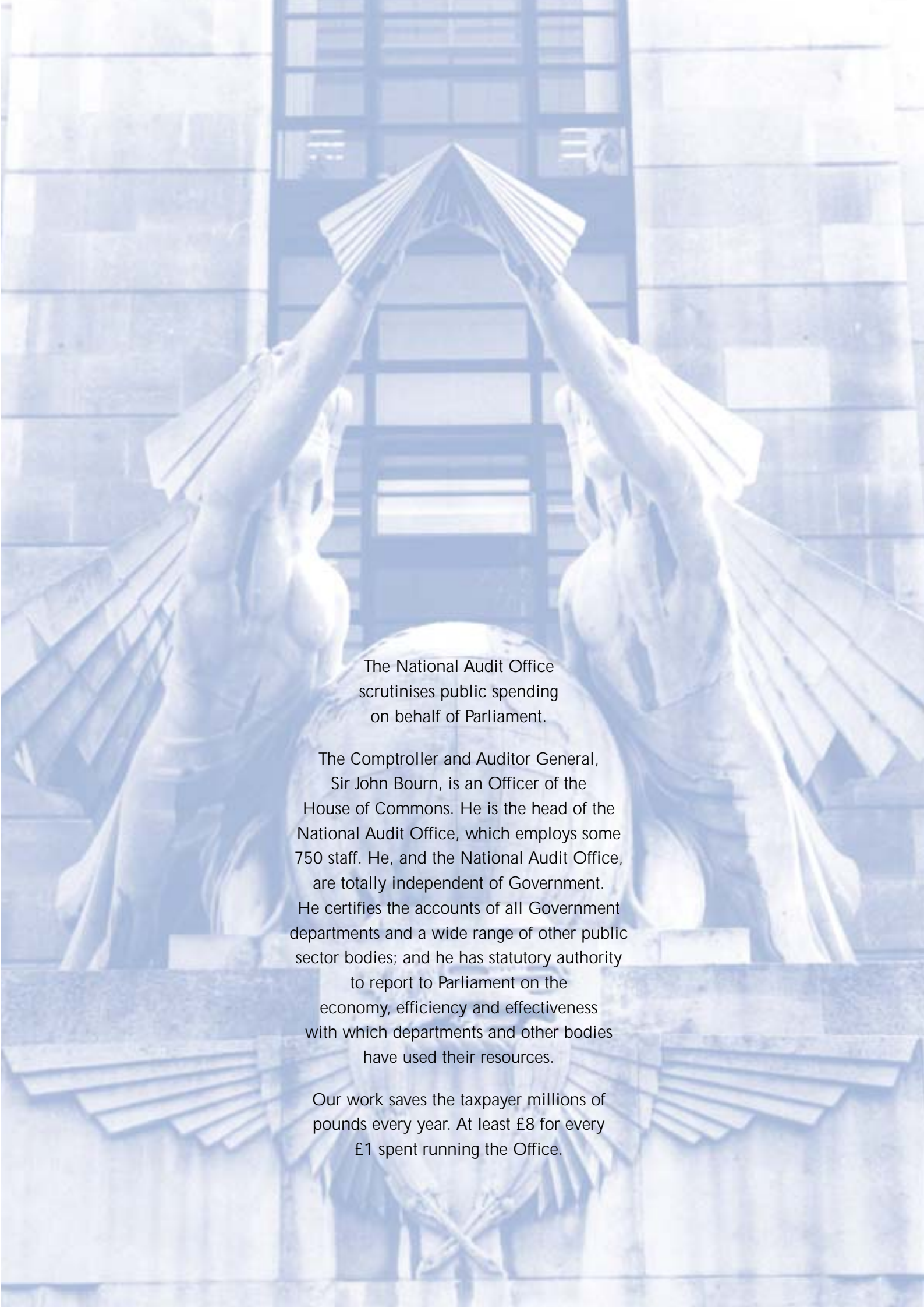


Department for Work and Pensions  
**Tackling Benefit Fraud**

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 393 Session 2002-2003: 13 February 2003





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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

*John Bourn* National Audit Office  
Comptroller and Auditor General 7 February 2003

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# executive summary

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## Introduction

- 1 The Department for Work and Pensions spend around £100 billion a year on welfare benefits, representing more than a quarter of central government expenditure. Even a small proportion of fraudulently claimed benefits therefore costs billions of pounds. It is inherently difficult to know the full extent of fraud, but the Department estimate that they lose some £2 billion a year. This equates to around £80 a year for each household in Great Britain. Most of this arises on: Income Support, Jobseeker's Allowance and Housing Benefit. Fraud also undermines public confidence in the integrity of the benefit system.
- 2 The Department's target is to reduce the level of fraud and error on Income Support and Jobseeker's Allowance by 50 per cent, and on Housing Benefit by 25 per cent, by 2006. All benefits are vulnerable to fraud because, in assessing entitlements, the Department must rely mainly on information provided by customers who can provide false information or conceal their true circumstances. The complexity of benefit regulations also makes it easier for customers to hide deliberate frauds as unintentional errors.
- 3 The Department's current approach to tackling fraud dates back to a 1999 White Paper ("A new contract for welfare: safeguarding social security", Cm 4276). This concluded that too much was being lost at that time through fraud and error. The major underlying causes were seen as:
  - The security of claims was not at the heart of the benefit system;
  - Incentives focused on finding fraud, but not on stopping it happening;
  - Information on claims was not used intelligently to help prevent fraud;
  - Safeguarding payments was considered as an afterthought, once the payment had been made.
- 4 To tackle these problems, the Department set out to improve security, incentives, the measurement of fraud and the commitment of their staff to tackling fraud. They proposed action on four fronts:
  - *Getting it right* - aiming to get benefit payments correct from the start;
  - *Keeping it right* - ensuring payments are adjusted as circumstances change;
  - *Putting it right* - detecting when payments go wrong and taking prompt action to correct them with appropriate penalties to prevent a recurrence;
  - *Making sure the strategy works* - monitoring progress, evaluating the strength of preventive measures and adjusting them in the light of experience.



- 5 This Report examines the success of the Department for Work and Pensions in tackling benefit fraud, in particular:
  - the scale and nature of fraud faced by the Department;
  - the efforts to prevent, detect, investigate and impose sanctions on frauds against the benefits directly administered by the Department;
  - the efforts to tackle fraud in Housing Benefit, administered by local authorities.
- 6 The main elements of our fieldwork were:
  - visits to the Department's anti-fraud teams to examine local practices at first hand;
  - contact with other organisations with an interest in the Department's work, such as the Audit Commission, and other Government Departments;
  - advice from expert consultants on specific aspects of the Department's work (the measurement of fraud, risk management, prevention and investigation);
  - examining experience and practice of other organisations in the United Kingdom and overseas;
  - a survey of joined-up action against fraud across government;
  - two advisory groups, to comment on our methodology and findings, with representatives from public and private sector organisations with an interest in tackling fraud.

The methodology we used is set out in more detail in Appendix 1. This report complements similar studies about tackling fraud in HM Customs and Excise and the Inland Revenue. It also takes account of previous National Audit Office reports on benefit fraud<sup>1</sup> and reports by the Committee of Public Accounts<sup>2</sup> and the Audit Commission<sup>3</sup>.

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1 *Department of Social Security - Departmental Resource Accounts 2000-2001, HC 491 2001-02; Department of Social Security: Measures to combat Housing Benefit Fraud, HC164, 1997-98; and Department of Social Security: Progress on measures to combat Housing Benefit fraud, HC319, 1998-99.*

2 *Measures to Combat Housing Benefit Fraud, Committee of Public Accounts, 27th Report 1997-98, HC 366.*

3 *Fraud and Lodging: Tackling Fraud and Error in Housing Benefit, July 1997 and Fraud and Lodging: Progress in Tackling Fraud and Error in Housing Benefit, April 1999.*



## Main findings

### On tackling fraud in benefits administered by the Department for Work and Pensions

#### Progress in reducing the level of fraud

- 7 The Department have concentrated on reducing fraud and error in the areas of greatest loss - Income Support and Jobseeker's Allowance. They have also devised a method of estimating the level of fraud and error in these benefits. For April 2001 to March 2002, the estimated level of loss was 6.8 per cent of expenditure, around £1.15 billion. This is around a quarter less than the baseline in 1997-98, when the loss was estimated at 9.0 per cent of expenditure, which would be equivalent to £1.55 billion at 2001-02 levels of benefit expenditure. The Department have therefore outperformed their first Public Service Agreement target to reduce the level of loss by 10 per cent by March 2002. The level of loss due to fraud alone was 4.1 per cent (£700 million). In 2002 the Department announced a revised Public Service Agreement target, to take effect from April 2003. This is to reduce the loss for customers of working age from Income Support and Jobseeker's Allowance by 50 per cent by March 2006, with a more demanding intermediate target of a 33 per cent reduction by March 2004. The Department have also set a target to reduce loss in Pension Credit, which will replace Income Support for pensioners from October 2003, by 20 per cent by 2006.
- 8 Progress to date has been encouraging. But achieving the 50 per cent target reduction by 2006 remains challenging as the rate at which the Department are reducing the level of loss has slowed in the last year. The experience in regions also suggests that those with lower levels of fraud and error have found it more difficult to make significant inroads.

#### Constraints in tackling fraud

- 9 The Department are having to manage the effects of major organisational change, arising from the introduction of Jobcentre Plus and The Pension Service, with new regional structures and new processes for interacting with customers. The complexity of benefit regulations and inadequate computer systems will also continue to be important constraints on the Department's capacity to reduce fraud and error. The Department are working to update their information systems and information technology strategy. They aim to draw on previous experience of implementing major information technology projects and wider experience of other organisations. But successful implementation will depend on the Department overcoming the difficulties inherent in implementing computer systems on such a large scale.



Interview

Room

### Preventive checks on benefit claims

- 10** The Department have sought to prevent fraud by strengthening the initial checks by frontline staff on all new claims and on the identity of customers. Since 1997, the Department have carried out each year additional checks, known as interventions, on over a million new claims or claims already in payment which carry a higher risk of fraud and error. The number of interventions fell by 20 per cent in 2001-02. Nevertheless, the Department have gradually improved the targeting of these checks, increasing the average reduction in benefit paid each week for those cases where errors were identified. Around one in six checks now result in error being identified, although performance varies between regions, some of which will be inevitable because of local conditions. As an illustration of the potential benefits, we estimate that if all regions had performed in 2001-02 at the standards of those in the upper quartile, they might have achieved a 12 per cent increase (13,600 more cases) nationally in successful interventions that year, with a 22 per cent (£440,000) increase in the total weekly reduction in benefit from removing customer errors. The Department have set up a performance improvement initiative to examine the causes of regional variation and to identify and target good practice. In addition the Department are introducing improved plans and management indicators in 2003, aiming to reduce regional performance variations and significantly increase the number and value of successful interventions. These initiatives should help point to the extent of performance improvement achievable within each region.

### Changing people's attitudes to fraud

- 11** To prevent and deter further fraud, the Department have embarked on a long term publicity campaign to change people's attitudes on the social acceptability of benefit fraud. The early results are encouraging, and the Department intend to keep the campaign under review to maintain its focus on likelihood of detection and fear of being caught.

### Fraud investigations

- 12** The Department are notified of suspected cases of fraud from a variety of sources such as tip-offs, case reviews and computer checks. The Department receive around 16 per cent more referrals than they can investigate with current resources. Tighter management of investigations, together with better targeting through the Operational Intelligence Units, could help reduce this overload.
- 13** Of the 390,000 cases of suspected fraud accepted for investigation in 2001-02, around 41 per cent (161,000) resulted in an adjustment to benefit and/or the identification of an overpayment. But there was a general reduction of around 12 per cent in the number of cases investigated between 2000-01 and 2001-02 and in the number of investigations finding evidence of benefit or instrument of payment fraud or error. This has led to a reduction in the overall value of fraud detected, although the average value of fraud detected increased.
- 14** It is not entirely clear why there has been a reduction in the number of suspected frauds investigated. It may reflect the changes to the regulatory framework within which investigators must operate to comply with the law, which has an impact on the deployment of resources. It may also be due to a desire by Regions to focus on investigating only those cases where suspicions are based on good quality intelligence and that are in line with Departmental priorities, rather than maximising the number of investigations carried out. The Department are addressing the issue of the reductions in intervention and investigation activity through a performance improvement initiative to help ensure that further progress towards their targets to reduce losses is not jeopardised.



- 15 There are significant variations between regions in the value of detected frauds and in their targeting of investigations. These suggest that further improvements can be achieved, although some variation will be inevitable because of local conditions. As an illustration of the potential benefits, we estimate that if all regions had performed in 2001-02 at the standards of those in the upper quartile, they might have achieved an eight per cent increase in the number of investigations that detected fraud (a further 12,300 cases) that year. Assuming this corresponded to an eight per cent increase in monetary savings, the approximate value of such an increase could have been a further £418,000 weekly reduction in benefits paid and a further £9.5 million in the value of fraudulent overpayments detected. Full implementation of the Department's new intelligence-led approach to selecting cases for investigation, by the end of 2003, should bring further improvements. The Department plan to introduce indicators in 2003 aimed at reducing regional performance variations and significantly increasing the number and value of successful investigations. These initiatives should help point to the extent of performance improvement achievable within each region.
- 16 The Department have introduced a number of initiatives to improve the standards of fraud investigation across the country. The Department have developed a tool, the Programme Protection Assessment Mechanism, to help regional investigation teams assess their performance against good practice. The Department do not monitor centrally the time taken to complete investigations, but they are developing a computer system to track investigations and are reviewing the management of investigations to identify good practice.
- 17 It is important that people who are suspected of fraud are treated fairly and that investigations are properly controlled to inspire public confidence. A small number of customers subject to investigation have expressed their concerns to Citizens Advice about the conduct of fraud investigators, including intimidation, offensive language, failure to communicate required information and inappropriate means of evidence gathering. The Department have set up a Professional Standards Unit to provide support, guidance and training. The Unit inspects whether investigation teams operate professionally, effectively and within the law. They also expect all their fraud investigators to become professionally qualified during 2003.
- 18 Since 2001 the Department have embarked on a new form of investigation, working jointly with the Inland Revenue and HM Customs and Excise to pursue traders and others operating in the shadow economy who may be committing tax and benefit frauds. The returns in terms of frauds identified compare favourably with the Department's traditional investigations. The Department for Work and Pensions are continuing to work with the other Departments to overcome practical operational constraints, which arise from the fact that they have different powers and different policies. All three Departments are working together to promote wider awareness of joint working activities to generate more and better intelligence and referrals.



## Sanctions against fraudulent customers

- 19 Where the Department uncover fraud, they reduce or withdraw the benefit, and seek to recover the amount defrauded. In around 15 per cent of cases they also impose a sanction on the customer in the form of either a caution, an administrative penalty (a fine) or prosecution. Administrative penalties are quicker and simpler to apply than prosecuting cases in court, but the Department currently restrict their use to frauds below £1,500, a limit which has not increased since 1997. The Department are currently reviewing this limit to consider whether raising it would give valuable flexibility in deciding the best form of sanction in borderline cases. Around eight per cent of cases go to prosecution, and the Department and their agencies achieve a success rate of over 98 per cent. Many result in conditional discharge, community punishment or fines, reflecting the sentencing guidelines for magistrates.

## On tackling fraud in Housing Benefit

### Progress in reducing the level of fraud

- 20 The Department have made progress in improving the standards of Housing Benefit administration and anti-fraud work of local authorities. However, there remain significant deficiencies in the standards within some local authorities. Achieving the Public Service Agreement target to reduce fraud and error by 25 per cent by 2006 will require the Department to make further progress in tackling long established weaknesses.
- 21 The Department will monitor progress towards the target through six monthly estimates of the level of loss. The Department's most recent estimate that Housing Benefit fraud may cost up to £500 million is based on an extrapolation from data collected in 1997-98. The Department set about introducing the continuous measurement of Housing Benefit fraud and error from April 2001. The Department's timetable for introduction did not include a pilot phase nor opportunity to test the supporting information technology. Consequently it was only during the Department's review in September 2001 that they identified problems with the information technology, the survey methodology, and the adequacy of training and guidance. The Department worked to implement solutions with the aim of obtaining a full year's valid results for 2002-03.

### Progress in reducing the complexity of Housing Benefit fraud

- 22 The complexity of the Housing Benefit scheme is widely acknowledged as a major factor in poor local authority administration and the resulting risks of fraud and error. Although a government review in 2000 proposed partial simplification as a first step, in practice the scheme has become more complex with many changes, aimed largely at improving financial control. Complexity, and financial pressures, are likely to be factors in the deteriorating service provided to customers. The Department have provided additional support and resources to local authorities to tackle these problems. In addition, they announced plans for Housing Benefit reform in October 2002.<sup>4</sup> This contained a number of simplifications to the existing system as well as proposals for fundamental reform. The Department expect these to help simplify administration for local authorities, speed up claims processing and make the scheme easier to understand for customers.

<sup>4</sup> "Building choice and responsibility: a radical agenda for Housing Benefit", Department for Work and Pensions, 17 October 2002







### Implementation of the Verification Framework to improve fraud prevention

- 23 Since 1998 the Department have encouraged local authorities, with additional funding, to implement a Verification Framework, a major initiative to improve controls in preventing fraud. The Framework sets out minimum standards for checking customer information in Housing Benefit claims. The Department decided against making the Framework mandatory in view of the overall burdens of change placed on local authorities. So far, 301 authorities are compliant, or on track to be compliant by April 2003, accounting for some 72 per cent of Housing Benefit expenditure. The Department developed a modular approach, introduced in 2002 to facilitate take-up by the remaining authorities. The Department will increase Verification Framework funding to local authorities by 50 per cent from April 2003 to respond to local authorities' concerns about the costs of implementing the Framework. The Department consider that at least 25 further authorities will be compliant in one or two of the three modules by April 2003. In total £223 million is available for the next three years from April 2003. The Department have committed to a full implementation by 2006, eight years after they introduced the framework.

### The Department's anti-fraud subsidy scheme for local authorities

- 24 Funding has been a longstanding cause of tension in the Department's relationship with local authorities, with authorities seeking what they consider adequate recompense for the costs of administering the benefit and tackling fraud and the Department keen to secure value for money when faced with very variable standards across the 408 authorities. The Department are seeking to engender a new spirit of partnership by supporting authorities in driving up standards and providing significant additional funding to help them achieve this.
- 25 A major feature of this new approach is the performance standards developed by the Department in collaboration with local authorities and organisations involved in Housing Benefit administration. The standards enable authorities to assess their benefit administration and anti-fraud performance, and will form the basis of future inspections by the Benefit Fraud Inspectorate. The Department have allocated £200 million over three years to help authorities meet these standards, but they did not impose a deadline for meeting the standards across all authorities due to the enormous variations in local authority circumstances and current performance. However, achievement against the standards is part of the Best Value performance framework, and its five-year timescale.
- 26 The Department introduced a new subsidy scheme to fund local authorities' anti-fraud work from April 2002, which seeks to rectify the serious flaws that existed in the previous scheme. The Department considered that the ideal arrangement of measuring individual authorities' success in reducing fraud and error as a whole (which could involve a national sample size of around 400,000 cases), would have been prohibitively expensive. Therefore, the new scheme rewards authorities for finding and acting on individual instances of fraud and error. The new scheme aims to promote a better balance in local authorities' use of fraud prevention work and sanction against fraudsters. Parallel running of schemes in 2001-02 resulted in low take up of the new scheme. In response the Department made adjustments to the funding criteria.

### Housing Benefit fraud investigations

- 27 Successive reviews have highlighted concerns over the quality and extent of local authority fraud investigation work. Local authorities detect around £95 million of fraud each year, compared with the Department's most recent estimate that the total level of Housing Benefit fraud may be as much as £500 million. The raw data show a fall in the number of frauds detected, although the Department consider this could be wholly or partially explained by a tightening of the definition of fraud for the purposes of successive incentive schemes.
- 28 There are signs that local authorities are targeting their efforts on higher value cases, and that effective fraud detection methods are being used to a greater extent. Data-matching services provided by the Audit Commission and the Department have increasingly helped local authorities in detecting fraud and error. Some £24 million in fraud and error was detected from the Audit Commission service alone in the 2002 exercise, a 60 per cent increase from two years previously.
- 29 Authorities have also made progress in improving the professionalism of their fraud investigations. The Department have made funded professional training in fraud investigation available to local authorities. Currently 80 per cent of the 1,650 local authority investigators have commenced the accredited training, and 58 per cent have completed the programme.

### Joint working with local authorities

- 30 Many people claiming Housing Benefit also claim benefits from the Department for Work and Pensions. As various rules of entitlement on Housing Benefit are the same as for Income Support and income based Jobseeker's Allowance, good collaboration between Departmental and local authority teams is essential, particularly in tackling fraud. But previous attempts to improve joint working have had limited success. The Department have responded to this through their Joint Working Unit, set up in 2001, to improve the exchange of information, joint work and spread good practice. They also have an action plan to tackle weaknesses in joint working. The Department have established boards to bring key players in Jobcentre Plus regions and local authorities together more regularly to lead on fraud strategy and operations in the regions.

### Sanctions against fraudulent customers

- 31 Historically, many local authorities have done very little to penalise fraudsters. For example in 1998-99, out of some 204,000 detected frauds, local authorities pursued around 800 prosecutions (less than one per cent). In 2001-02, when the Department introduced a subsidy of £2,000 for each successful prosecution and made professional training available, there has been a trebling of prosecutions from 1998-99 levels. The increased financial reward was introduced in the light of a near three year long trial (between end-1998 and mid-2001) in offering local authorities the direct use of the Department's legal services. This showed that there was limited demand for such a facility among the larger authorities, which preferred to develop their own in-house legal expertise. However, the Department have now begun to make their legal services available nationally for the benefit of smaller authorities.

