6 payments taken totalling £418.99.

In his summing up Crown Court Judge Paul Thomas said....

“The calls made were chilling.”

“This case vividly demonstrates the harm that is done to the public by unscrupulous businesses based upon cold calling.”

"Having heard this trial I am determined to send a message out to any business which thinks it can use its uninvited access to people in their own homes through telephone contact in order to con them. If you run your business in that way, you can expect substantial prison sentences when you are caught."

Media interest

Operation Bugs has been widely featured in the local and national media, including BBC Wales' 'X-Ray' and BBC1's 'Claimed and Shamed' television programmes.