# Overall conclusions and recommendations

**32** Our main conclusions are summarised below, and are followed by a detailed list of recommendations.

- Benefit fraudsters will take advantage of opportunities to claim benefits to which they are not entitled if it seems worthwhile for them to do so, in other words when the gain from cheating outweighs the risk of detection and the likely penalty.
- The Department have a set of programmes that are designed to make fraud more difficult to commit (i.e. prevent fraud), increase deterrence, increase the probability of frauds being detected and increase the penalties for committing fraud.
- These programmes have produced some good results. But more needs to be done to:
  - Concentrate on existing known areas of higher risk and to assess emerging risks;
  - Address the decline in the level of the Department's fraud prevention and investigative activity;
  - Raise regional performances closer to the level of the best, through more detailed analysis of the causes of variation, and through dissemination of good practices;
  - Evaluate the deterrent effect of the different sanctions available;
  - Assess the effects of recent initiatives on Housing Benefit fraud to ensure these are achieving expected improvements in local authorities' benefit administration and anti-fraud work.



# Overall conclusions and

## On estimating the scale and nature of fraud:

- a Reliably estimating the level of fraud is an essential feature in assessing the effectiveness of the Department's activities to tackle fraud. Developing and implementing a planned programme of reviews for other benefits, as recommended by the Committee of Public Accounts, and with regard to the resource involved in implementing their plan, would help inform the Department of the relative risks involved and further action needed to tackle fraud in these benefits (paragraph 1.15).

## On preventing and detecting fraud in the benefits administered by the Department:

- b Extra checks on new and existing claims with a higher risk of fraud are an effective means of preventing fraud. However, there is considerable variation in the performance of the Department's regions in preventing fraud. The Department should both encourage regions to continue to innovate and stimulate the wider adoption of good practice from regions with greater success in this checking process. Such good practices include developing and using knowledge of local factors when selecting cases for additional checks and developing specialist skills in staff to carry out different types of checks (paragraphs 2.34 and 2.35).
- c Recognising the varying degrees of progress by regions in reducing fraud and error, the Department are trying to identify the reasons and good practices which could be promoted more widely. Our analysis of the variation in results of fraud prevention and investigation activity suggests further improvement can be made by bringing the performance of regions closer to that of the best, while recognising that completely uniform performance is not realistic. The Department should both encourage regions to continue to innovate and stimulate the wider adoption of good practice, particularly in the targeting of checks, drawing on the good practices identified in Figure 21 of this report. They also need to continue monitoring regions' compliance with recent initiatives and guidance to ensure the full gains are realised (paragraphs 2.36, 2.62, 2.66 and 2.70).
- d The information currently collected by the Department does not give a sufficiently clear view of whether regions' performances on interventions and investigations are improving or not. Nor can the Department track the outcomes of fraud referrals accepted for investigation within each year, but only count overall activity within each year. This demonstrates a gap in the Department's management information, which they are seeking to address. The Department do not collect cost information in sufficiently reliable detail to determine actual spending on such activity. The Department should consider refining the performance measures used on the value of frauds prevented or detected, to take account of the timescales that frauds have gone, or would go, undetected. The Department should consider how they could collect such information to enable them to compare the relative costs and benefits of different approaches adopted by regions, and determine the potential for improvement. This will be important in assessing the relative impacts of intervention and investigation activities on levels of fraud and error, and the desirability and scope to increase the level of fraud prevention and detection activity (paragraphs 2.37, 2.46, 2.53, 2.56, 2.60 and 2.61).



# recommendations

- e The early results of the Joint Shadow Economy Teams' investigations are encouraging and the Department are working with others to address the various practical constraints to improve their effectiveness. As the work of the Teams grows, the Department should look at publicising this work more widely to generate further interest and intelligence on suspect cases from the public (paragraph 2.75).

## On imposing sanctions against those found committing fraud against the benefits administered by the Department:

- f The Department last researched the effect of sanctions on fraudsters in 1997, when administrative penalties were first introduced. The Department should consider updating this research to assess the deterrent effect of the different sanctions used by the Department (paragraph 2.83).
- g Prosecution of fraudsters can be a lengthy and complex process. Cautions and administrative penalties are quicker and simpler sanctions to apply. However, the Department's policy is to restrict the application of these sanctions to frauds below £1,500 and this limit has not been increased since 1997. Raising it would allow the Department greater flexibility in using cautions and penalties as alternatives to prosecution in borderline cases. This option should be considered as part of the wider research on sanctions recommended above (paragraph 2.81).

## On Housing Benefit fraud:

- h The local authority performance standards set by the Department, and the additional funding, provide an opportunity to make significant improvements in benefit administration and in arrangements to tackle fraud and error. The Department should continue to monitor closely local authorities' progress towards the standards (paragraph 3.21).
- i The Department need to continue to evaluate the results of the new anti-fraud subsidy scheme to ensure that targets for individual local authorities are challenging but achievable. The Department should also review whether the incentives and rewards for prevention, detection and prosecution activity are achieving improvements in the scale and quality of local authority activity (paragraphs 3.29 to 3.36).
- j The Department need to ensure more effective and extensive joint working with local authorities through their accountability arrangements with regional directors. They should monitor the adoption of the standards in the Fraud Partnership Agreement to avoid a recurrence of the failures in previous agreements (paragraphs 3.50 to 3.51).
- k The Department should continue to encourage improved standards in the conduct of fraud investigations, including promoting the adoption of professional fraud training for local authority investigators (paragraphs 3.37 to 3.43).

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Allowance.

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that later date.

**You**

No ☐ Only fill in the answer boxes under **You** on pages 1 to 16. Then go to page 34.

Yes ☒ You and your partner, if you have one, must fill in all parts of the form that apply to you.

**Your partner**

Only fill in these boxes if you are making a joint claim for Jobseeker's Allowance.

Are you and your partner making a joint claim? Some people make a joint claim. Read Note 1. This applies to you and your partner.

If you are not making a joint claim, does your partner make a claim? If No, say so. If Yes, you can about your partner's claim.

living with you? No ☒ Yes ☐

Are you married to or living with someone who is married to them. Yes ☐ No ☒

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SMITH

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# Part 1

## The scale and nature of fraud losses

### Estimate of fraud loss

1.1 The Department for Work and Pensions estimate that people fraudulently claimed benefits worth some £2 billion in 2001-02, around two per cent of total benefit spending. The total loss against the Department equates to around £80 a year for each household in Great Britain. Within the total estimate of fraud, the main losses come from Income Support, Jobseeker's Allowance and Housing Benefit, which are the Department's main priority areas in their fraud strategy (Figure 1).

1.2 In 2000-01 an estimated 5.4 per cent of people claiming Income Support (204,000 individuals) and 8.6 per cent of people claiming Jobseeker's Allowance (86,000 individuals) are claiming the benefit fraudulently at any one time. The actual number of people committing fraud during a year will be higher. Examples of frauds committed against the different benefits are set out in Figure 2 overleaf.

#### 1 The Department estimate that some two per cent of benefit spending was lost through fraud in 2001-02

Benefit	Departmental expenditure in 2001-02 £	Estimate of fraud loss in April 2001-March 2002 <sup>1</sup> £	Percentage of Departmental Expenditure %
Income Support <sup>2</sup>	14,200 m	530 m	4
Jobseeker's Allowance	2,600 m	170 m	7
Housing and Council Tax Benefit <sup>3</sup>	9,000 m	500 m	6
Other Benefits <sup>4</sup>	76,900 m	800 m	1
Instrument of payment fraud <sup>5</sup>	Not applicable	80 m	Not applicable
<b>Total</b>	<b>102,700 m</b>	<b>2 billion<sup>6</sup></b>	<b>2</b>

#### NOTES

1. Estimates of fraud in Income Support and Jobseeker's Allowance are updated every six months. Estimates of fraud in other benefits are drawn from one-off measurement exercises carried out before 2001, are not updated annually and are likely to be less accurate.
2. Income Support expenditure includes £4.5 billion on Minimum Income Guarantee.
3. The Housing Benefit and Council Tax Benefit Departmental expenditure figure is Department for Work and Pensions' subsidies and rebates to local authorities. The latest estimate for fraud loss is based on an extrapolation from data collected in 1997-98. The estimate is an upper limit of what the loss from fraud might be.
4. For example, Incapacity Benefit, Disability Living Allowance, Retirement Pension and Child Benefit.
5. This loss is from all benefits, as the Department do not separately categorise Instrument of payment fraud by benefit.
6. The total figure is rounded to £2 billion.

Source: Department for Work and Pensions



## 2 Examples of frauds committed against the different benefits

- A man claimed **£56,000** in Income Support and other benefits while running a bus company employing drivers who fraudulently claimed **£50,000** in Incapacity Benefit.
- A mother defrauded the Department of **£2,400** in Income Support by continuing to claim for her son as a dependent for 42 weeks after he had been taken into care. She was sentenced to two months imprisonment.
- An Income Support customer fraudulently obtained **£22,402** by failing to declare that they were working as a hospital kitchen assistant. They were sentenced to three years probation.
- A woman claiming Income Support as a lone parent failed to declare that she was married, living with her husband and that he was in full-time employment. She defrauded the Department of **£24,962** and was sentenced to 12 months community punishment and 90 hours community rehabilitation.
- A man was found to be claiming benefit in his own and two hi-jacked identities, and was estimated to have defrauded **£50,000**. A house search later revealed evidence of up to twenty separate identities. He was sentenced to fifteen months imprisonment.
- The National Fraud Initiative indicated that a Housing Benefit customer, based on low declared income, was also working within the NHS. Investigation of the case found that the customer had failed to declare this employment. Further enquiries established that the customer was also receiving Income Support without declaring the employment and had submitted false claims for Family Credit and Working Families Tax Credit. The customer pleaded guilty to obtaining benefits by deception over five years, and received an 18 months prison sentence, suspended for two years.
- A council employee was found to have claimed Housing Benefit while claiming she was a private tenant who worked part-time on low earnings. The customer in fact worked full-time on a higher salary and owned the property she claimed to be renting. The fraud continued between January 1998 and April 2001. She was sentenced to a two year community rehabilitation order and ordered to repay **£19,300**.

*Source: National Audit Office/Department for Work and Pensions*

- 1.3 In meeting their objectives of helping more people to work while providing security for those who cannot, and combating poverty amongst children and pensioners, the Department must strike a difficult balance between providing a prompt and considerate welfare service to millions of legitimate and needy customers, whilst also protecting the public purse by operating systems that are secure from start to finish. **Figure 3** shows the range of benefits provided.

## Types of fraud committed

- 1.4 All benefits are vulnerable to fraud to some extent, with means-tested benefits having the greatest vulnerability. In assessing the veracity of a claim for a means tested benefit, the Department must rely to a large degree on declarations by customers about their identity and circumstances. Means tested benefits, such as Income Support, must cater for the wide range of circumstances in which individuals find themselves and disability related benefits require individual assessments from the customer and third parties of how their condition affects their care needs.
- 1.5 In general, frauds against the Department are mainly opportunist attempts by individual customers to increase the amount of benefit they receive each week, or prevent an otherwise justified reduction. Substantial frauds cannot generally occur in one go since the average weekly Income Support payment is around £70. Sizeable losses can build up, though, where frauds go undetected over a long period of time. The Department estimate that the average sum lost on a fraudulent Income Support claim, for example, is around £55 a week. Many detected frauds on Income Support are found to have lasted a year or more (indicating an average loss due to an Income Support fraud of £2,900 a year). By comparison, claims for Jobseeker's Allowance are of shorter duration and the average period of fraud when detected is correspondingly shorter.
- 1.6 The types of fraud most commonly committed vary between different types of benefit recipient (**Figure 4 on page 16**). For lone parents receiving Income Support, for example, failure to disclose that they are "Living Together as Husband and Wife" is the most common fraud. For pensioners receiving Income Support (Minimum Income Guarantee), however, it is incorrect declaration of capital and for Jobseeker's Allowance customers, it is failure to disclose full time earnings from work. **Figure 5 on page 17** shows why, for example, the "Living Together as Husband and Wife" rule is vulnerable to fraud. A further important cause of fraud is failure to notify the Department of the receipt of other benefits.

## Losses from organised and systematic fraud

- 1.7 In addition to losses from opportunist frauds, the Department suffer from more systematic and premeditated attacks. The Department estimate the level of such fraud to be around £100 million a year, some 5 per cent of the fraud losses for the Department as a whole. The main area of loss from organised fraud is through stolen, altered or counterfeit instruments of payment, estimated at £82 million in 2001-02, in line with the estimate for 2000-01 of £77 million.



### 3 Department for Work and Pensions' expenditure on the main benefits

Benefit	Purpose	Amount £ billion <sup>1</sup>
Basic State Pension	For people who have reached state pension age and meet the national insurance contribution conditions.	41.9
Disability Living Allowance and Attendance Allowance	For people who need help with personal care, getting around or both because they are ill or disabled.	9.7
Income Support	For people over 16 and under 60 whose income and capital are below certain levels. Part time work must be 16 hours a week or less. In general Income Support is available only to people who are not required to be available for work, such as lone parents, disabled people or those who are sick.	9.7
Housing and Council Tax Benefit*	For people on a low income who need help with rent and council tax payments.	9.0
Child Benefit	For parents raising children. Paid to the person responsible for a child regardless of income or national insurance contributions.	8.8
Incapacity Benefit	For people who are incapable of work and are employed, or are self-employed, unemployed or non-employed but who have paid enough national insurance contributions.	6.7
Minimum Income Guarantee	For people aged 60 and over whose income is below a certain level.	4.5
Jobseeker's Allowance	For unemployed people who are actively seeking work, are capable of work and are available for work.	2.6
Other benefits		9.8
<b>Total</b>		<b>102.7</b>

\* The Housing Benefit and Council Tax Benefit figure is Department for Work and Pensions' subsidies and rebates to local authorities.

#### NOTE

1. 2001-02 outturn.

Source: Department for Work and Pensions

- 1.8 The other main type of organised fraud faced is claims based on fictitious identities, known as identity fraud. Such claims nearly always make use of false documentation, for example a bogus identity obtained through a forged birth certificate or passport, or a legitimate identity obtained by using a dead person's National Insurance Number. The production of false identities is sometimes carried out by larger criminal networks engaged in people and drug smuggling and other criminal activities. The Department estimate that wholly fictitious benefit claims, using fraudulent identities, lead to losses of between £20 million and £50 million (between one per cent and 2.5 per cent of total estimated benefit fraud losses).
- 1.9 A further type of organised fraud affecting Housing Benefit is landlord fraud. Landlord fraud takes various forms. These include situations where the landlord is in receipt of benefit himself and does not declare owning properties, where the landlord declares fictitious tenants and where the landlord contrives tenancies. The Department consider that landlord fraud is usually organised, involving premeditation and collusion, but forms a relatively small part of the overall stock of fraud identified.

## The Department's measurement of the levels of fraud

1.10 The Department have devoted considerable effort to estimating the level of fraud, and losses arising from errors by customers and officials, to help assess the risks they face and to evaluate the success of action taken to reduce the level of loss. To produce their estimates, the Department examine a sample of benefit claims in payment to determine whether they are fraudulent or in error, and extrapolate the results to form a national estimate of the level of loss at that point in time. For Income Support and Jobseeker's Allowance, the Department have produced national estimates every six months since 1998. These exercises are resource intensive and in 2001-02 the Department spent £5.8 million to carry out the measurements of fraud and customer error in Income Support and Jobseeker's Allowance. The Department for Work and Pensions' measurement methodologies are set out in more detail in Appendix 3, along with the results of the national estimates of fraud and error in Income Support and Jobseeker's Allowance since the 1997-98 baseline.

#### 4 The main types of fraud and customer error committed on Income Support and Jobseeker's Allowance vary between the different customer groups

Benefit (and customer group)	Three main causes of fraud and customer error	Proportion of benefit overpaid within each customer group <sup>1</sup> %
<b>Income Support</b>		
<i>Lone Parents</i> 1 in 11 claims are fraudulent	■ Failure to disclose "Living Together as Husband and Wife"	42
	■ Failure to disclose earnings from work	26
	■ Failure to disclose other sources of income	8
<i>Pensioners</i> 1 in 31 claims are fraudulent	■ Incorrect declaration of capital	34
	■ Customer living abroad	18
	■ Failure to disclose receipt of other benefits	14
<i>Disabled/others</i> 1 in 19 claims are fraudulent	■ Failure to disclose earnings from work	19
	■ False address or customer not at address	15
	■ Failure to disclose receipt of other benefits	11
<b>Jobseeker's Allowance</b>		
1 in 12 claims are fraudulent	■ Failure to disclose full time earnings from work	55
	■ Failure to disclose "Living Together as Husband and Wife"	9
	■ False address or customer not at address	9

#### NOTE

1. The percentages represent the proportion of benefit overpaid within each customer group due to the causes shown (e.g. 42 per cent of the benefit overpaid to lone parents through fraud or error is caused by their failure to disclose that they are "Living Together as Husband and Wife"). The proportions are indicative only.

Source: Department for Work and Pensions

1.11 Our research of practice in equivalent government departments overseas and in the private sector suggests that the Department are at the forefront in developing estimates of welfare fraud loss. The Australian National Audit Office, for example, found that Centrelink, the government agency responsible for the provision of social security and employment services in Australia, did not have an estimate of benefit fraud and error, which led to a focus on discovering fraud and error rather than reducing it.<sup>5</sup> The Australian National Audit Office suggested that Centrelink needed to develop such a measure. In Ireland, the Department of Social and Family Affairs has recognised for a number of years that baseline estimates of welfare fraud loss are needed. The Department of Social and Family Affairs are undertaking a survey to provide estimates of welfare fraud for selected benefits.

1.12 Nevertheless, the Department might be able to make their estimates of fraud more accurate by using a stratified random sample, where the stratification is by risks of fraud and not just by region. They could then establish whether a more efficient sampling system were possible, and if it would provide value for money.

1.13 There have been delays in improving the measure of Housing Benefit fraud. The Department first estimated the level of Housing Benefit fraud in 1996. In 1998, the Committee of Public Accounts found it unacceptable that the Department were still not able to show whether Housing Benefit fraud was increasing, nor information on the types of fraud, nor on regional and local variations in fraud levels. The Committee recommended that the Department needed to make faster progress in developing more reliable information on the level of Housing Benefit fraud (Appendix 2, recommendations (i) and (ii)).

## 5 The "Living Together as Husband and Wife" rule creates an incentive for customers to fraudulently conceal their relationship or their living arrangements from the Department

### SITUATION A:

A man and a woman, over 25, claiming Income Support, and either married or considered to be living together as if they were married.

Total benefit = £84.65 a week (£42.325 a week each<sup>1</sup>)

### SITUATION B:

A man and a woman, over 25, claiming Income Support, in a relationship and living apart.

Total benefit = £107.90 a week (£53.95 a week each<sup>1</sup>)

**Difference to Situation A: £23.25 a week more**

The "Living Together as Husband and Wife" rule means that two people in a relationship but living separately each receive a higher rate of benefit than if they are in a relationship and live together as if they were married.<sup>2</sup> This creates a strong financial incentive for customers to conceal their true living arrangements or their relationship from the Department. Breaches of the "Living Together as Husband and Wife" rule is one of the most common Income Support frauds (the total cost of living together fraud in Income Support is £165 million).

The Department have found that customers breaking the "Living Together as Husband and Wife" rule do not believe they will get caught or that, if they are, the rules will be too ineffective to allow them to be defined as a couple. Some customers do not declare their true circumstances because they do not feel they are in a relationship that can be likened to that of husband and wife, even if the rule indicates that they are.

There is considerable potential for subjectivity in what constitutes sufficient evidence to prove that a male/female couple are "Living Together as Husband and Wife" and there is no legal definition of a "husband and wife" relationship. Therefore, in deciding whether two people are living together as husband and wife, the Department must make difficult judgements based on criteria embodied in case law.

### NOTES

1. Basic Income Support rates at April 2002. The actual amount paid varies depending on individual circumstances.
2. The rule only applies to male/female relationships and does not require evidence of a sexual relationship. The rule exists because, since it was first formulated in 1948, it has been a central principle in income related benefits that there should be no difference in the treatment of married and unmarried couples, as a matter of equity. The rule is based on the principle that a man and a woman living together incur fewer expenses than if they live separately, and therefore need less benefit.

Source: National Audit Office

1.14 The Department published the results of a second review of Housing Benefit in October 1998.<sup>6</sup> The Department did not begin to measure Housing Benefit loss on a continuous basis, on the same basis as Income Support and Jobseeker's Allowance, until April 2001. They intended to use the 2001-02 data as a baseline to judge future performance. While the Department's project management guidance requires pilot studies to be run, the Department decided to forego a pilot study. The Department then encountered problems with data collection, due to the lack of fully trained staff, an imprecise mechanism for gathering data, lack of full engagement with local authorities and a biased sample. The Department recognise that these issues would probably have been identified and resolved if they had carried out a pilot study. Despite spending £3.2 million on the measurement exercise in 2001-02, the results were not of sufficient accuracy to be published or to establish a baseline estimate of fraud and error. However, the Department are now undertaking initial analysis of the results. Following investment of extra resources, changes in the guidance, methodology, database and working with local authorities, the Department now expect to publish the first results from the continuous review in 2003.

1.15 Other major benefits have been measured either through "snapshot" full measurement exercises, known as National Benefit Reviews, or in some cases by pilot exercises. Such estimates do not necessarily remain reliable guides to levels of fraud and error because of changing patterns of claims and spending on the benefits and changes to the benefit rules. The Department have not introduced regular reviews on these other benefits because of the costs involved and the higher priority given to those benefits where they suffer greatest loss. Reliably estimating the level of fraud is, however, a major feature in assessing the effectiveness of the Department's activity to tackle fraud. As recommended by the Committee in 2002<sup>7</sup>, the Department need to supplement their estimates of fraud and error on Income Support, Jobseeker's Allowance and Housing Benefit, with a planned programme of reviews of other benefits. In their response the Department agreed that it would be desirable to have more up-to-date estimates of fraud and error across the whole benefits system but noted that they need to take into account the expense and complexity of the required review processes.<sup>8</sup> The Department stated they were committed to introducing a measure of fraud and error in Pension Credit when it is introduced in 2003. They propose to consider more extensive measurement as resources allow.

<sup>6</sup> National Housing Benefit Accuracy Review 1997-98, Government Statistical Service.

<sup>7</sup> Fraud and Error in Income Support, 55th Report, Committee of Public Accounts, HC595, 11 September 2002.

<sup>8</sup> Treasury Minute on the 55th Report from the Committee of Public Accounts 2001-02 - The Department for Work and Pensions, Fraud and Error in Income Support (CM 5676) paragraph 2, November 2002.

## 6 Ultimately the Department aim to reduce the level of loss on Income Support and Jobseeker's Allowance for people of working age by 50 per cent by 2006, and on Housing Benefit by 25 per cent

Benefit	Public Service Agreement target <sup>1</sup>	Target loss (percentage of benefit spending) against the baseline %	Baseline <sup>2</sup> %
Income Support and Jobseeker's Allowance (all customers)	Reduce level of loss by 10 per cent by March 2002	8.1	9.0
Income Support and Jobseeker's Allowance (working age customers only)	Reduce level of loss by 33 per cent by March 2004	6.9	10.4
	Reduce level of loss by 50 per cent by March 2006	5.2	10.4
Housing Benefit	Reduce level of loss by 25 per cent by 2006	To be identified by 2003	

### NOTE

1. Targets in full are:

**Spending Review 1998** - Reduce by 30 per cent benefit losses from fraud and error on Income Support and Jobseeker's Allowance by March 2007, with at least a 10 per cent reduction by March 2002.

**Spending Review 2000** - Reduce by 50 per cent losses from fraud and error in Income Support and Jobseeker's Allowance by March 2006, with a 25 per cent reduction by March 2004.

**Spending Review 2002** - Announced new targets to apply from April 2003. The reductions required, of 33 per cent from March 2004 and 50 per cent from March 2006, are for working age customers only (Jobcentre Plus).

2. The new targets were established because of the introduction of Pension Credit in 2003, which will replace Income Support for Pensioners. As a result, the baseline for these targets has been recalculated to include working age customers only.

Source: Department for Work and Pensions

## Targets to reduce losses from fraud and error on Income Support, Jobseeker's Allowance and Housing Benefit

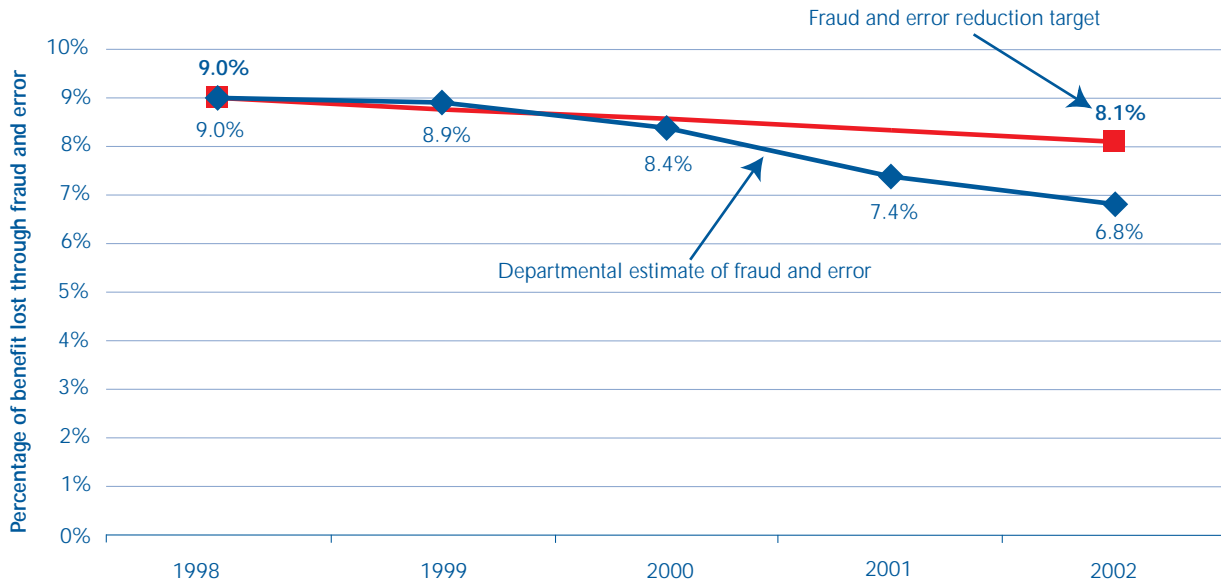
1.16 As part of their approach to tackling fraud, the Department agreed with HM Treasury a Public Service Agreement target in the 1998 Spending Review to reduce benefit losses from fraud and error in Income Support and Jobseeker's Allowance by specified amounts over time. The targets were increased in the 2000 and 2002 Spending Reviews. A target for Housing Benefit was also added in 2002. Details of the current targets are in [Figure 6](#).

1.17 The 2004 and 2006 targets for reducing losses in Income Support and Jobseeker's Allowance have been set on a new baseline level of loss, relating to the levels of fraud and error in payments to customers of working age only. This follows the creation of Jobcentre Plus to deal with customers of working age, and also changes in the conditions of benefit paid to pensioners with the introduction of Pension Credit from October 2003. The Department also have a target to reduce losses from fraud and error in Pension Credit by 20 per cent by 2006 against the 2001-02 baseline. The reduction will be measured against the estimated 4.6 per cent of fraud and error in Income Support paid to pensioners (Minimum Income Guarantee) in the year to March 2002.

1.18 The target for Housing Benefit is comparable with the earlier targets set for Income Support and Jobseeker's Allowance. The baseline for the Housing Benefit target will come from the estimated losses for 2002-03, which will not be available until the end of 2003. The absence of a baseline figure leaves some uncertainty over the Department's ability to achieve the target and the extent of measures needed to reduce fraud and error by the amount set.



**7** The Department reduced the level of loss on Income Support and Jobseeker's Allowance to 6.8 per cent by March 2002, bettering the target of 8.1 per cent



Source: National Audit Office

## Progress against target for reducing fraud and error

1.19 The level of fraud and error in Income Support and Jobseeker's Allowance in April 2001 - March 2002 was 6.8 per cent (a loss of around £1.15 billion). Of the total loss, 4.1 per cent (£700 million) was classified as fraud. The proportion of expenditure overpaid due to fraud and error has fallen by 24 per cent from the baseline in 1997-98, exceeding the target reduction of 10 per cent set for March 2002 (Figure 7). The latest results suggest that the rate of reduction is slowing compared to earlier years. Achieving the new target set for March 2006, using the revised working age baseline would reduce fraud and error losses to around £640 million a year in these two benefits, at 2001-02 levels of benefit expenditure.<sup>9</sup>

## Changes in the organisation of the Department and their work to tackle fraud

1.20 Over the last two years, there has been significant organisational change in central government's delivery of welfare provision. The Department for Work and Pensions were created in 2001 by the merger of the former Department of Social Security with parts of the former Department for Education and Employment. And in April 2002 Jobcentre Plus and The Pension Service replaced the Benefits Agency and the Employment Service. Jobcentre Plus provide work and benefit services for people of working age. The Pension Service deliver benefits and services to current and future pensioners. The services of Jobcentre Plus are delivered through 11 regions covering England, Wales and Scotland, and a network of some 1,400 local offices. The Pension Service is delivered through nine regions covering England, Wales and Scotland. A network of 26 centralised pension centres, supported by a local service, is being implemented which will have responsibility for delivering the complete range of state retirement benefits to pensioners. Disability benefits are administered through 11 regional centres and the main office in Blackpool and Child Benefit is administered in Newcastle.

1.21 The Department spend around £4.9 billion a year in administering benefits. The benefit delivery organisations make around 66 million benefit awards a year (this takes into account that some people receive more than one benefit). Jobcentre Plus employ around 50,000 staff with responsibility for paying benefits, all of whom play a part in the front line controls against fraud, as an integral part of the secure processing of benefit claims. They include intervention officers who help check benefit claims. The Pension Service currently employ around 15,000 staff. Housing Benefit is separately administered by the 408 local authorities.

1.22 The Department's arrangements to tackle fraud have undergone significant change recently, partly as a result of the recommendations in the 2000 Scampton report. This examined how organised fraud against social security benefits could be countered and made recommendations to secure the social security system against fraud in the future (Figure 8). Most of the recommendations have been implemented, including the external appointments of the Head of Fraud Strategy and Chief Investigation Officer/Head of Profession. But the Department decided against implementing the recommendation for a single organisation to investigate all forms of fraud against benefits administered by the Benefits Agency at that time. The Department made this decision in view of the scale of other structural changes they faced and the advantages, given those changes, of retaining an integrated management of both investigation and prevention.

## 8 The major recommendations of the Scampton Report

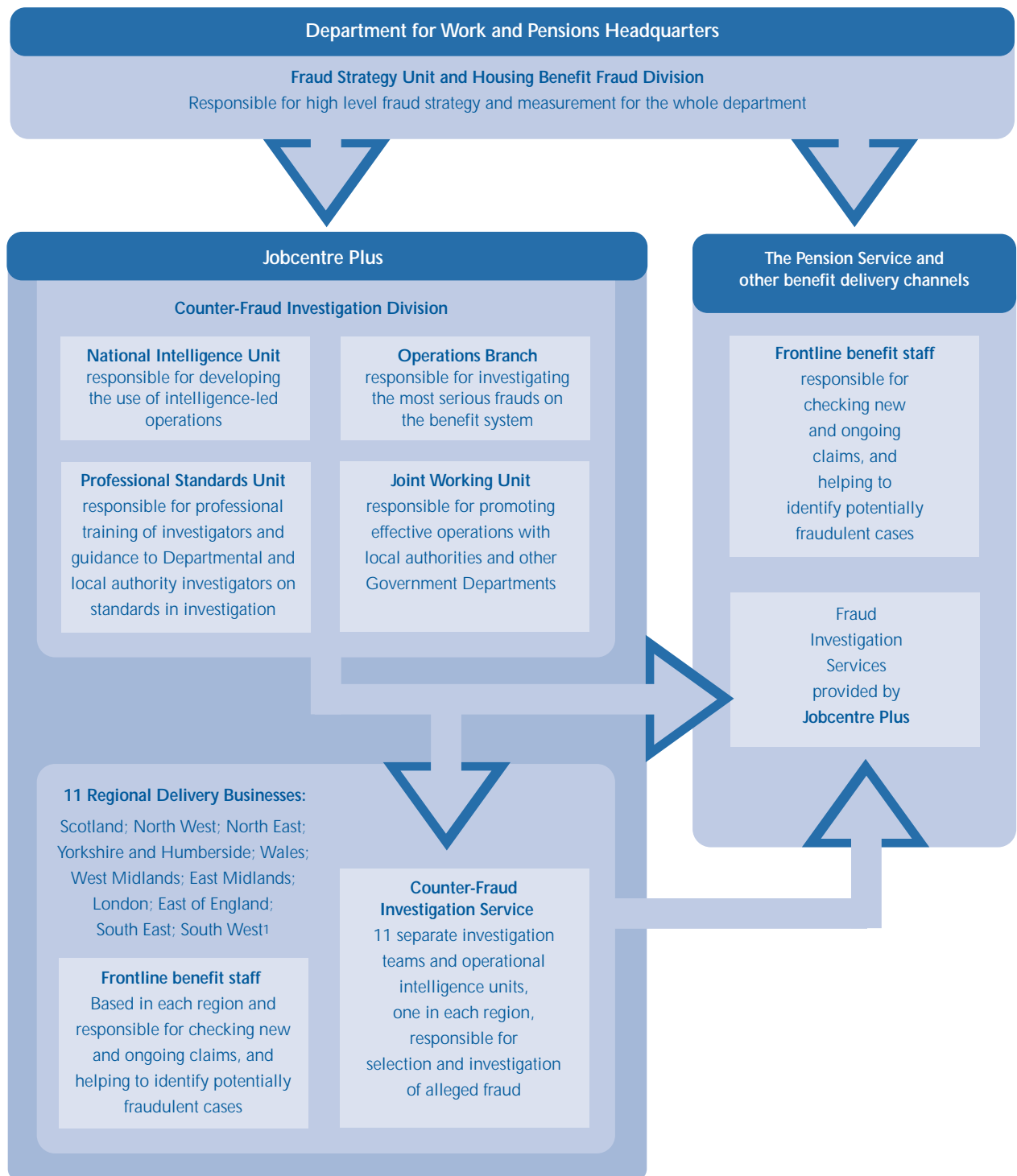
The main recommendations of the Scampton Report were:

- There should be a single organisation to investigate all forms of fraud against benefits administered by the Benefits Agency.
- Professional training for investigators should be mandatory.
- There should be a single organisation to bring together the intelligence work currently being carried out within the Benefits Agency.

*Source: Scampton Report, Chapter 8*

1.23 Fraud responsibilities in the Department are split between four groups: fraud strategy for all benefits at headquarters level; the Investigation Division (under the Chief Investigation Officer and head of profession for Departmental and local authority investigators); the Jobcentre Plus Regional Delivery Businesses; and The Pension Service and other benefit delivery channels (Figure 9). The Department spend around £100 million a year directly on fraud investigation and employ some 5,100 investigators and support staff.

## 9 Shows responsibilities in the Department for Work and Pensions for tackling fraud at April 2002



### NOTE

1. The 11 Jobcentre Plus Regions replaced the 13 Benefits Agency Area Directorates in April 2002 for working age customers.

Source: Department for Work and Pensions





# Part 2

## Fraud against benefits administered by the Department

### Introduction

2.1 In tackling fraud effectively, organisations must try to prevent it being committed in the first place, and where this is not possible, detect, investigate and penalise it. Furthermore, organisations need to get the right balance between these activities. The Department for Work and Pensions current approach to tackling fraud, first set out in 1999, proposed action across four fronts:<sup>10</sup>

- *Getting it right* - aiming to get benefit payments correct from day one;
- *Keeping it right* - ensuring payments are adjusted as circumstances change;
- *Putting it right* - detecting when payments go wrong and taking prompt action to correct them with appropriate penalties to prevent a recurrence;
- *Making sure the strategy works* - by monitoring progress, evaluating the strength of preventive measures and adjusting them in the light of experience.

2.2 This part of the report examines the effectiveness of the Department's activities in tackling fraud against the benefits they administer across these fronts. In particular, it looks at:

- The constraints faced by the Department in tackling fraud;
- The performance of the Department's regions in reducing fraud;
- Fraud prevention checks on new and existing claims;
- Preventing identity and systematic benefit fraud;
- Fraud prevention checks on higher risk benefit claims;
- The Department's efforts to change people's attitudes to fraud;

- The levels, results and standards of fraud investigations, including joint working with other organisations;
- Sanctions against fraudulent customers.

### Constraints in tackling fraud

2.3 The complexities of benefit regulations, particularly for income-related benefits such as Income Support, are a major constraint to improving the basic administration of benefits and tackling fraud. Customers may be eligible for more than one benefit, although the qualifying criteria may differ between benefits. As individuals' circumstances change so might their entitlement to each benefit. The complexity of the rules brings the risk that customers will fail to provide the necessary information for each claim or notify the Department promptly of relevant changes in circumstances affecting each benefit they receive. Furthermore, the complexity presents more opportunity for customers to deliberately conceal or misrepresent their circumstances and, if discovered, claim this as a genuine mistake. Complex rules also bring the risk of error by officials in deciding entitlement as staff have to consider a large volume of instructions and guidance.

2.4 The Committee of Public Accounts have reported several times on the effects of complex regulations, most recently on fraud and error in Income Support in September 2002<sup>11</sup>. In their report the Committee recognised that the regulations are complex to cover a very wide range of individual circumstances. Significant simplification would require major changes in policy and legislation. Payments would be less closely related to individual needs, which could potentially increase costs. In the short-term at least it was probable that transitional payment arrangements to protect customers' existing entitlement would have to be implemented.

<sup>10</sup> "A new contract for welfare: safeguarding social security", Cm 4276.

<sup>11</sup> *Fraud and Error in Income Support*, 55th report of the Committee of Public Accounts, HC595, 11 September 2002.

2.5 In their evidence to the Committee, the Department confirmed that they looked at the administrative consequences and implications for fraud and error in considering areas of new policy<sup>12</sup>. Complex benefits such as Income Support were difficult to administer tautly as they depended on self declaration of means and circumstances. Where money was available and with their new focus on customer groups, they were taking various measures which aimed to reduce complexity, for example:

- the Jobcentre Plus model involved personal advisors and financial assessors checking the information which should help to manage complexity more effectively;
- the claims process for pensioners had been streamlined with a simpler Minimum Income Guarantee claim form which, the Department reported had, together with a new telephone claims line for Minimum Income Guarantee, already delivered a 40 per cent improvement in accuracy;
- when the Pension Credit is introduced, with a more stable caseload, payment of benefits will be for longer periods<sup>13</sup>, thereby not putting people in the position of having to report changes in circumstances so frequently.

2.6 The Committee recommended that to make further progress the Department should undertake analytical work designed to identify the options for change, based on the needs of specific customer groups. In their response<sup>14</sup>, the Department agreed they should keep their options for simplification under review wherever possible. Their modernisation programmes are designed to simplify customers' access to benefits, while building in mechanisms to reduce fraud and error. For example, Jobcentre Plus will, for working age customers, seek to ensure that claims are correct at the outset through new approaches, including assisting customers to complete electronic claim forms over the telephone and by face to face interviews. The Department also plan that Pension Credit, which replaces Minimum Income Guarantee from October 2003, will incorporate major simplification of the rules governing changes that pensioners are required to report, with more generous treatment of savings.

2.7 The Department's inadequate information technology systems are a further constraint. Benefit customer data are held in over 20 separate systems. There is no common access point to all the systems to check

routinely what data are held nor a mechanism to share data between the systems. Customers receiving more than one benefit are asked to provide the same information for each benefit claimed. And benefit administration staff cannot readily check what information has already been received from a customer, in connection with other benefits. This leads to the risk that benefit administration staff will fail to detect inconsistent and erroneous information, where customers have provided different details about themselves for each benefit claimed or they have failed to disclose receipt of other benefits. Some of these risks can be moderated by a separate data matching system that the Department have developed to compare data on different benefit computer systems to identify anomalies. However, this is carried out as a separate process and does not serve as a common access point to the different systems.

2.8 At the time of the Committee of Public Accounts' examination of fraud and error in Income Support in February 2002, the Department were developing plans to replace existing systems for calculating benefit entitlement on Income Support by 2006. The aim was to provide common access to benefit data currently held in the separate systems, to maximise the automation of benefit calculations and reduce the need for clerical interventions. The Committee in their report recognised that the Department faced a major challenge in designing and implementing such a system. The Committee recommended that the Department should reassess their plans for delivering the new information technology systems in the light of their review of the lessons learned on the Child Support Agency. In line with this, the Department are working to update their information systems and information technology strategy.<sup>15</sup> In doing so the Department aim to draw on their experience to date of implementing major information technology projects, the experience of other organisations in both the public and private sectors, and to ensure that future information technology changes make the most of new technology.

2.9 The Department consider that before they can make real progress in addressing these information technology problems they need to put in place a modern infrastructure to support the modernisation of their major information technology systems. As part of this plan, the Department have taken steps to improve customer service and encourage effective information sharing, including the provision of over 130,000 personal computers, and online benefit guides and

<sup>12</sup> *Fraud and Error in Income Support, 55th report of the Committee of Public Accounts, HC595, 11 September 2002, paragraphs 21 and 22.*

<sup>13</sup> *The majority of customers aged 65 or over will have an assessed income period of five years during which they will not be required to report change to their occupational pension or capital.*

<sup>14</sup> *Treasury Minute on the 55th Report from the Committee of Public Accounts 2001-02 - The Department for Work and Pensions, Fraud and Error in Income Support (CM 5676) paragraph 5, November 2002.*

<sup>15</sup> *Treasury Minute on the 55th Report from the Committee of Public Accounts 2001-02 - The Department for Work and Pensions, Fraud and Error in Income Support (CM 5676), paragraphs 7-11, November 2002.*

forms, to their staff; and enabling Child Benefit claims to be taken electronically. Building on such work, the Department plan to:

- introduce an electronic information gathering system for working age customers from 2003, to support claims on key working age benefits (including Income Support, Jobseeker's Allowance and Incapacity Benefit, plus any associated Housing Benefits/Council Tax Benefits, Child Support and new Tax Credit claims);
- pilot an electronic information-gathering system for The Pension Service;
- work to automate routine processing tasks (such as calculating benefit entitlement).

2.10 In addition, the Department have sought to strengthen the management and structure of their modernisation programme to minimise the risks to delivery.<sup>16</sup> They have:

- appointed a new Chief Information Officer and recruited staff to help lead and deliver this programme in conjunction with their strategic partners;

- taken steps to strengthen project governance arrangements to help ensure that individual projects are subject to thorough review and scrutiny;
- carried out internal reviews with the assistance of the Office of Government Commerce, of the procedures and systems to manage the change activity;
- launched a projects professionals group to help ensure that the projects get the right skills when they need them.

## The performance of the Department's regions in reducing fraud and error

2.11 In April 2002, Jobcentre Plus took over responsibility from the Benefits Agency for benefit administration to working age customers and for both the prevention and detection of customer fraud.<sup>17</sup> The Department give Jobcentre Plus regions broad autonomy in how they manage their activity to reduce loss. The Department have set each region individual targets for reducing the levels of loss from fraud and error, which were designed to ensure the Department meet their initial Public Service Agreement target on Income Support and Jobseeker's Allowance for 2001-02 (see [Figure 10](#)).

### 10 There were wide variations in the estimated level of loss in each region when the baseline was set and targets were set accordingly

Region <sup>1</sup>	Baseline in 1997-98 (& margin of error) %		Target level of loss by March 2002 <sup>2</sup> %	Estimated level of loss in 2000-01 (& margin of error) %	
Chilterns	11.2	(9.4-13.0)	9.3	9.9	(8.0-11.8)
Anglia and East London	10.9	(9.3-12.4)	7.9	7.8	(5.7-10.0)
London South	10.2	(8.7-11.7)	9.0	8.4	(6.9-10.3)
Greater Manchester	10.1	(8.8-11.6)	8.9	8.0	(6.3-9.9)
Yorkshire	9.4	(8.1-11.0)	5.7	6.5	(4.8-8.6)
Mercia	8.7	(7.4-10.2)	7.2	6.3	(4.5-8.5)
North West Coast	8.4	(7.2-9.6)	7.4	7.8	(6.2-9.7)
Tyne Tees	8.3	(6.7-9.8)	7.1	6.9	(5.3-8.6)
West of Scotland	8.0	(6.7-9.4)	6.2	8.5	(6.4-10.8)
West Midlands	7.7	(6.4-8.9)	6.0	6.1	(4.6-7.7)
West Country	7.2	(5.9-8.5)	6.6	5.3	(3.8-7.2)
Wales	6.2	(5.0-7.6)	5.4	6.0	(4.7-7.6)
East of Scotland	5.7	(4.8-6.9)	5.2	5.6	(3.9-7.4)

#### NOTES

1. Analysis is based on the Department's old Area Directorates (1 to 13). Data for the first year of the new Jobcentre Plus Regions (2002-03) will be available later in 2003.
2. Level to which each region should reduce losses to meet the Department's Public Service Agreement target level of fraud and error reduction for Income Support and Jobseeker's Allowance.

Source: Department for Work and Pensions

<sup>16</sup> Treasury Minute on the 55th Report from the Committee of Public Accounts 2001-02 - The Department for Work and Pensions, Fraud and Error in Income Support (CM5676), paragraph 11, November 2002.

<sup>17</sup> In April 2002, the 11 Jobcentre Plus regions replaced the Benefits Agency's 13 Area Directorates. This Report uses the term "region" since it represents the Department's current terminology, but the analysis is based on data from the Benefits Agency's Area Directorates. Full year data on Jobcentre Plus regions will be available later in 2003.

2.12 As Figure 10 shows, when the baseline for the targets was established in 1997-98 there was real variation, ranging from an estimated 5.7 per cent to an estimated 11.2 per cent of expenditure, between the regions in the levels of loss from fraud and error. This is wider than could be explained by sampling error. Since then the degree of variation has narrowed to between an estimated 5.3 per cent and an estimated 9.9 per cent, although still wider than could be explained by sampling error.

2.13 Due to the wide margin of error in estimates for individual regions, it is not possible to say that the reductions achieved over the last 30 months are statistically significant. However, the decreasing trend in the estimates since the baseline suggests that fraud and error is decreasing in the majority of regions. There appears to be a trend across the regions for those that had higher estimated levels of loss in 1997-98 to have achieved greater estimated reductions in loss (Figure 10). In Yorkshire, for example, the estimated level of loss was reduced from 9.4 per cent in the baseline year to an estimated 6.5 per cent in 2000-01. In contrast, East of Scotland, which was the best performing region in 1997-98 estimates, achieved only a very small estimated reduction and the estimated level of fraud and error in West of Scotland increased.

2.14 The National Audit Office and the Committee of Public Accounts reported during 2002 on the Department's performance in administering Income Support. These reports examined progress in reducing levels of official error in Income Support payments in the broader context of progress in reducing total losses from fraud and error. The Committee recognised that improvements had been made in payment accuracy rates although wide variations between regions remained. Human resource problems, such as management skills and expertise, staff recruitment and retention of experienced staff administering the benefit were factors in the variations in performance across the country. The Department had put in place a range of strategies including regional performance improvement plans to tackle the underlying causes of variation. The Committee concluded that the

Department should step up their actions to reduce further the variations by implementing regional performance improvement plans and drawing on good practice. The Committee also recommended that the Department tackle the lack of experienced staff administering Income Support, particularly in areas of London, the South East and major cities.

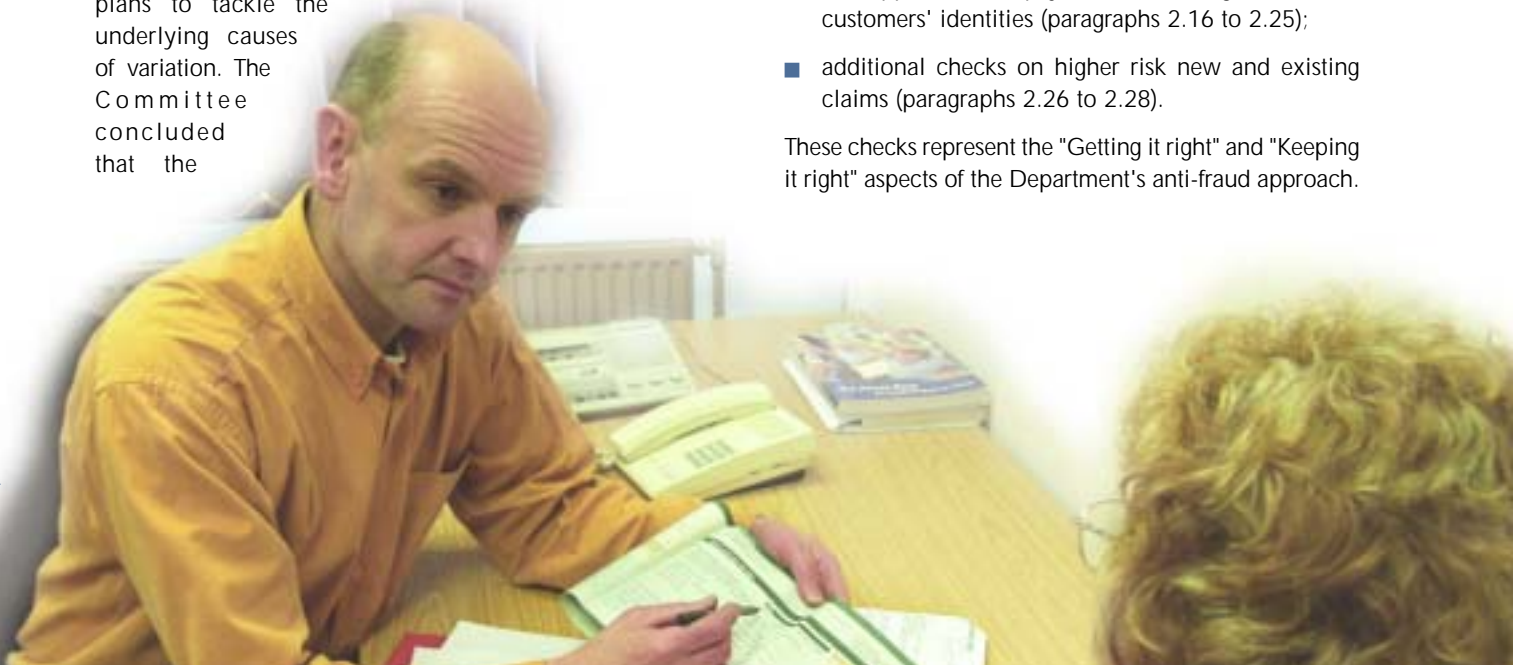
2.15 Having focused their initial priority on reducing the national level of benefit loss, the Department have set up a performance improvement initiative to examine in greater detail the reasons for the apparent varying degree of progress by regions in tackling fraud as well as official error. They are considering whether, for example, different regional environments, such as the workload, the characteristics of the benefit customers and socio-economic factors, are affecting the varying level of fraud between regions. They are also looking at the effects of, for example, variations in the take up of good practice, the ability to manage the organisational and technological changes within the Department and staffing factors. They also aim to identify the types of frauds where regions are generally having least success, to identify and target good practice to reduce these. The Department expect Regions to set out their intended results from intervention and investigation work, including sanction levels and monetary adjustments to benefits, in their 2003-04 plans. The Department expect Regions to measure progress against these plans using a series of indicators, with a view to increasing successful intervention and investigative activity and reducing regional performance variation.

## Fraud prevention checks on claims

2.16 Preventive checks on new and existing claims can be an effective means of tackling fraud. The Department seek to prevent fraud and error across all types of benefits in two main ways:

- close checking of all new benefit claims before they are approved for payment, including checks on customers' identities (paragraphs 2.16 to 2.25);
- additional checks on higher risk new and existing claims (paragraphs 2.26 to 2.28).

These checks represent the "Getting it right" and "Keeping it right" aspects of the Department's anti-fraud approach.





2.17 New claims for benefit are subject to close checks to verify identity and personal circumstances. New claims should not be approved until these checks are complete, and all necessary information has been obtained from third parties. For means tested benefits, this includes evidence on financial circumstances. For disability living allowance, this may include evidence from doctors, social workers and health visitors. Customers of incapacity benefit must supply a medical certificate.

2.18 Once identity has been confirmed, and the basic checking process is complete, specialist decision makers, reviewed by supervisors, determine whether the customer is entitled to benefit and the amount. Customers are informed of their responsibilities to notify the Department promptly of all relevant changes in their circumstances that would affect their eligibility for benefit or the amount they receive. The Department believe that as a result of tighter checks only a small proportion of claims are incorrect from the beginning. They are reviewing how they measure the success of these checks.

## Preventing identity and systematic benefit fraud

2.19 The Department's efforts to tackle identity fraud focus on:

- Making the issue of National Insurance numbers more secure for adults, including persons from abroad;
- Tighter checks on identity when people apply for benefits, including face to face interviews.

2.20 The Department and the Inland Revenue have joint stewardship of National Insurance numbers. Most United Kingdom domiciled adults receive their National Insurance number at 15 years and nine months if Child Benefit is in payment for them. The Department operate an adult registration process for those who do not receive their National Insurance number in this way. All applicants must attend an interview and provide sufficient background information to establish whether a National Insurance number should already exist and, if so, for it to be traced. The Department then decide whether or not a National Insurance number can be issued. The Department then refer the papers to the Inland Revenue for registration on their system.

2.21 A Cabinet Office report in July 2002 found identity fraud in the public and private sectors to be a growing problem, estimated to cost the economy £1.3 billion a year.<sup>18</sup> It concluded that countering identity theft and fraud required an overarching strategy to:

- make the issue of documents used as evidence of identity and the issue of unique identifying numbers more secure;
- tackle the use of counterfeit and stolen documents; and
- detect and prosecute identity fraudsters.

2.22 The Cabinet Office suggested that stronger co-ordination of activity to tackle fraud was needed, in part through strengthening the Interdepartmental Identity Fraud Forum. The Forum is responsible for developing a common multi-departmental approach to identity issues by improving liaison, promoting common procedures and seeking ways to change procedures that hinder the prevention and detection of identity fraud. The Cabinet Office report concluded that the Department's process for allocating National Insurance numbers was a model for other departments to adopt to verify the identity of their customers, although it recognised the implications of higher administration costs and the likely adverse impact on customer service levels from application of the Department's rigorous processes.

2.23 Building on the Cabinet Office's work, the Home Office issued a consultation paper in July 2002 on the practical options for an entitlement card.<sup>19</sup> The potential benefits of the card included tackling identity fraud and illegal working. The Home Office sought views by 10 January 2003 on whether an entitlement card would:

- be more convenient for those using services;
- ensure that people who might have difficulty in obtaining entitlement to services could do so more easily with the card;
- allow the Government to administer services more easily;
- help to tackle illegal immigration and illegal working.

<sup>18</sup> Identity Fraud: A Study, Cabinet Office, July 2002.

<sup>19</sup> Entitlement cards and Identity Fraud, A Consultation Paper, Home Office, July 2002, CM5557.

2.24 In addition to local office checks on identity, the Department have a specialist unit (the Operations Branch of the Counter Fraud Investigation Division) which investigates serious and systematic fraud. This unit focuses largely on identity fraud, instrument of payment fraud and counterfeiting. In 2001-02 the Branch authorised 496 investigations; it identified 492 false identities and successfully prosecuted 272 suspects who were linked to proven losses of some £7.5 million.

2.25 The Department are seeking to eliminate losses from stolen, altered or counterfeit instruments of payment and have a Public Service Agreement to pay 85 per cent of customers their benefits by Automated Credit Transfer by 2005, thereby reducing the opportunity to divert or alter girocheques and orderbooks. The Department and the Royal Mail Group plc have also established a Fraud Prevention Board to identify weaknesses in the payment system and a programme of work to address them, including the exchange of information that directly assists fraud prevention and investigations.

## Fraud prevention checks on higher risk benefit claims

2.26 On top of the basic checks on new claims, the Department carry out additional checks - known as interventions - on new and existing claims with a higher risk of fraud. Interventions are full case checks by specialist staff to ensure that the customer is entitled to the benefit claimed, and that the benefit is paid to the right person at the right rate. Interventions can involve interviews in person, by telephone or by post, or visits to customers in their homes. The Department select interventions through risk assessment based on customer type and through data matching. Examples of situations where local offices must conduct interventions on Income Support claims are shown in **Figure 11**.

### **11** Shows examples of the situations where the Department conduct extra checks on new and existing Income Support claims to prevent fraud

Conduct extra checks on a **new claim** when:

- The customer may be living together with a person of the opposite sex who has not been declared as a partner;
- The customer or partner has recently ceased self employment or sub contracting or is currently working part time in a self employed/sub contracting capacity;
- The customer declares they have separated from their partner immediately prior to claiming benefit.

Conduct extra checks on an **existing claim** when:

- The claim includes dependants aged 16 - 18;
- A female customer is claiming for a partner who has no income;
- The customer or the partner is in current work.

Source: Department for Work and Pensions

2.27 From April 2002, the Department enhanced their risk profiling by introducing an extra category that identifies those cases most likely to result in a significant change in benefit. The risk scoring method used to identify these cases, from those already selected through a risk profile list, examines the proportion of checks that were successful and the change in monetary value of benefit paid. Local offices may also use their knowledge of particular individual benefit claims they administer to carry out additional checks on a customer when their circumstances are likely to change, affecting the amount of benefit for which they are eligible. This process is called active case management.



**12** Shows that, for those interventions on existing claims that resulted in a change in benefit, the estimated average weekly reduction rose 8 per cent in 2001-02

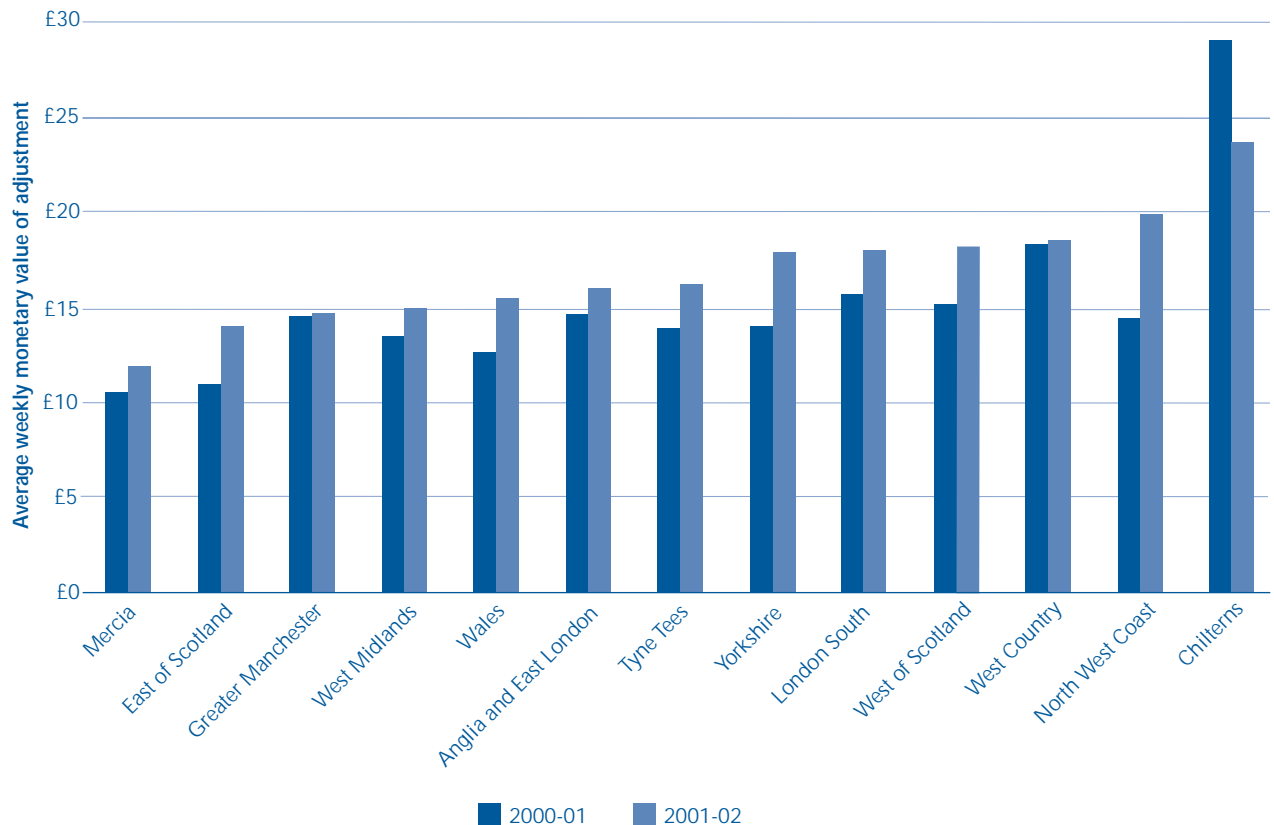
Year	Interventions on existing claims resulting in a change in benefit paid <sup>1</sup>	Aggregate value of weekly reduction in benefit from removing customer errors	Estimated average weekly reduction in benefit from removing customer errors, per intervention <sup>2,3</sup>
2000-01	121,000	£1.9 million	£15.70
2001-02	118,000	£2.0 million	£16.95
Change	-2.5 per cent	+5.3 per cent	+8.0 per cent

**NOTES**

1. This represents the number of changes arising from checks on existing cases (known as Case Interventions and Active Case Management checks). The numbers exclude checks on new claims (known as Gateway Interventions), from which a weekly reduction in benefit paid is not measurable.
2. The number of changes in benefit claimed or in payment includes changes to correct official error and underpayments, as well as changes to correct customer error. However, the Department are not able to provide information on the number of each type. Therefore, the average weekly decrease in benefit per case from removing customer errors has been estimated across the total number of interventions resulting in a change in benefit claimed or in payment.
3. While the intervention checking programme is an integral part of deterring and preventing fraud, all inaccuracies attributable to the customer are categorised as customer error only at this stage since a separate investigation would be needed to determine whether fraud was involved.

Source: Department for Work and Pensions

**13** Shows that there are wide variations between Regions in the average weekly reduction in benefit from removing customer error, achieved from a successful intervention



Source: Department for Work and Pensions

2.28 The Department are investigating the use of new pattern-matching technology to improve the accuracy with which they target risk. This could result in moving from a risk assessment based on customer type to one that identifies risk in individual customers. The project is due to be piloted in March 2004, and completed in October 2004. The Department are also evaluating the outcomes of interventions. This includes identifying any new risks of fraud and error, modifying their risk priorities and interventions checks in the light of these and monitoring completion of priority case lists.

## Regional performance in checking higher risk claims

2.29 The regions carried out some 1.43 million interventions on new and existing claims in 2000-01, at an estimated total cost of around £81 million, an average cost of approximately £57 an intervention.<sup>20</sup> The number of interventions fell to 1.13 million in 2001-02. The average cost of an intervention is a function of the type of intervention, the number carried out and the type of benefit reviewed.

2.30 Regions aim to target interventions on claims that are most likely to be incorrect and to contain higher value errors. The main measure of success is maximising the reduction in benefit from the minimum number of interventions. The reduction is measured as the amount by which the customer's weekly benefit payment is corrected as a result of the intervention. While the intervention checking programme is an integral part of deterring and preventing fraud, all inaccuracies attributable to the customer are categorised as customer error only at this stage since a separate investigation would be needed to determine whether fraud was involved.

2.31 Of the total number of interventions made in 2001-02, some 178,000 (around 16 per cent) resulted in a change in the benefit claimed or in payment, a reduction of 8,000 from 2000-01. For the cases within this group where a claim was already in payment - 118,000 in 2001-02 - the aggregate measurable benefit decrease from removing customer errors was £2.0 million a week (Figure 12). The estimated average weekly decrease in benefit per case from removing customer errors, £16.95 in 2001-02, was up from £15.70 in 2000-01. This eight per cent increase is greater than would be explained from the three per cent increase in benefit rates over this period and indicates a real increase in the returns from interventions. The remaining interventions were made on new claims from which a weekly reduction in benefit paid is not measurable. The interventions made also identified recoverable overpayments, which totalled £10.6 million in 2001-02.

2.32 Successful interventions also lead to the recovery of previous overpayments caused by customer error. The Department do not have estimates of the amount of benefit recovery attributable solely to intervention activity.

2.33 There are considerable variations in regional performance in the level of reduction in benefit made as a result of interventions. Figure 13 shows that Chilterns achieved an average weekly reduction in benefit from a successful intervention of twice that of Mercia, suggesting scope for further improvement across the Regions.

2.34 One reason why some regions achieved higher levels of benefit reductions from successful interventions in 2001-02 was through better targeting of cases for review based on assessment of risk. The proportion of all interventions that led to a withdrawal or reduction of benefit rose from around 13 per cent on average in 2000-01 to around 16 per cent in 2001-02. The proportion of successful interventions in 2001-02 varied between around 10 per cent in East of Scotland to around 21 per cent in West Country. While some variation is inevitable because of local factors, these differences suggest that there is potential for further improvement and that the Department should encourage regions to continue to innovate and adopt good practice more widely.

2.35 From our discussions with regions, we identified various practices that have helped them achieve improvements in their intervention activities. These include:

- using local knowledge of specific factors that may increase the risk of fraudulent or erroneous claims and the value of the inaccuracy, when selecting individual cases for interventions from the Department's risk priority list;
- developing specialist staff skills in conducting interventions in specific risk categories and different types of interventions to improve detection rates; and
- targeting specific geographical locations.

2.36 For case interventions, we estimate that, if all regions had performed at the standards of those in the upper quartile in 2001-02, they might have achieved around a 12 per cent increase (13,600 more cases) nationally in successful interventions that year. And we estimate that they might have increased the total weekly reduction in benefit from removing customer errors by around a further 22 per cent (£440,000) if they had all performed at the standards of those in the upper quartile. The initiatives mentioned above, which aim to understand better the causes of regional variation in performance (paragraph 2.15), should help point to the extent of performance improvement achievable within each region.

<sup>20</sup> The estimated total cost of interventions is based on planned spending for 11 of the Department's 13 Area Directorates. The Department do not have a record of actual spending on intervention work.



## 14 Shows that the main message of the Department for Work and Pensions' Targeting Fraud campaign was to show that cheats get caught and punished

For their campaign between September 2001 and March 2002 the Department developed television, radio, press and poster advertisements to show that cheats get caught and punished. The main messages were:

**Fraud will be punished** - Fraud is a crime, and benefit cheats do get caught. And new penalties and support for prosecutions means that the punishments for fraud can be very serious.

**The Department for Work and Pensions are cracking down on fraud** - Through new measures for prevention and more efficient detection, fraud will become increasingly more difficult to commit and to conceal - cheats do get caught.

**Fraud has victims** - Benefit fraud is at everyone's expense. Benefit cheats are stealing money from people who need it. And they are stealing money from every taxpayer. Fraud is not a victimless crime and it adds up.

**Benefit fraud** - We aim to put a stop to it.

**Benefit fraud** - We're on to you.



Source: Department for Work and Pensions

- 2.37 The Department do not collect cost information in sufficiently reliable detail to determine actual spending on interventions. Such information would allow comparisons between regions on the relative costs and benefits of different approaches, and the potential for improvement.
- 2.38 The experience of Centrelink in Australia offers a useful parallel in terms of the targeting of intervention work.<sup>21</sup> A recent review by the Australian National Audit Office found that Centrelink carried out over one million compliance reviews each year, around 16 per cent against a customer base of around 6.4 million. The Department of Family and Community Services, the major purchaser of Centrelink's services, expected them to identify incorrect payments in 30 per cent of compliance reviews.<sup>22</sup> The report noted that data matching was the main tool used by Centrelink for generating compliance reviews.
- 2.39 Centrelink's compliance reviews, which examine a customer's circumstances where there is a perceived risk of incorrect payment or fraud, are broadly similar to the interventions carried out by the Department for Work and Pensions. As noted above, the Department carried out some 1.13 million interventions in 2001-02, around 23 per cent of the Income Support and Jobseeker's Allowance caseload. Some 16 per cent of interventions led to a reduction of benefit because of customer fraud and error.
- 2.40 The Department reviewed some 147,000 Income Support and Jobseeker's Allowance cases identified by data matching in 2001-02, around three per cent of the caseload.<sup>23</sup> Of these, some 61,000 led to a reduction of Income Support or Jobseeker's Allowance because of customer error or fraud (41 per cent). The Department's data matches compare different benefit computer systems against each other, and against data acquired from other Government Departments (such as the Inland Revenue and the Home Office), to identify anomalies.<sup>24</sup> In view of its relative effectiveness, the Department are exploring opportunities for further data matching, taking into account legal powers and resource implications for possible organisations involved.
- 2.41 In New Zealand, the Ministry of Social Development have developed automated "Entitlement Checks" to highlight apparent anomalies with the information provided by the customer when their data are entered in the system. The checks consist mainly of online matches with data held by the Ministry for other customers. They identify, for example, whether other customers were living at the address of the customer being checked.

## Changing people's attitudes to fraud

- 2.42 Making people less ready or willing to commit fraud, regardless of the opportunities for fraud that may exist, is an important part of fraud prevention. In pursuing this, the Department have begun a long term national campaign as part of a drive to reinforce honest behaviour by customers, and create a climate of intolerance to benefit fraud among the wider public and undermine its social acceptability (Figure 14).

<sup>21</sup> Centrelink are the government agency responsible for social security and employment services in Australia.

<sup>22</sup> Management of Fraud and Incorrect Payment in Centrelink, Australian National Audit Office, Report No. 26, 2001-02.

<sup>23</sup> Data matching compares different sets of data on benefit customers, on other computer systems, to detect anomalies, such as inconsistencies in different benefit claims, for follow up review.

<sup>24</sup> The Department's data matching work is known as the Generalised Matching Service.

2.43 There have been two phases of the campaign so far. An initial phase ran in March 2001. A second longer phase ran between September 2001 and March 2002 focusing on dishonest claimants, with messages of deterrence and detection to raise the fear of getting caught and portray the likely consequences (Figure 14). Scenarios used in television advertisements showed benefit fraudsters being caught or punished, or both. Characters from the television advertisements also featured in posters and national press advertisements. In addition, the campaign used radio and regional press advertisements, the latter featuring real newspaper headlines from fraud prosecutions. In 2001-02, the Department spent £8.9 million on their "Targeting Fraud" campaign.

2.44 Independent evaluation of the campaign has been undertaken by a well established market research firm. Their evaluation found that the early phase of the campaign had helped raise public awareness of the problem and the extent of benefit fraud. The evaluation noted that there were some doubts, at that stage, about how the effects of the campaign might be sustained in the longer term. The evaluation of the second phase of the campaign found that the effects had been maintained and in particular that there had been:

- an increased awareness of the benefit fraud campaign in all regions and amongst all the target audiences;
- an increased level of agreement with the campaign messages, such as "people should think twice before committing benefit fraud" and "abusing the benefit system is a crime", amongst both benefit customers and the general public;
- a strengthened belief in the campaign message that people committing benefit fraud get caught, amongst both benefit customers and the general public;
- changing attitudes to fraud, for example respondents were more likely to agree with the statement that the government is committed to punishing benefit abusers.

2.45 Changing attitudes and behaviour through advertising is notoriously difficult. Though some public sector campaigns have had success, such as anti drink-driving, others, such as the anti drugs campaign, have been less effective. The Department are renewing their campaign to keep the messages fresh and to respond to the evaluation of the advertising. The Department are likely to develop the messages in the next phase further as the campaign progresses.

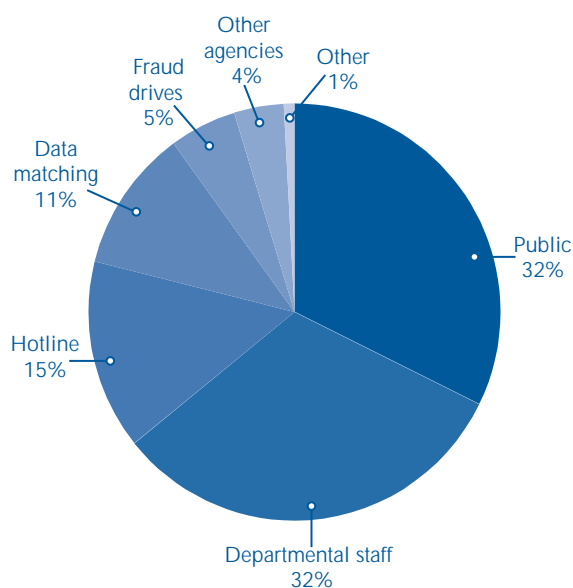
## Fraud investigations

2.46 In addition to the checks on claims to prevent fraud, the Department detect and investigate cases where there is a suspicion that fraud has occurred and, when fraud is found, impose a penalty. This represents the "Putting it right" aspect of their anti-fraud approach. The activity figures in the following paragraphs are in-year totals only and consequently do not track the resulting outcomes of cases specifically opened in-year. As a result the boxes in figures 16, 18 and 22 do not sum to the total in the headline box. This inability to track cases from referral to outcome, across yearly boundaries demonstrates a gap in the Department's management information, which they are seeking to address.

2.47 The Department identified some 667,000 cases of potential fraud - known as referrals - in 2001-02. The number of referrals was down 25 per cent from 888,000 in 1999-00. The Department have not been able to establish the reasons why the number of referrals received is dropping. They consider that the reduced prevalence of fraud may be a factor.

2.48 The Department gather referrals from a number of sources, mainly the public, departmental staff and data matching (Figure 15). The Department have a telephone hotline and a website to gather information from the public on individuals alleged to be committing benefit fraud.

**15** Shows that most referrals come from either the public or from Departmental staff

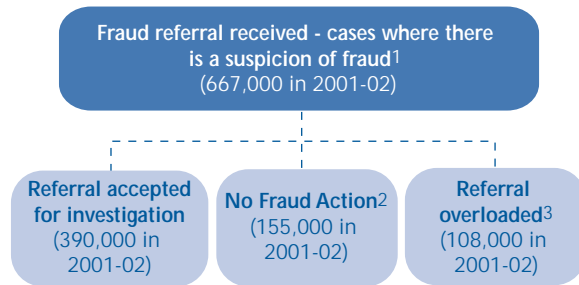


### NOTE

Data shown are for 2001-02.

Source: Department for Work and Pensions

## 16 Shows the three outcomes when potential cases of fraud are referred



### NOTES

This Figure shows levels of activity in 2001-02 in each category. The sum of the three figures for outcomes of fraud referrals received does not equal the total number of referrals received in 2001-02. A number will result from referrals received before the start of 2001-02. Similarly, a number of fraud referrals received late in 2001-02 will not have been fully processed by the end of 2001-02. For the purpose of estimating the proportion of fraud referrals received that are accepted for investigation, no fraud action taken, or overloaded, we have assumed these two amounts are equal (see paragraph 2.46).

1. Including benefit and instrument of payment referrals, by source, but excluding data matching referrals.
2. No Fraud Action referrals are those that do not indicate fraudulent activity, for example, dormant claims, no customer found, and no benefit in payment.
3. Overloaded referrals tend to be of poorer quality that regions consider do not warrant fraud investigation but which may be appropriate for further intervention.

Source: National Audit Office analysis of Department for Work and Pensions data

2.49 Once referrals are received, the Department must decide whether or not to investigate. The number investigated is inevitably less than the total number of referrals, since a share of these will be vague, unsubstantiated or malicious. Even so, regional fraud teams, which carry out the majority of investigations, identify more cases that merit an investigation than they have resources available to carry them out. The difference - the level of overload - was 108,000 cases in 2001-02 (Figure 16). The level of overload as a proportion of all referrals accepted for investigation, "no fraud action" and overloaded, has reduced to around 16 per cent during 2001-02, compared to around 19 per cent in 2000-01. It is up to each region to decide on the level of resources that they will deploy on investigations, based on broad guidance provided by the Department.

2.50 The likelihood of successfully finding whether fraud has been committed is partly based on the quality of information on which the suspicion of fraud is based. The high volume of potential cases means an intelligence-led

approach is required to ensure that the cases chosen for investigation have the greatest chance of finding fraud, and preferably those of higher value. The Department refined their intelligence-led approach in 2001, through their National Intelligence Unit and 11 regional Operational Intelligence Units. The National Intelligence Unit helps to ensure Departmental priorities in tackling fraud are reflected in the referrals chosen for further investigation, through reviewing their quality and tasking the Operational Intelligence Units. The Operational Intelligence Units are responsible for evaluating and analysing the quality of the intelligence, tasking individual investigators and supporting investigations. The Department are implementing a national system of scoring risk referrals called "FRISC" which will be operational in all the Operational Intelligence Units. The Operational Intelligence Units should be fully operational by Spring 2004. Better targeting through the Operational Intelligence Units could help reduce the level of overload noted above.

## Results of investigations

2.51 Fraud investigators accepted for investigation 390,000 referrals in 2001-02 (excluding referrals from data matching). The number has reduced from 441,000 referrals in 2000-01 (12 per cent reduction), broadly in line with the 11 per cent reduction in the number of referrals. The reduction may also reflect:

- the changes to the regulatory framework within which investigators must operate to comply with the law which has an impact on the deployment of resources;
- a desire by Regions to focus on investigating only those cases where suspicions are based on good quality intelligence and that are in line with Departmental priorities, rather than maximising the number of investigations carried out.

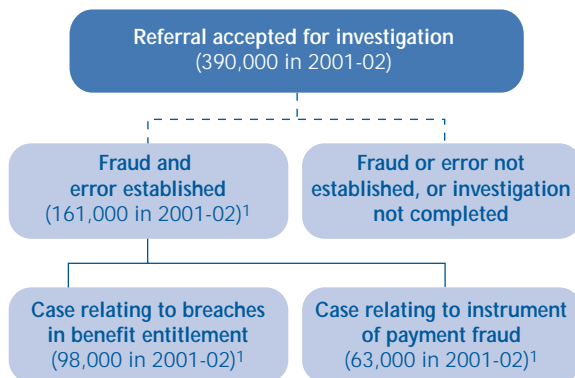


**17 Shows that the number of individuals estimated to be claiming Income Support and Jobseeker's Allowance fraudulently at any one time, is falling**

Year	Numbers estimated to be claiming fraudulently at any one time, within each year:		
	Income Support	Jobseeker's Allowance	Total
1998-99	219,000	129,000	348,000
1999-00	216,000	120,000	336,000
2000-01	204,000	86,000	290,000

Source: Department for Work and Pensions Area Benefit Reviews

**18 Shows that around 61 per cent of cases where fraud and error was found related to breaches of benefit entitlement in 2001-02**



**NOTES**

All data are for 2001-02. The Department do not have data on the number of completed investigations which did not establish fraud and error in 2001-02 or on the number of investigations not completed by the end of 2001-02. A number of investigations completed in 2001-02 will have been accepted for investigation before the start of the year. Similarly, a number of referrals accepted for investigation in 2001-02, will not have had a known outcome by the year-end. For the purposes of estimating the proportion of investigations that were effective within 2001-02, we have assumed these two amounts to be equal (see paragraph 2.53).

1. These figures relate to "effective investigations" - investigations that result in an adjustment to the benefit paid, discovery of an over or underpayment of benefit, or customers claiming Jobseeker's Allowance ceasing to "sign on" for benefit.

Source: National Audit Office analysis of Department for Work and Pensions data

2.52 The Department are, however, concerned that the major reduction in investigation activity, combined with the reduction in intervention activity, may impair the deterrent effect on small scale fraudsters. This in turn may jeopardise further progress towards their target to reduce levels of fraud and error. The Department intend to make increasing use of intelligence analysis to improve the targeting of cases. From May 2002 the Department also have new powers to enable investigators to obtain information from specified private and public sector organisations and other countries (under the Social Security Fraud Act (2001)).

2.53 It is not possible to calculate precisely the proportion of investigations that find evidence of fraud or error because the Department's systems do not currently enable cases to be tracked from commencement to outcome across yearly boundaries. Nevertheless in both 2000-01 and 2001-02 the number of investigations completed in which fraud or error was found (183,000 cases in 2000-01 and 161,000 cases in 2001-02) represented 41 per cent of the total number of cases accepted for investigation in year. This suggests a steady strike rate in the region of 40 per cent over the period. The total number of cases where fraud or error is found is less than the true number of people likely to be committing benefit fraud. For example, the Department's estimates of fraud (see Appendix 3) suggest that 290,000 individuals were claiming just two benefits (Income Support and Jobseeker's Allowance) fraudulently at any one time during 2000-01 (Figure 17). The actual number committing fraud across all benefits through the year will be substantially higher, even after the Department's work to prevent and detect fraud through their interventions, data matching and fraud investigation activities.

2.54 Around 98,000 (61 per cent) of the 161,000 investigations that found fraud or error related to breaches of benefit entitlement, such as concealing that someone was living with another person as husband and wife (Figure 18). The other 63,000 cases (39 per cent) related to instrument of payment frauds, such as fraudulent encashment of benefit cheques.



**19** Shows that in 2001-02 fewer investigations into benefit fraud and instrument of payment fraud resulted in withdrawal or reduction to benefit

Year	Investigations that found fraud or error	Cases where benefit was withdrawn or reduced <sup>1</sup>	Aggregate value of weekly reduction in benefits paid following detection of fraud/error <sup>1</sup>
2000-01	183,000	55,100	£5.510 million
2001-02	161,000	49,200	£5.450 million
Change	- 12 per cent	- 11 per cent	- 1 per cent

**NOTES**

1. Benefit withdrawn or reduced only applies to benefit fraud cases and not instrument of payment fraud cases.
2. The number of cases that lead to a reduction or withdrawal of benefit is smaller than the total number of investigations that found fraud in the year. This is because it is not always possible to take such action. The fraudster may, for example, decide to stop claiming benefit during the investigation, or once it is completed.

Source: Department for Work and Pensions

**20** Shows that in 2001-02 fewer investigations into benefit fraud and instrument of payment fraud resulted in recoverable overpayments

Year	Investigations that found fraud or error	Cases detecting fraudulent overpayments that can be recovered	Value of recoverable overpayments detected	Average value of recoverable overpayment detected
2000-01	183,000	106,600	£128 million	£1,200
2001-02	161,000	97,000	£123 million	£1,270
Change	- 12 per cent	- 9 per cent	- 4 per cent	+ 6 per cent

**NOTE**

The number of investigations that detected a recoverable overpayment is smaller than the total number of investigations that found fraud in the year. This is because it may not always be possible to find sufficient evidence of a recoverable overpayment in every case (for example, it may not be possible to prove when a couple began living together as husband and wife and so determine when a fraud began).

Source: Department for Work and Pensions

2.55 Where investigations find evidence of fraud or error, the likely outcomes are the withdrawal or reduction of benefit paid in future weeks, or action to recover the overpayments that have built up. Some types of case will involve both types of action. In other cases it may not be possible to take either course of action, for example, when a person stops claiming benefit during or on completion of the investigation. **Figure 19** shows that the number of cases where benefit payments were withdrawn or reduced fell by 11 per cent between 2000-01 and 2001-02, broadly in line with the reduction in the number of investigations that found fraud or error. However, the aggregate weekly reduction in benefits paid, around £5.5 million, was almost unchanged, which may indicate a targeting on cases of higher value. In cases of instrument of payment fraud, investigations prevented £9.2 million overpayment in replacement payments.

2.56 **Figure 20** shows that the number of cases that detected recoverable overpayments resulting from fraud or error also fell by a similar rate between 2000-01 and 2001-02 - by nine per cent to 97,000. Two thirds of the cases related to benefit fraud investigations and a third to instrument of payment fraud cases. The value of recoverable overpayments detected fell by four per cent to £123 million. This was made up of £119 million from benefit fraud investigations and £4 million from instrument of payment fraud investigations. The weekly amounts of benefits paid fraudulently, and how long the fraud has continued before an investigation has detected and stopped it, affect the total value of a recoverable overpayment from a customer. The average value of recoverable overpayments detected in 2001-02 increased by six per cent nationally. This increase will reflect the increase in rates of benefit from 2000-01, but could also reflect better targeting of investigations on

higher value cases and/or an increase in the average length of time that frauds continued before detection. The Department do not have sufficient information on, for example, the average length of time that fraud and errors have continued before detection, to enable them to determine whether a region's performance has improved through better targeting or deteriorated because fraud and errors are taking longer to detect. In terms of actual performance in overpayment recovery, the Comptroller and Auditor General's Report on the Department for Work and Pensions Resource Accounts 2001-02 notes a concern over the completeness of recovery action on benefit overpayments.<sup>25</sup> The Department are carrying out an exercise to quantify the sums involved.

## Variations in regional fraud investigation performance

2.57 There are wide variations between regions in the results of their investigations. Regional averages in the value of detected fraudulent overpayments in 2001-02 ranged from around £1,200 in Mercia to £2,500 in London South.

2.58 As at national level, the regional figures are subject to the overlaps between years which does not enable complete precision in determining the proportion of investigations that detected fraud or error. However the figures are sufficiently reliable to enable trend comparisons and identify broad differences in performance. Across the regions in 2001-02, around 49 per cent of investigations in East of Scotland led to a sanction, or reduction or withdrawal of benefit, compared to around 37 per cent in North West Coast. Local factors can affect the success of investigations regionally (for example, it can be easier to carry out surveillance in busy urban areas than in quieter rural locations).

2.59 Some regions achieved significant improvements in performance during 2001-02. North West Coast, for example, increased the proportion of investigations leading to a sanction, or a reduction or withdrawal of benefit, by around 25 per cent, compared to Chilterns where the proportion fell by around 16 per cent.

2.60 In making comparisons of results it has not been possible to take account of the costs of investigations because the Department do not collect sufficiently reliable cost information. Such information would allow

comparisons between regions on the relative costs and benefits of different types of investigative approach, and the potential for improvement.

2.61 Although the performance of the regional teams will inevitably vary, the extent of the variation between them appears to be too wide. This suggests there is scope to increase the proportion of investigations detecting fraud, through better targeting of cases for investigation. As an illustration of the potential benefits, we estimate that if all regions had performed in 2001-02 at the standards of those in the upper quartile, they might have achieved around an eight per cent increase in the number of investigations that detected fraud (a further 12,300 cases) a year. Assuming this corresponded to an eight per cent increase in monetary savings, the approximate value of such an increase could have been a further £418,000 weekly reduction in benefits paid and a further £9.5 million in the value of fraudulent overpayments detected. The Department's performance improvement initiative to examine in greater detail the reasons for the apparent varying degree of progress by regions in tackling fraud (see paragraph 2.15), and the introduction of Intelligence Units (see paragraph 2.50), should help point to the extent of performance improvement achievable within each region.

2.62 The Department consider that the introduction of the National Intelligence Unit and the placement of an Operational Intelligence Unit in each region in 2002 will help to promote more consistent use of good practice in selecting referrals for investigation and achieve more consistent and higher standards.

## Standards of investigation

2.63 Investigations also need to be finalised as quickly as possible, and any delays identified and addressed. The Department do not aggregate data on how long investigations take, although such information is recorded on each case file. The Department were unable, therefore, to provide information on, for example, how long it generally takes for cases to be brought to court. Our own sample of 120 investigations in one region found that they took 25 weeks on average from when the case began to when it was closed by the Region (that is, case papers sent to prosecution, other sanction administered or no further action taken). Within this sample, prosecutions generally took the longest time (30 weeks on average) and cases which did not find fraud took the least time (17 weeks on average).

## 21 Examples and indicators of good practice in fraud investigations

Good practices:

- **Case identification:** Selection for investigation of potential fraud cases by Operational Intelligence Units, based on the assessed quality of intelligence provided and assessment of risk;
- **Resourcing:** Adherence to the national specification in planning resources for fraud investigation and activity levels for investigating different types of frauds;
- **Training:** Development of Accreditation for Counter Fraud Officers and Managers, through the Department's professional fraud qualification, with Accredited staff encouraged to gain the Certificate of Higher Education in Countering Fraud;
- **Quality of investigations:** Compliance with the Fraud Investigation Manual, Code of Conduct, Regulation of Investigatory Powers Act (2000), Data Protection Act (1998) and Human Rights Act (1998) when engaged in fraud investigations and authorised surveillance to ensure sufficient, relevant and reliable evidence is gathered in a legally compliant manner for use in any sanction or prosecution;
- **Investigation powers:** Development of sufficient Authorised Officers under the Social Security Fraud Acts (1997 and 2001) and appropriate use of the investigatory powers in the Acts in gathering evidence;
- **Joint working:** with other fraud teams, other government departments and local authorities, joint operational teams and the Post Office to improve co-ordination and sharing of information held.

Indicators of good practice:

- **Quality of investigations:** Positive reports from the Standards Assurance Team of the Professional Standards Unit and from the Surveillance Commissioner indicating good conduct and quality of fraud investigations and control and use of surveillance in investigations;
- **Prosecutions:** High acceptance rates by Solicitors' Branch of investigated cases put forward for prosecution indicating a high quality of investigation and evidence gathering and documentation.

*Source: National Audit Office*

2.64 The move to manage investigations through the Operational Intelligence Units should enable investigators to focus more quickly on the facts of the case as, in many instances, intelligence will have been presented to the investigator at the start of the investigation. The Department are aiming to develop a computer system to track investigations from start to finish. The Department are also reviewing the management of investigations to identify and apply good practices. These developments should help to identify cases where delay might otherwise undermine the investigation.

2.65 The Department have introduced various initiatives, particularly over the last two years, to improve the quality and focus on fraud investigations. They have also developed a useful tool (the Programme Protection Assessment Mechanism) to help regional investigation teams assess their performance against good practice. While our visits indicated that regional teams have made progress implementing these changes they are not yet fully established in all regions. The Department should therefore consider opportunities to promote more widely these practices, for example, through their regular Fraud Regional Managers' conferences. Our work identified the main features of good practice, which is summarised in **Figure 21**.



2.66 The Department are developing a performance improvement initiative to identify and share good practices between regions, and consider whether they merit compulsory use throughout the organisation. Performance management of fraud work will be structured to ensure it is compatible with wider Jobcentre Plus performance structures. The Department also aim to ensure use of good practice in various other ways, such as an Operational Intelligence Unit managers' forum to ensure consistent and efficient practice in each Region's Intelligence Unit.

2.67 It is important that people who are suspected of fraud are treated fairly and that investigations are properly controlled to inspire public confidence. Citizens Advice have received nearly 150 complaints since 2000 from customers who sought advice from a Citizens Advice Bureau and who were subject to an investigation of suspected fraud in claiming benefits. We found that these complaints raised the following issues about fraud investigations:

- insensitivity to the customers' circumstances;
- failure to communicate adequately to the customer the purpose and implications of home visits;
- intimidating and offensive behaviour;
- questioning children in relation to their parents' benefit claims;
- providing customers with little or no information about the nature of the case brought against them until they are being interviewed, resulting in the customer not realising the seriousness of the accusation being brought against them and hence not obtaining legal representation.

The number of complaints made to Citizens Advice, whilst not necessarily representative of the total level of complaints, should be seen against the fact that the Department have investigated over 888,000 cases between 2000-01 and 2001-02.

2.68 The Department takes all complaints about investigations very seriously. To improve standards of fraud investigation across the country the Department have established a Head of Profession and a Professional Standards Unit. The Professional Standards Unit provides support, guidance and training to regions. Its Standards Assurance Team inspect whether investigation teams operate professionally, effectively and within the law in their investigation and surveillance work. The Department have helped pioneer a professional fraud qualification, and around 80 per cent of fraud investigators have completed the course. The Department expect to achieve a fully trained complement of fraud investigators during 2003.

2.69 There is scope to draw more widely on good practices in fraud investigations adopted by regions. For example, the East of England Region performs a needs analysis on each trainee investigator and produces a training contract. This remains in place until the trainee's needs are met. An experienced investigator works with the trainee for approximately six weeks, to assist them in their first cases.

## Joint working on fraud investigations

2.70 To promote co-operation between their different fraud units, other Government Departments and local authorities, the Department have set up a Joint Working Unit. The aim is to improve the number and quality of anti-fraud operations across organisational boundaries.

2.71 A major area of progress has been taking part in Joint Shadow Economy Teams with the Inland Revenue and HM Customs & Excise from April 2001 following the Grabiner report on the shadow economy.<sup>26</sup> This report recommended that the Department for Work and Pensions should co-ordinate and improve their investigations with other Departments, and share the information they held.

26 *The Informal Economy, A report by Lord Grabiner QC, March 2000.*





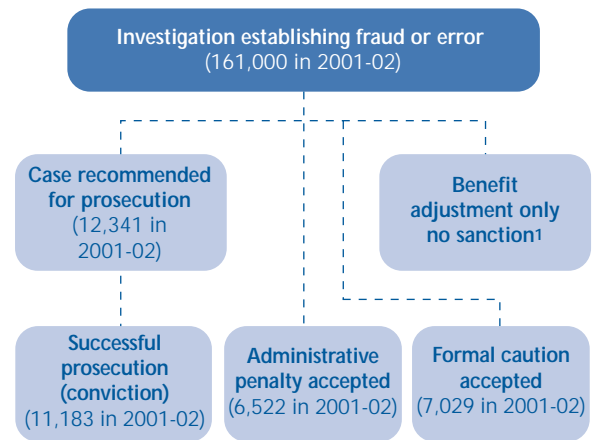
2.72 The Department initially took part in five of 20 Joint Shadow Economy Teams established. The Teams use intelligence and shared information jointly to investigate traders suspected of operating in the shadow economy with the aim of detecting and penalising benefit or tax fraud.

2.73 A Departmental evaluation of the Teams' first year in April 2002 concluded that there were clear benefits to a joint approach. The five teams found 147 frauds worth £329,000 and 18 collusive employers. Some 57 sanctions were imposed as a result. The cost of the Department for Work and Pensions' contribution to the Teams was around £250,000. The Department for Work and Pensions now participate in all the Teams.

2.74 The evaluation found that there were some practical differences in the respective departmental approaches to investigation, which arise from the fact that they have different powers and different policies such as in the use of surveillance activities and differences between the departments in the most appropriate timing for an investigation.

2.75 Given the Teams' reliance on intelligence generated by members of the public it is important that their work is publicised. There is scope to improve the level of publicity given about the Teams, both within the three departments and to the public and businesses. The Department are considering a publicity toolkit for staff to increase awareness of the Teams internally and externally.

## 22 Shows that some form of sanction was imposed in around 15 per cent of the cases where fraud was found in 2001-02



### NOTE

All data are for 2001-02. A number of sanctions applied in 2001-02 will relate to investigations finding fraud before the start of the year. Similarly, a number of investigations finding fraud in 2001-02, will not have had a benefit adjustment or sanction applied by the year-end. For the purpose of estimating the proportion of cases finding fraud that led to a sanction within 2001-02, we have assumed these two amounts to be equal (see paragraph 2.53).

1. The Department do not have data on the number of investigations establishing fraud and error that led to a benefit adjustment only and no sanction in 2001-02.

Source: National Audit Office analysis of Department for Work and Pensions data

## Sanctions against fraudulent customers

2.76 Where investigations find evidence of fraud, the Department seek to impose some form of punishment. They did so in around 25,000 cases in 2001-02, around 15 per cent of cases where fraud was uncovered, and the same proportion as in 2000-01 (around 27,000 cases) (Figure 22). For investigations where fraud is found, but there is insufficient evidence to impose a sanction or the fraud falls below the threshold for a sanction, benefit is reduced or withdrawn or an overpayment is identified. These cases are in addition to the 178,000 cases where fraud and error was prevented as a result of Departmental interventions in 2001-02 (paragraph 2.31 above).

2.77 The proportion of investigations where sanctions are imposed, or benefit is reduced or withdrawn, has risen from around 35 per cent in 1999-00 to around 41 per cent in 2001-02. However, the absolute number of these cases has fallen because the Department have carried out fewer investigations.



**23** Shows the different sanctions available to the Department and their relative use in 2001-02

Value of fraud	Description of sanction <sup>1</sup>	Number of cases where sanction imposed in 2001-02	Proportion of investigations finding evidence of fraud %
Less than £400	<b>Formal caution</b> - customer must repay the overpayment and, if it is the first time they have committed the offence, is given a formal caution. If they have previously claimed benefit fraudulently they may be prosecuted.	7,029	4.4
£400 to £1,500	<b>Administrative penalty</b> - customer must repay the overpayment and will receive an administrative penalty of 30 per cent of the amount overpaid.	6,522	4.0
Over £1,500	<b>Prosecution</b> - customer may be prosecuted, subject to evidential and public interest tests and may receive any form of penalty as decided independently by magistrates or the Crown Court.	11,183 <sup>2</sup>	6.9
Total		24,764	15.3 <sup>3</sup>

**NOTES**

1. All sanctions must meet the same standard of evidence since a customer may refuse a caution or penalty and opt for prosecution instead. Sanctions are imposed in addition to any reduction or withdrawal of benefit claimed, and any overpayments recovered from the fraudster.
2. Includes 9,059 prosecutions for benefit fraud, 272 from Counter Fraud Investigation Division investigations and 1,852 for instrument of payment fraud. The total value of instrument of payment overpayments was £42 million. The Department do not hold data of aggregate values of overpayments for the other types of sanctions.
3. This represents the proportion of all cases where fraud was found and there was sufficient evidence to bring a prosecution.

Source: Department of Work and Pensions

2.78 Three sanctions are available if the Department find sufficient evidence of fraud to take a case to court: a formal caution; an administrative penalty; or prosecution (**Figure 23**). The Department's sanction policy recognises the difficult financial and other circumstances that the individual may face. The Department take their own decisions on whether there is sufficient evidence to mount a prosecution, and are also responsible for presenting the case in court.

2.79 Prosecutions are the Department's route to the most severe sanctions for fraudsters. In determining the broad number of cases where they should seek prosecution, the Department must balance the chances of success and the wider deterrent effect against the time and cost it takes to bring a case to court, and the availability of other forms of sanction. The Department and their agencies have a 98 per cent plus success rate for gaining a conviction in cases prosecuted. Although not directly comparable, the rate is broadly in line with Crown Prosecution Service rates (98 per cent at Magistrates' Courts and 89 per cent at Crown Courts).

2.80 Though the punishments imposed on conviction in Magistrates' Courts and the Crown Court can include a custodial prison sentence, a fine or probation, most are either a conditional discharge or community service (**Figure 24**). Thus if, for example, the court gives a conditional discharge the defendant will receive a criminal record but is likely to end up paying less than if they had defrauded a smaller amount and been given an administrative penalty. Sentences are decided independently by the Courts with sentencing policy set down partly in statute and partly in non-statutory guidelines.<sup>27</sup> The Government are currently considering sentencing policy as part of their wider review of the criminal justice system as a whole.<sup>28</sup> The Government have proposed that prison should be reserved for serious, dangerous and seriously persistent offenders and those who have failed to respond to community punishment, with effective alternative sentences for other offenders.

2.81 Cautions and penalties are quicker and simpler to implement. But the Department's policy is to restrict their application to frauds below £1,500. This limit has not been increased since 1997. Raising it would allow the Department greater flexibility in using cautions and penalties as alternatives to prosecution. The Department are currently reviewing the limit.

<sup>27</sup> For example, Magistrates' Court Sentencing Guidelines are published by the Magistrates' Association.

<sup>28</sup> Justice for All, White Paper, CM5563, July 2002.

**24 Shows that most prosecutions lead to either a conditional discharge or to community punishment orders****NOTES**

1. All data are for 2001-02. Therefore, the figures do not reconcile with each other. A number of cases within each outcome will have been recommended for prosecution before 2001-02. Similarly, a number of cases recommended for prosecution in late 2001-02 will not have had a known outcome by the end of 2001-02.
2. From April 2002, Community Service Orders are known as Community Punishment Orders and Probation is known as Community Rehabilitation.

Source: National Audit Office analysis of Department for Work and Pensions data

2.82 One purpose in taking action against fraudsters is to discourage them from committing fraud again. The Department estimated that some 26,000 (nine per cent) of those fraudulently claiming Income Support and Jobseeker's Allowance have been caught before. As a very broad comparator, the Audit Commission have estimated that over 50 per cent of all offenders in the criminal justice system are back in court on other charges within two years of starting a community sentence or finishing a prison sentence.<sup>29</sup> To help combat recidivism, new powers for the Department came into effect in April 2002 to reduce or withdraw all benefits where a person is convicted of committing benefit fraud twice within the space of three years.<sup>30</sup>

2.83 The Department last reviewed the role of penalties in 1997.<sup>31</sup> Most of those caught committing fraud said they were deterred from becoming involved in such activities again. However, most of those involved in fraudulent activity had not thought that they would be caught, and had very little information about the likely punishments for those who were caught. The Department are considering how best to update this research to identify the deterrent effect of the different sanctions currently used. In doing so they might examine research underway in Australia to review the effects of the fraud deterrence framework.

2.84 In a review of fraud against Centrelink, the government agency responsible for the provision of social security and employment services in Australia, the Australian National Audit Office found that:

- the effects of penalties on compliance had not been assessed;
- it was not therefore possible to determine whether the value of penalties and the circumstances in which they were imposed provided an effective deterrent to non-compliance.<sup>32</sup>

2.85 The Australian National Audit Office concluded that not assessing the deterrent effect of penalties reduced the effectiveness of activities to encourage voluntary compliance and thereby improve fraud prevention. They added that analysis of the deterrent effect of different penalties could help identify improvements in the benefit system. In response, the Department of Family and Community Services, the major purchaser of Centrelink's services, have decided to review the effects of the fraud deterrence framework.

<sup>29</sup> Route to Justice: Improving the pathway of offenders through the criminal justice system, Audit Commission, June 2002.

<sup>30</sup> The benefits to be withdrawn or reduced are all social security benefits except bereavement payments, retirement pensions, benefits paid for children or those covering the extra costs of disability (Social Security Fraud Act 2001).

<sup>31</sup> Social Security Fraud: the role of penalties, Department of Social Security Research Report No. 64, 1997

<sup>32</sup> Management of Fraud and Incorrect Payment in Centrelink, Australian National Audit Office, Report No. 26, 2001-02







# Part 3

## Housing Benefit Fraud

### Purpose and administration of Housing Benefit

- 3.1 Housing Benefit is a means tested benefit, paid to tenants and boarders with low income and limited capital, to help them pay rent and accommodation charges. Customers rely on Housing Benefit to be paid promptly and accurately to avoid eviction and homelessness.
- 3.2 The Department and local authorities must work together to administer Housing Benefit effectively and tackle fraud and error. The Department set policy, regulations and rates of benefit, and issue guidance to local authorities on tackling fraud and error. Local authorities are responsible for administering Housing Benefit and for preventing and detecting fraud and error. Central government provides funding towards the costs of Housing Benefit and the costs of its administration. There are two main funding channels - subsidies by the Department for Work and Pensions, and support from the Office of the Deputy Prime Minister, Scottish Executive and National Assembly for Wales.
- 3.3 The external auditors of local authorities, appointed by the Audit Commission, are responsible for certifying claims to the Department for subsidies for Housing Benefit expenditure, administration and activities to combat fraud and error. The Audit Commission reported on tackling fraud and error in Housing Benefit in 1997<sup>33</sup> and 1999<sup>34</sup>. They have also published reports on Housing Benefit administration<sup>35</sup>, the Department for Work and Pension's requirements including the Verification Framework<sup>36</sup> (paragraph 3.22), the investigation and detection of Housing Benefit fraud and financial probity in local government<sup>37</sup>, and the National Fraud Initiative<sup>38</sup> (paragraph 3.54).

- 3.4 The Benefit Fraud Inspectorate, launched in 1997, report to the Secretary of State on the administration of benefits by Department for Work and Pensions' agencies and local authorities, with a particular emphasis on standards of performance in tackling fraud and error and on security. The Secretary of State has powers to:

- Invite an authority to consider the Benefit Fraud Inspectorate's report and submit proposals for improving performance and remedying failings;
- Direct an authority as to the standards it is to attain in benefit administration and the time within which the standards are to be attained, after considering the Inspectorate's report and the authority's proposals;
- Provide that an authority contract out benefits work and adjust the subsidy paid to it, if the standards are not or will not be attained.

### The scale and nature of Housing Benefit fraud

- 3.5 The Department estimate that fraud may cost up to £500 million a year, against total spending on the benefit of £11.5 billion in 2001-02, paid to around 3.9 million customers in one in seven households.
- 3.6 Housing Benefit fraud principally occurs when the customer fails accurately to represent their household and financial circumstances, are not resident at the property, or continue to claim while working. The Department estimate that 75 per cent of frauds arise from customer failure to report promptly a change of circumstances that could affect entitlement to, or the amount of, benefit, rather than from fraudulent initial claims. As with other means tested benefits, the complexity of the regulations can result in uncertainty as to whether errors by customers are genuine mistakes or deliberate mis-statements to gain benefits to which they are not entitled.

<sup>33</sup> Audit Commission, "Fraud and Lodging: Tackling Fraud and Error in Housing Benefit", July 1997.

<sup>34</sup> Audit Commission, "Fraud and Lodging: Progress in Tackling Fraud and Error in Housing Benefit", April 1999.

<sup>35</sup> Audit Commission, "Learning from Inspection: Housing Benefit Administration", October 2001.

<sup>36</sup> Audit Commission, "Housing Benefit: The National Perspective", June 2002.

<sup>37</sup> Audit Commission, "Protecting the Public Purse - Ensuring Financial Probity in Local Government", January 2001.

<sup>38</sup> Audit Commission, "Match Winner - The Report of the 2000 National Fraud Initiative", May 2002.

3.7 Housing Benefit is susceptible to organised fraud, in the same way as other benefits. In addition, there is also the risk of fraud from collusion with landlords. Risks involve situations where landlords are in receipt of benefits themselves and do not declare ownership of properties, declare fictitious tenants or contrive tenancies. It has proved difficult to measure the extent of organised fraud in Housing Benefit. However, in 1996, the Department estimated that this may be up to £40 million a year in London alone. The 1997-98 review estimated that landlord fraud cost £30 million, with suspicion of fraud on a further £80 million.

## Previous recommendations of the Committee of Public Accounts and the National Audit Office on improving the administration of Housing Benefit and tackling fraud

3.8 In March 1998, the Committee of Public Accounts published a report on Housing Benefit fraud<sup>39</sup>, following reports by the Comptroller and Auditor General<sup>40</sup> and the Audit Commission. The Committee concluded that the Department needed to develop a determination to meet the housing costs of those in need without significant losses to the taxpayer of fraud and error. Their recommendations included the need to:

- Make the benefit simpler to understand and administer;
- Take steps to raise the standards of administration by local authorities;
- Remove barriers to co-operation between the (then) Benefits Agency and local authorities;
- Reward effective fraud prevention systems in local authorities.

3.9 Following the Department's response to the Committee in 1998<sup>41</sup>, the Comptroller and Auditor General reported on the progress the Department were making to combat Housing Benefit fraud<sup>42</sup>. This report found that, while it had taken longer to implement some actions than anticipated, the Department had a programme of projects and reviews in place to address the Committee's concerns (Appendix 2).

3.10 This Part examines the progress made by the Department and local authorities to prevent and respond to Housing Benefit fraud, drawing on the results of the reviews and inspections by the Audit Commission and the Benefit Fraud Inspectorate. It examines:

- Progress in reducing the complexity of the benefit;
- The work of the Benefit Fraud Inspectorate to improve standards in local authorities;
- Implementation of the Verification Framework to improve fraud prevention;
- The Department's subsidy scheme to encourage anti-fraud work by local authorities;
- Local progress on fraud investigations;
- Joint working;
- The use of data matching;
- The use of sanctions against fraudsters.

## Progress in reducing the complexity of Housing Benefit

3.11 In 1998 the Committee of Public Accounts concluded that the system for Housing Benefit was excessively complex, resulting in significant risks of customer and administrative error and providing a breeding ground for fraud. The Committee recommended that the Department take a fundamental look at Housing Benefit administration to reduce its complexity.

3.12 The Housing Green Paper in April 2000 acknowledged that complexity was a major problem facing Housing Benefit.<sup>43</sup> In its response to the consultation on the Green Paper in December 2000, the Government saw the need to both raise standards of administration and simplify the system.<sup>44</sup> In the short term the Government proposed simplifying the existing system, with more fundamental reform to be considered in the longer term if necessary.

3.13 The Department's subsequent changes, however, have made the Housing Benefit scheme increasingly complex for local authorities and difficult to administer. In 2002, the Audit Commission reported that the Government's many further changes to Housing Benefit administration were designed to control expenditure or to tackle fraud, rather than to simplify the system, despite simplification also having a contributing role in reducing the risk of fraud<sup>45</sup>. This may have contributed to the deterioration

39 Committee of Public Accounts, "Measures to combat Housing Benefit fraud", *Twenty-seventh Report 1997-98, March 1998*.

40 Comptroller and Auditor General, "Measures to combat Housing Benefit Fraud", HC164, 1997-98, July 1997.

41 Treasury Minute on the Twenty-seventh Report from the Committee of Public Accounts 1997-98 - Measures to Combat Housing Benefit Fraud, May 1998, CM 3955.

42 Comptroller and Auditor General, "Progress on measures to combat Housing Benefit fraud", HC319, 1998-99.

43 "Quality and Choice: A Decent Home for All", *Green Paper, April 2000*.

44 "Quality and Choice: A Decent Home for All - the Way Forward for Housing", *December 2000*.

45 Audit Commission report "Housing Benefit: The National Perspective" June 2002.

in the service provided to customers. The percentage of new and renewal Housing Benefit claims processed within the 14-day period specified in regulations fell from 79 per cent in 1998-99 to 66 per cent in 2000-01. The quality of service also varies markedly. In 2000-01, some local authorities took over 100 days on average to process new claims.

3.14 Over the last 18 months, the Department have been offering direct support to local authorities struggling to deliver Housing Benefit. They have introduced Help Teams to work with Housing Benefit staff to analyse problems and devise and implement workable solutions. The Department have also established a Help Fund to enable local authorities to bid for funding for specific performance improvement initiatives. There is evidence that this more supportive approach is working. For example, the proportion of new and renewal claims processed within 14 days rose to 71 per cent in 2001-02. And in their annual report, the three Local Government Ombudsmen for England reported reductions in complaints about Housing Benefit delays of up to 25 per cent (compared to the previous year).<sup>46</sup>

3.15 The Audit Commission have made recommendations as to options that the Department should evaluate for simplifying the Housing Benefit regulations. These include:

- Making Housing Benefit payable for longer periods to reduce the load on customers and administrators;
- Allowing good performing local authorities to pilot simplified regulations and base their controls against fraud and error on their local assessments of risk. The Committee of Public Accounts in September 2002 recommended the Department publish an action plan addressing the Audit Commission's recommendations. In their response<sup>47</sup>, the Department considered that the need to publish an action plan in response to the Audit Commission's recommendations had been overtaken by the publication of their strategy for Housing Benefit reform.<sup>48</sup>

3.16 The Department's strategy sets out a number of measures for simplifying the current system as well as plans for more fundamental reform. Of particular note are proposals to:

- introduce a standard local housing allowance (initially for private rented sector tenants) instead of entitlement being based on individual rent;
- abolish the need to reclaim Housing Benefit automatically every year;

- introduce a quicker reclaim service for people returning to Housing Benefit within 12 weeks;
- automatically continue Housing Benefit entitlement as customers move into work until the local authority processes the change in circumstances.

These measures should help to simplify administration for local authorities, speed up claims processing and make the scheme easier to understand for customers. The Department also plan to bring together the existing disparate funding streams which are currently split between themselves, the Office of the Deputy Prime Minister and devolved administrations.

## The Benefit Fraud Inspectorate's work to improve standards in local authorities

3.17 The Department are working to improve Housing Benefit administration and anti-fraud activity through the Benefit Fraud Inspectorate. The Inspectorate have issued around 140 inspections reports since they were set up in 1997. Ministers are involved in determining the criteria for inspection. For example, the Inspectorate were directed by Ministers to look at the 30 local authorities that spent most on Housing and Council Tax Benefits. Subsequent inspection programmes looked at local authorities that had not taken up various measures to tackle fraud instigated by the Department. Each inspection programme includes a number of follow up inspections to assess progress in implementing recommendations from earlier inspections and the extent to which performance has improved. If inspections find poor performance in benefit administration and security, the Secretary of State has powers to issue a Direction to the local authority. These powers were used in:

- July 2000 on Northampton Borough Council to set out the standards to be attained to tackle claims clearance, overpayment control and recovery and fraud and security weaknesses;
- February 2002 on East Lothian Council to reduce the time taken to process benefit claims, improve performance management and improve the control and recovery of overpayments of benefit;
- May 2002 on the London Borough of Hackney to clear their backlog of outstanding Housing Benefit and Council Tax work;
- June 2002 on Kirklees Metropolitan Council to reduce processing times for claims, whilst ensuring 97 per cent accuracy.

<sup>46</sup> Press Release covering the Local Government Ombudsmen's Annual Report for year ended 31 March 2002, 5 September 2002.

<sup>47</sup> Treasury Minute on the 55th Report from the Committee of Public Accounts 2001-02 - The Department for Work and Pensions, Fraud and Error in Income Support (CM5676), paragraph 20, November 2002.

<sup>48</sup> "Building choice and responsibility: a radical agenda for Housing Benefit", Department for Work and Pensions, 17 October 2002.

3.18 The Inspectorate found the following major problems in benefit administration in the 30 authorities reviewed in their 2001 Annual Report<sup>49</sup>:

- Administrative weaknesses;
- Backlogs of work;
- Inadequate verification of claims;
- Failure to manage overpayments;
- Poor quality of work to tackle fraud (see paragraph 3.37 below).

3.19 The Inspectorate have found that Housing Benefit can be administered effectively and securely but that benefit administration is not given sufficient priority by local authorities, given the amount of benefit expenditure and the number of people receiving the benefit. The Inspectorate's reviews have identified examples of good practice that demonstrate that some local authorities do administer Housing Benefit effectively and tackle fraud. We visited the London Borough of Greenwich, a well-regarded local authority, and winner of the anti fraud team award for 2002 from the Institute of Revenues, Rating and Valuation, to learn more about their practices in benefit administration and tackling fraud (Figure 25).

3.20 In April 2002, the Department and the Benefit Fraud Inspectorate issued a framework setting out performance standards to all 408 local authorities.<sup>50</sup> The framework sets out what is required to perform "at standard" and "above standard" and the risks of failure to do so. The framework covers all aspects of housing benefit delivery. Figure 26 sets out main performance standards for fraud investigation in the framework. The framework also covers fraud prevention.

3.21 The Department and the Benefit Fraud Inspectorate have provided all local authorities with a self-assessment package to accompany the Performance Standards<sup>51</sup> and are developing an electronic self-assessment tool. Local authorities are able to self-assess against the performance standards continuously and will be invited to report to the Department on the outcome. The Benefit Fraud Inspectorate will inspect local authorities against their self-assessments. The Department have made £200 million available over three years to help local authorities achieve the performance standards

(£40 million in 2003-04, £70 million in 2004-05 and £90 million in 2005-06). However, the Department have no target by when all local authorities are expected to be performing at or above the standards. Achievement of the standards is dependent upon compliance with the Verification Framework (see Figure 27). The Department have a target of full compliance with the Verification Framework by all local authorities by 2006.

## 25 London Borough of Greenwich - good practice in Housing Benefit administration and activity to tackle fraud and error

**Main strengths:** close compliance with Departmental guidance on benefit administration and anti-fraud schemes. Commitment to good practice and performance comes from all levels within the Authority and is reflected in the fraud team gaining International Organisation for Standardisation quality assurance standards.

**Performance Standards and Verification Framework:** Greenwich complies closely with the requirements of the Verification Framework and managed its implementation carefully to minimise the effect on work-flow and customers.

**Security Against Fraud and Error:** Greenwich is on track to meet its threshold target and its benefits team looks outwards to other Authorities with higher overpayment recovery rates to determine how to improve performance.

**Fraud Investigations:** Greenwich has improved its targeting of cases for investigation to increase the rate of successful outcomes, increased the number of investigators, and is committed to staff training and development.

**Joint Working:** Fraud investigators carry out joint visits on investigations with the Department, take part in a Joint Regional Board, and have a partnership agreement with the London Borough of Bromley to manage their housing benefit fraud function for them. The investigators also have close working arrangements with the police.

**Data Matching and National Fraud Initiative:** Greenwich makes full use of data matching opportunities, including the Housing Benefit Matching Service and the National Fraud Initiative, which a central team investigate to detect any frauds. The Audit Commission regard Greenwich as a best practice site for the National Fraud Initiative and the results it achieves.

**Prosecutions and sanctions:** Greenwich has developed a prosecution policy, sets annual targets for prosecutions and other sanctions and has increased the number brought.

*Source: National Audit Office*

49 The Benefit Fraud Inspectorate, "Director's Report 2001". The authorities chosen accounted for 33 per cent of national expenditure on Housing Benefit and Council Tax Benefit.

50 Benefit Fraud Inspectorate, "Housing Benefit / Council Tax Benefit Performance Standards", April 2002.

51 "Housing Benefit/Council Tax Benefit Performance Standards, Self Assessment Template", July 2002.



## 26 Examples of main performance standards for tackling Housing Benefit fraud

- A specific **fraud policy**, supported by comprehensive procedures for the fraud section in investigations, recovery action and prosecutions and other alternatives;
- An annual **business plan** including the expected number of prosecutions and sanctions and expected performance against the authority's Security Against Fraud and Error threshold;
- A **standard fraud referral form**, supplemented by a telephone hotline and a risk scoring system to sift referrals for investigation and monitor the outcomes;
- Participation in the **Housing Benefit Matching Service** run by the Department to identify and then investigate discrepancies between local authority records and records for centrally administered benefits;
- Participation in the **National Fraud Initiative** run by the Audit Commission to match data held by local authorities and records held by a range of other databases, and investigation of data matches found;
- Operation of the **"Do not re-direct"** scheme introduced in the Social Security Administration Act 1992 to require the Royal Mail to return re-directed Housing Benefit post, which may be linked to fraudulent claims, to the authority's fraud investigation service;
- Appointment of **"Authorised Individuals"** under the Social Security Administration Act 1992 to exercise the powers under the Act to assist in verification of evidence and inquiries as to benefit entitlement. These powers include entry to certain premises and to require a person to provide information following entry;
- Compliance with the **Statutory Code of Practice** on obtaining information within the 1992 Act;
- Conduct of **high quality fraud investigations** in compliance with appropriate Acts and to a code of conduct for fraud investigators, that ensures sufficient, legally admissible, evidence is gathered to a professional standard to support prosecutions or other alternatives where necessary.

### NOTE

The Benefit Fraud Inspectorate developed these standards after extensive consultation with professional bodies, such as the Audit Commission, Audit Scotland, the Chartered Institute of Public Finance and Accountancy, bodies representing customers, such as Citizens Advice and the local authorities themselves.

*Source: "Performance framework and performance standards for local authorities", Benefit Fraud Inspectorate, April 2002*

## Implementation of the Verification Framework to improve fraud prevention

3.22 The Department introduced a Verification Framework in 1998 to help reduce the amount of fraud and error entering local authority benefit administration. The Framework also aims to improve detection of fraud and error.

3.23 The Framework provides local authorities with recommended minimum standards on the checks they must make to verify information provided by customers when assessing claims for Housing Benefit and Council Tax Benefit. It also sets out standards on the frequency of subsequent visits and reviews. **Figure 27** shows the main features of the Framework.



## 27 Main features of the Verification Framework

The Framework specifies:

- The minimum information to be collected by local authorities and how to use it;
- The declaration to be signed by the customer.

The Framework requires evidence and verification of:

- Identity;
- Residency and rents;
- Household composition - the family, dependants and other occupants;
- Earnings, capital and savings, other benefits and income.

The Framework identifies where fraud and error are most likely to occur through categorising customers by risk groups and focuses resources where they will be most effective. The risk group assigned to a customer affects:

- The benefit period to be determined;
- Visits and postal checks during the benefit period.

*Source: National Audit Office summary of the Verification Framework*

3.24 In their 1998 examination, the Committee of Public Accounts considered that local authority compliance with the Framework should be mandatory and that voluntary implementation lost an opportunity to drive up standards and ensure consistency across the country. However, in view of the overall burdens of change being placed on local authorities in connection with Housing Benefit, the Department preferred to follow a policy of encouraging voluntary take-up backed by additional funding to local authorities towards the set-up and ongoing costs. Progress in implementing the Framework has been slow although the Department are committed to full implementation of the Framework by 2006.

3.25 By January 2003, 277 local authorities (68 per cent) were fully compliant with all three modules of the Verification Framework, with a further 24 (6 per cent) compliant with one or more of the modules.

3.26 Both the Department's own research, and that of the Audit Commission, found that many local authorities experienced processing backlogs and a significant increase in customer contact during the early stages of implementing the Verification Framework. The Department acknowledged that these disincentives had affected take-up but considered that the Verification Framework could be introduced without significant disruption in local authorities where Housing Benefit administration was sound. In 2002, Audit Commission Wales concluded that there may be a case for a more tailored approach to the Verification Framework, based on a set of minimum standards and a locally based risk assessment. They recommended that a national evaluation of the Verification Framework would provide an opportunity to assess the relative costs and benefits of implementing the Framework, more systematically.<sup>52</sup>

3.27 In April 2002, following consultation, the Department split the Framework into three modules, New Claims, Renewals and In-Claim Activity to encourage take up by making it easier to administer. Local authorities can choose to adopt one or more of the modules, and so adopt the Framework incrementally. The Department hope the move to a modular format will help in achieving their plan for the Verification Framework to cover 100 per cent of Housing Benefit expenditure by 2006.

3.28 The Department's funding has increased over time as more local authorities have adopted the Framework. For the three years from 2001-02, the Government planned to provide £160 million for implementation. However, recognising that this was insufficient, and to help boost take up, the Government announced in July 2002 a 50 per cent increase in funding from 2003 for all authorities compliant with the Framework.

## The Department's anti-fraud subsidy scheme for local authorities

3.29 Since the mid 1990s the Department have operated a subsidy scheme to encourage anti-fraud work by local authorities. The anti-fraud incentive and penalties scheme had significant flaws. In particular it contained perverse incentives that encouraged inflated claims of savings achieved from detection, and it did little to encourage authorities to prevent or deter fraud. Over time the Department modified their various funding arrangements to tackle these weaknesses, pending a wider review of the scheme. From April 2002 the Department introduced a new incentive scheme for local authorities to replace the Weekly Benefits Scheme and overcome its deficiencies. The new scheme required the Department to make substantial adjustments during implementation in order to avoid a considerable shortfall in the amount of subsidies paid out to local authorities, against the subsidy planned. This was due to the Department setting the original thresholds too high, preventing some local authorities earning any subsidy. The substantial reductions in thresholds then enabled 75 per cent of local authorities to earn subsidy from the scheme.

3.30 The new scheme aims to provide a more wide-ranging approach to tackling fraud and error by:

- Encouraging prevention of Housing Benefit fraud by introducing higher rewards to local authorities which comply with the Verification Framework (this is in addition to the separate additional funding provided by the Department for implementation of the Framework);
- Retaining the incentive element for detection of fraud and error by rewarding local authorities that identify fraud and error overpayments, but removing a differential between the two, which was one of the weaknesses of the previous scheme;
- Encouraging the use of sanctions and prosecutions by introducing incentive payments to local authorities for successful prosecutions of fraudsters and use of administrative penalties and formal cautions.

3.31 The main features of the new scheme are shown in **Figure 28**. Local authorities are required to provide supporting evidence on all cases for which a reward is claimed. The rewards reflect the level of overpayment involved and the sanctions applied when preventing, detecting, or deterring fraud.

52 Audit Commission Wales; "Closing the Gap -working together to reduce rent arrears"; November 2002.

## 28 Main features of the Department's new incentive scheme

### The main features of the scheme are:

- Local authorities earn rewards for benefit overpayments they identify, based on the weekly benefit paid incorrectly, which count towards achieving their threshold target;
- The greater the amount detected of weekly benefit paid incorrectly, the greater the reward to count towards the threshold target;
- In certain circumstances, local authorities earn rewards for any reduction in benefit payment equal to 75 per cent of the reward for detecting weekly benefit paid incorrectly, in cases where no overpayment is identified;
- If local authorities meet or exceed the target level of rewards, they receive 100 per cent of the rewards above the threshold target;
- Local authorities that are partially or fully compliant with the Verification Framework receive greater rewards for any given level of applicable overpayment detected than non-compliant local authorities. This increases their probability of achieving their threshold target and provides a further incentive to take up the Verification Framework:
  - 30 per cent greater reward for partially compliant local authorities
  - 60 per cent greater reward for fully compliant local authorities;
- A failure to reach the threshold target leads to no subsidy for detecting overpayments;
- The incentive scheme takes greater account of reducing overall loss from fraud and error, rather than solely detecting benefit fraud.

### The further rewards provided are:

- Local authorities keep the overpayments they recover;
- Administrative penalty issued and accepted - £1,000 reward;
- Formal caution issued and accepted - £1,000;
- Information is laid with a Court and the Court issues a summons - £1,000;
- Successful prosecution - £2,000.

### Changes the Department plan to implement in 2003:

- Increase in incentives for detecting higher risk fraud, for example, "living together" and non-residency cases;
- Increase the reward for identifying overpayments by the Department for Work and Pensions where there is no change in Housing Benefit payment;
- Increase the rewards for sanctions from £1,000 to £1,200.

Source: National Audit Office summary of Security Against Fraud and Error

3.32 In 2001-02, the Department ran the original anti-fraud incentive and penalties scheme and the new scheme in parallel, but planned that most local authorities would take up the new scheme, with full implementation by 2002. In fact, only 15 per cent (63) local authorities chose to operate the new scheme. The main reasons for this low take up were concerns about the short timescales for implementing the new scheme and the significant changes to information technology systems that were required. Some local authorities that did take up the new scheme in the first year were motivated by the chance of avoiding further penalties in the original scheme, which were not a feature of the new scheme.

3.33 The Department's review of the new scheme during 2001 indicated that only nine of the 63 local authorities would have earned sufficient rewards to meet their threshold targets by the end of 2001-02, and receive any subsidy for their fraud prevention, detection and deterrence efforts. The Local Authority Associations also expressed concerns that threshold targets for achieving subsidies were too high and that some participating local authorities would suffer loss of funds as a result. The review found that the Department had set the threshold targets at twice the appropriate level that would have enabled local authorities to receive the planned level of subsidy. This was due to inaccuracies in the Department's planning assumptions and the absence of management information from local authorities.

3.34 In September 2001, the Department responded to these findings and concerns by reducing the threshold targets for local authorities by an average of 55 per cent. They also introduced the reduced thresholds retrospectively to offset the losses already incurred in the local authorities that had taken up the scheme. Following these changes, 42 of the 63 participating local authorities were able to reach or exceed their revised thresholds for 2001-02.

3.35 The Department's evaluation of the scheme, from local authority management information, suggests a wide range in local authority performance against the reduced threshold targets - from 21 per cent to 516 per cent of the target level. This raises questions over the reliability of the Department's threshold setting and the reactions of some authorities to thresholds they may regard as unachievable. The Department also considered that the incentives for increasing detection activity may be insufficient. Subsequently, the Department introduced some changes to increase detection activity.

3.36 In April 2002, the Department ceased operation of the original anti-fraud incentive and penalties scheme, requiring all local authorities to operate the new scheme with the revised threshold targets. Having consulted software suppliers to ensure that they would be able to provide the necessary information technology support, the Department allocated £10 million to fund the set up costs. This provided each authority with between £20,000 to £30,000. The Department have allocated £50 million in 2002-03 on subsidies to local authorities that meet their threshold targets under the scheme. This represents a 22 per cent increase in subsidies available to local authorities compared to the previous anti-fraud incentive and penalties scheme.

## Housing Benefit fraud investigations

3.37 There has been sustained criticism over the low and reducing level of investigations of Housing Benefit fraud, the poor quality of fraud investigations and training of fraud investigators, the management of investigations units and the failure to exercise powers introduced in Departmental legislation.

3.38 Successive Audit Commission reports on tackling fraud and error in Housing Benefit found that some local authority fraud investigation units were under-resourced, or were regarded as profit making enterprises to pursue subsidies, rather than fraud. The number of investigators varied markedly, even between similar sized local authorities. Management of investigation units was a low priority task. Training of investigators was adequate in only 40 per cent of local authorities and two thirds of local authorities provided no detailed guidance on how to carry out fraud investigations.<sup>53</sup>

3.39 While the estimated level of Housing Benefit fraud is around £500 million a year, less than £100 million of benefit overpayments detected annually has been classified as fraud in recent years. However, Departmental changes in classification of overpayments make year by year comparisons difficult. Audit Commission reviews have also found that the reported number of Housing Benefit frauds which local authorities are detecting is decreasing significantly, although the Department's definition of detected fraud has been tightened over this period. The Department consider that these changes in definition partially or wholly explain the reduced number of detected frauds reported. **Figure 29** shows that these have fallen by 45 per cent over two years while the total value of detected fraud has remained around £95 million over the same period. Although the two figures are not strictly comparable, the trends could suggest an increasing value of detected frauds which may reflect one or more of the following:

### 29 Local authorities are reporting fewer detected frauds while the aggregate value of detected fraud remains stable

Year	Number of frauds detected <sup>1</sup>	Aggregate value of of frauds detected
1998-99	204,000	£94.7 million
1999-00	144,000	£92.7 million
2000-01	112,000	£94.7 million

#### NOTE

1. The figures for number of frauds detected include some prevented overpayments that would not be included in the figures for aggregate value of frauds detected.

Source: Audit Commission

- the Verification Framework deterring opportunistic fraudsters from committing low value frauds or preventing such frauds;
- increases in the average value of individual Housing Benefit frauds committed;
- a reduction in local authority fraud investigation resources; or
- a greater local authority focus on lengthier high risk and high value cases for investigation, as they receive proportionately greater financial rewards towards their target thresholds from the Department for high value cases of fraud detected and they are able to keep overpayments they recover.

The low overall value detected may reflect the standard of proof required to prove customer fraud, rather than error.

3.40 In 2001, the Benefit Fraud Inspectorate found that the quality and extent of the fraud investigation service within local authorities remained highly variable. Although they found examples of good local authority work, they also highlighted a continuing lack of professionalism in fraud investigations allied to poor training.

3.41 The Scampton Report recommendation that "Professionalism in Security" training should be mandatory for all fraud investigators was not accepted by the Department. They cannot therefore compel investigators to undertake the course. Even so, the Department have provided funding for investigators to take up professional training (the "Professionalism in Security" Accredited Counter Fraud Officer scheme). Currently 80 per cent of the 1,650 local authority investigators have commenced the accredited training, and 58 per cent have completed the programme. This fraud specific training programme is available to fraud investigators in local authorities and the Department.



A number of local authority fraud investigators are also undertaking other professional training courses. In many cases these are provided by the same trainers but do not lead to professional accreditation.

3.42 Our 1997 report on Housing Benefit fraud found evidence of heavy-handed conduct of some fraud investigations.<sup>54</sup> The Committee of Public Accounts subsequently noted that those who committed fraud should be dealt with effectively, but the conduct of investigations should also be properly controlled to inspire public confidence that suspects are treated fairly (Appendix 2, Recommendation (x)). The Committee expected the Department to take the lead in drawing up a code of conduct for local authority fraud investigations. However, our examination of records held by Citizens Advice found that a small number of customers subject to an investigation of suspected Housing Benefit fraud since 2000, have expressed their concerns over the conduct of investigators. These include offensive language, poor communication of required information, intimidation and heavy handed behaviour.

3.43 The Department now provide guidance and training to local authority fraud investigators which aims to ensure that they operate legally and ethically, with high professional standards and to maximum effect. The Department are developing a single Fraud Investigation Manual for local authority and Departmental investigators to ensure a consistent standard across both investigation communities.

3.44 In 2001, the Benefit Fraud Inspectorate highlighted the failure by local authorities to appoint Authorised Officers under legislation. Local authorities have now appointed more Authorised Officers, currently around half of all local authority fraud investigators. The Authorised Officers are authorised under the Social Security Administration Act 1992 to use additional powers, for example, to enter premises and make relevant enquiries in relation to benefit matters.

3.45 Since May 2002, some 87 Authorised Officers from local authorities have been appointed under the Social Security Fraud Act 2001. These officers can obtain information from certain third party organisations such as banks and insurance companies about their customers. The Department do not consider it necessary, or desirable, for large numbers of officers to be given these powers. In line with assurances the Department have given to Parliament, the Department are limiting the number of Authorised Officers to the number they consider necessary to make effective use of the legislation.



Photograph courtesy of Department for Work and Pensions.

## Joint working with local authorities

3.46 In 1998, the Committee of Public Accounts highlighted that close liaison between the Department and local authorities was essential to tackling Housing Benefit fraud effectively. The exchange of information is particularly important, both in administration of claims and in fraud investigations, because many of the entitlement conditions for claiming Housing Benefit are the same as for Income Support or Jobseeker's Allowance. Around 60 per cent of customers receiving Income Support or Jobseeker's Allowance also claim Housing or Council Tax benefit. The Committee recognised that Service Level Agreements on joint working were a good idea in principle, but considered it was unsatisfactory that they had not been monitored or enforced. The Scampton report also stressed the need for more effective joint working between central and local government to tackle organised fraud.

3.47 Subsequent reviews have highlighted that the Department need to make major improvements in joint working with authorities to tackle Housing Benefit fraud. In September 2001, a Benefit Fraud Inspectorate report found continuing problems with the Benefits Agency's working relationship with local authorities, including a continued failure to monitor or enforce Service Level Agreements. The Inspectorate recommended urgent action to address these, but noted that these areas had been previously brought to the Benefit Agency's attention without a response. **Figure 30 overleaf** outlines selected findings from the Inspectorate's report. Their main recommendations were that the Benefits Agency should:

- Monitor and comply with the standards set out in administrative and fraud Service Level Agreements;
- Train Agency staff on Housing Benefit and Council Tax Benefit matters;
- Pursue recovery of Housing Benefit overpayments on behalf of local authorities;
- Work more closely with local authority fraud teams and exchange information more effectively.

54 "Measures to Combat Housing Benefit Fraud", HC164, 1997-98.

### 30 Selected findings from the Benefit Fraud Inspectorate report on the Benefit Agency's relationship with local authorities

- Failure to give appropriate emphasis to closer working with local authorities;
- No clear ownership or strategy to deliver closer working;
- Lack of guidance, policies, management information, targets, accountability or incentives on closer working;
- Failures to monitor and meet Service Level Agreement requirements;
- Poor awareness of the links between benefits administered by the Benefits Agency and Housing Benefit;
- Confusion on data exchange opportunities due to a lack of guidance on the Data Protection Act and some misunderstanding of it;
- An emphasis on sanctions that did not encourage close working with local authorities;
- A breakdown in communications and failures to exchange of information, leading to inconsistency of approach to investigations and inspections, indicating that Housing Benefit could be seen as an easy target for fraudsters, lead to local authorities losing subsidy and to overpayments of benefit not being revealed or recovered.

#### NOTE

The Benefit Fraud Inspectorate will be undertaking an inspection of Jobcentre Plus to establish how the new organisation is taking forward the recommendations made in this report.

*Source: Benefit Fraud Inspectorate "Inspection of the Benefits Agency's relationship with local authorities", September 2001*

3.48 In response, the Department produced an Action Plan to address the recommendations in the Benefit Fraud Inspectorate report. Some 47 of the 49 recommendations were accepted. Currently, 75 per cent (35) of the accepted recommendations have been cleared and the Department are taking action on the remaining 12, reporting each month to stakeholders and Ministers on their progress.

3.49 In response to the Scampton Report of January 2000, the Department established a unit in 2001 to promote joint working between the Department's fraud units, other government departments and local authorities, and to improve the quality and number of anti-fraud operations across operational boundaries. This Joint Working Unit has established Joint Regional Boards to ensure links with, and active participation of, local authorities. It is also disseminating good practice on joint working. The Department have provided £6 million a year between 2001-02 to 2003-04 to fund innovative joint working.

3.50 The Joint Working Unit has recently issued a Fraud Partnership Agreement between the Department's fraud units and local authorities to reflect the introduction of Jobcentre Plus and The Pension Service. The Department consider that the organisation of Jobcentre Plus on local authority boundaries will improve the opportunities for closer joint working with local authorities.

3.51 All fraud activities are now covered by the national Fraud Partnership Agreement. The Agreement requires each organisation to notify Partners when a fraud investigation begins, and claims are linked (that is, the person under investigation is claiming Housing Benefit from a local authority and a benefit from the Department), to reduce duplication of effort and set minimum standards for investigations. The Department also require all potential fraud investigations to be considered for suitability for joint investigation.

3.52 Remote Access Terminals have improved local authority access to customer details on the Department's computer systems, relevant to the administration of Housing Benefit and to the recovery of overpayments. All local authorities but the Isles of Scilly (due to low benefit activity levels) now have Remote Access Terminals.

## Data matching

3.53 Data sharing and matching is one form of joint working designed to detect potential cases of fraud for follow up investigation. The Department provide a free Housing Benefit Matching Service to local authorities. This receives data from 401 of the 408 local authorities and performs data matches to identify discrepancies in customer data held on Departmental and local authority systems. These are referred back to authorities for investigation. The main types of overpayments or frauds identified are duplicate claims to different local authorities and claims that continue after entitlement to other benefits has ceased. To help assess the service, the Department ask local authorities to report the outcome of their investigations, and evaluate the comparative performance of the local authorities.

3.54 The Audit Commission undertake the National Fraud Initiative in collaboration with more than 600 public bodies in central and local government, and analyse over 14 million data records. The primary target of the Initiative is the detection of Housing Benefit fraud and error. The data-matching technique identifies instances where fraud may be occurring, for example, an individual claiming Housing Benefit whilst receiving a salary or pension which precludes any entitlement to benefit, or possible duplicate Housing Benefit claims. The Audit Commission return these matches to local authorities for investigation, along with supporting guidance. The Initiative is part of the Commission's statutory external audit of local authorities.

3.55 In May 2002, the Audit Commission reported that this exercise detected £24 million in local authority benefit fraud, an increase of 60 per cent from two years previously. Individual cases of benefit fraud detected included overpayments of up to £83,000<sup>55</sup>.

3.56 The Audit Commission concluded that most local authorities made good use of the information generated by the Initiative. They found that good results derived from good planning, sufficient resourcing of investigation staff, joint working with other local authorities and joint working with the Department. The Commission considered that a small number could get more out of the process by submitting better quality data and by prioritising their investigations more carefully. The Commission intend to provide training to help local authorities investigate matches in the most cost-effective and timely manner.

## Sanctions against fraudulent customers

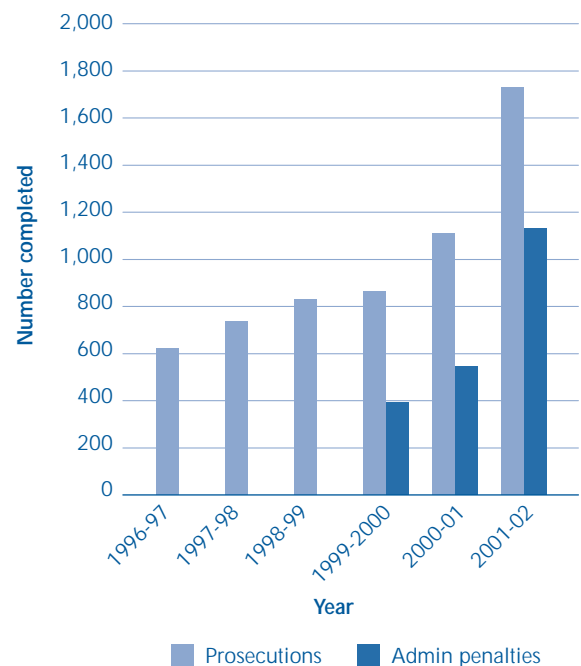
3.57 In 1998, the Committee of Public Accounts concluded that the level of prosecutions by local authorities was "incredibly low", at under one per cent of detected frauds. Fraudsters may not be deterred by the threat of sanctions when the likelihood of prosecution is low. The Committee recommended that the Department take a stronger lead in identifying and resolving the problems faced by local authorities, in helping them to implement cost-effective prosecution policies.

3.58 The Department's policy is to encourage an increase in the prosecutions and other penalties applied by authorities for Housing Benefit fraud. However, they do not expect these to reach the levels achieved by the Department for centrally administered benefits. The Department consider that the smaller authorities may not have sufficient capacity or legal expertise to pursue prosecutions.

3.59 In 1998, the Department began plans to provide legal advice and services to help local authorities conduct more prosecutions. The pilot for this started in November 1998 and was extended, first to March 2000, then to March 2001, primarily because of the limited response from local authorities, which may have restricted the increase in prosecutions between 1998 and 2000. In response, the Department introduced funding for local authorities to mount their own prosecutions. From November 2002, those smaller local authorities that are unable to maintain an in-house capability, will have the opportunity to use the Departmentally funded solicitors' branch for prosecutions.

3.60 Since 1998-99, the number of prosecutions and administrative penalties for fraud has more than trebled (Figure 31). In 2001-02, around 1,700 prosecutions, 1,100 administrative penalties and 1,500 formal cautions were administered by local authorities, bringing the total number of sanctions applied by local authorities in that year to over 4,300. The increase in prosecutions and administrative penalties in 2001-02 suggests that the Department's rewards of £2,000 for a successful prosecution and £1,000 for administrative penalties and the administration of formal cautions are giving local authorities an incentive to increase activity. In one local authority, the average of legal costs for prosecutions completed during 2001-02 was around £1,700. The Department are increasing rewards for sanctions by 20 per cent to £1,200. The increasing number of prosecutions is also indicative of a change in attitude by authorities, with a greater expressed interest in prosecuting customers who are organised and systematic fraudsters. The Benefit Fraud Inspectorate are examining the reasons behind local authorities' varying records on prosecutions.

**31 Prosecutions and administrative penalties completed, 1996-97 to 2001-02**



### NOTE

Administrative penalties, as an alternative to prosecution, were introduced by the Social Security Administration (Fraud) Act 1997, with effect from December 1998.

The annual figures include both totals from local authorities providing data, and estimates on local authorities not providing data, based on historical and regional data.

Source: Department for Work and Pensions

# Appendix 1

## National Audit Office methodology

### Introduction

1 This Report has been completed alongside other National Audit Office Reports on fraud against HM Customs and Excise and the Inland Revenue. In designing the methodology for all the reports we selected and carried out a variety of methods that we considered most appropriate to examine the issues identified for this study. Part of the methodology set out below was unique to the Department for Work and Pensions report and part of it was common to all of the National Audit Office Reports on fraud. In the case of the work on the Department for Work and Pensions, the methods were chosen to:

- provide a mixture of qualitative and quantitative data from which to assess the practice and performance of the Department;
- allow us to obtain examples of good practice;
- allow us to assess variations in performance of the Department's regions, in particular to achieve the Public Service Agreement target to reduce fraud and error on Income Support and Jobseeker's Allowance.

### Fieldwork visits

- 2 As part of our fieldwork for the report, we visited Departmental fraud teams in Birmingham, Doncaster, Durham, Leeds, London, Nottingham and Worthing. We used these visits to generate performance information on the Department's work to tackle fraud and case studies. Within each visit we carried out structured interviews with staff at different levels from across the range of functions to tackle fraud to gather qualitative and quantitative information on each area of our audit programme.
- 3 We met representatives from the Audit Commission, District Audit, Benefit Fraud Inspectorate and the London Borough of Greenwich. We also reviewed the records of Citizens Advice on customer views of being involved in fraud investigations.
- 4 We are grateful to everyone who took the time to talk to us during our visits and for their enthusiastic help.

### Fraud measurement

- 5 We used consultants to help us assess the Department's approach to estimating the extent and scale of fraud (Experian Business Strategies). They helped us to look at the robustness of the methodologies used by the Department and whether alternatives would produce more reliable results. They also looked at the problems of distinguishing between fraud and error when estimating the amount lost from fraud and whether the Department were successful in making this distinction.

### Assessment against good practice

- 6 We used an assessment tool based around good practice to review the Department's approach to:
- managing the risks of fraud;
  - preventing fraud;
  - detecting and investigating fraud;
  - imposing sanctions.
- 7 The assessment tools were developed by drawing on a range of expertise, and through piloting with Departments. We employed consultants to help us analyse the results (Vivas Ltd on risk management and Control Risks Group on prevention, detection and investigation).
- 8 We contacted a range of other organisations to identify further examples of good practice:
- firms and consultants in the private sector;
  - Supreme Audit Institutions (in Australia, Canada, Denmark, Ireland, New Zealand, Sweden and the United States of America);
  - Government organisations overseas responsible for welfare provision (in Australia, Canada, Denmark, New Zealand and the United States of America).



## Sharing of information

- 9 We developed a set of high level generic questions to determine the Department's approach to data sharing and matching and use of other innovative techniques. They were designed to assess:
- the extent to which the Department had addressed the complex legal and other issues associated with data sharing and matching;
  - the Department's progress in taking forward data sharing and matching, identifying good practices, any other innovative techniques used, and barriers to further development;
  - the financial and other beneficial effects of exercises undertaken to date.
- 10 In carrying out this work we consulted with major stakeholders in this area including the Cabinet Office Performance Innovation Unit and the Information Commissioner. We considered the sharing of information and intelligence between Departments on known and suspected fraudsters as part of the exercise on assessing the joined-up action on fraud.

## Assessment of joined-up action in tackling fraud

- 11 We employed Professor Michael Levi of Cardiff University and Professor Alan Doig of Teeside Business School to advise us on the effectiveness of the three Departments' involvement in joint action against fraud. They developed a set of questions on joint action for the study team to use, examined relevant information obtained by the National Audit Office and carried out interviews with the three Departments and a selection of other public and private sector organisations.

## Advisory Groups

- 12 We set up two advisory groups to provide advice and feedback to the study teams working on the Reports on the Department for Work and Pensions, HM Customs and Excise and the Inland Revenue at major stages of the projects. In putting together the groups we took account of sensitivities about the exposure to the advisory groups of potentially sensitive details of the efforts to tackle fraud.

- 13 Membership of the groups was as follows:

### First Group (Public Sector)

John Alpass and Bernard Dixon - Department for Work and Pensions

Tony Walker - HM Customs and Excise

John Gilbody - Inland Revenue

Ken Farrow - Association of Chief Police Officers

Arwel Roberts - Audit Scotland

Andrew Laing - Crown Office and Procurator Fiscal Service (Scotland)

Liam Carroll - Crown Prosecution Service

Jim Gee and Maureen Phillips - Department of Health

Derek Elliott - District Audit

Vina Kapil - Home Office

Mike Holloway - Lord Chancellor's Department

Andy Blezzard - National Criminal Intelligence Service

Roddy Gillanders - Serious Fraud Office

Chris Butler - HM Treasury

### Second Group (External experts)

Ann Chandler - Adjudicator's Office

Liesel Annible - Association of Certified Fraud Examiners

John Wilkinson - Association for Payment Clearing Services

Graham Watson and David Lennox - British Bankers' Association, Fraud Prevention and Intelligence Unit

Professor Michael Levi - Cardiff University, White-Collar and Organised Crime Research Unit

Tim Crowley - Chartered Institute of Public Finance and Accountancy Anti-Fraud and Anti-Corruption Panel

Andrew P Wilson - Consignia

Spike Hughes - Counter Fraud Professional Accreditation Board

Brian Dilley - Financial Services Authority

Martin Robinson - Institute of Chartered Accountants of England and Wales Fraud Advisory Panel

Mark Button - Institute of Criminal Justice Studies, University of Portsmouth

Mike Haley - Office of Fair Trading

Professor Alan Doig - University of Teeside, Teeside Business School, Fraud Management Studies Unit

- 14 Each of the two groups met three times during the course of our work. They discussed and offered helpful comments on the study plans and methodology, the emerging findings of the work and the draft reports. We are grateful to everyone who took part in the Groups for their valuable contributions.

# Appendix 2

## Departmental action in response to the Committee of Public Accounts' recommendations

Committee of Public Accounts' Recommendations <sup>56</sup>	Action taken by the Department
<p><b>On the scale and nature of Housing Benefit fraud</b></p> <p>(i): It is totally unacceptable that seven years after we last looked at this issue, Housing Benefit fraud should exceed £900 million, and the Department still do not have information to show whether fraud is increasing, or all the information they need on the types of fraud, including landlord fraud, and variations at regional and local level. The absence of reliable information must cast doubt over the decisions the Department have taken to invest in anti-fraud work and over the achievements they have claimed.</p> <p>(ii): The Department expect to have better information once the second Benefit Review is completed shortly, and they are also looking at the feasibility of measuring changes in the levels of fraud at local level over time, with a view to setting targets for reductions and providing incentives to deter and prevent fraud. We are concerned that this essential work is so late, and that the final results of the local reviews will not be known until March 2000. In our view, the Department must make faster progress on this important issue.</p>	<p>The Department published the results of their second Housing Benefit Accuracy Review in October 1998. The Department began a continuous Housing Benefit Review in April 2001. The first estimate from this review was to be available in 2002, but the data were not of sufficient quality. The Department now expect to have a revised estimate by 2003.</p> <p><i>(See paragraphs 1.13 and 1.14)</i></p>
<p><b>On what the Department are doing to tackle fraud</b></p> <p>(iii): We are worried at the Department's uncertainty about whether the new powers contained in the Social Security Administration (Fraud) Act 1997 will be enough to enable them to deal effectively with Housing Benefit fraud. This uncertainty reinforces our concern that the Department do not have sufficient grip of what is needed. We expect them to monitor closely the impact of these new measures, and to take decisive action should further action be necessary.</p> <p>(iv): Those designing benefit systems have to strike a balance between addressing different needs equitably and fairly on the one hand and simplicity and security on the other. However the present system does not find the right balance. There are 500 pages of guidelines as well as over 60 assorted deductions to understand. This complexity exposes genuine claimants to confusion, inadvertent error by omission, and the risk of investigation; confuses administrators leading to high levels of errors in payment; and provides a breeding ground for fraud. In these circumstances, the system can neither be fair nor secure, and the Department need to take a fundamental look at the scheme during their current spending review.</p>	<p>The Social Security (Fraud) Act 2001 introduced new powers to obtain information from certain third party organisations, such as banks and insurance companies about their customers. The powers in the Act commenced in May 2002. Local authorities can appoint Authorised Officers under the Act to exercise the new powers.</p> <p><i>(See paragraph 3.45)</i></p> <p>The Housing Green Paper in April 2000 acknowledged that complexity was a major problem facing Housing Benefit. In its response in December 2000, the Government saw the need to both raise standards in administration and simplify the system. In the short term the Government proposed simplifying the existing system, with more fundamental reform to be considered in the longer term if necessary.</p> <p>The Department's response focused on introducing greater controls to the system, such as checking customer evidence and identity, and on offering extra resources to help struggling local authorities, rather than on fundamentally simplifying the scheme. They have agreed to better consultation with local authorities before introducing further changes.</p> <p>The Department announced plans for Housing Benefit reform in October 2002. These contained a number of simplifications to the existing systems as well as proposals for fundamental reform.</p> <p><i>(See paragraphs 3.12 to 3.16)</i></p>

Committee of Public Accounts' Recommendations <sup>56</sup>	Action taken by the Department
(v): A significant level of fraud in Housing Benefit arises because of the failure by the Department and the Benefits Agency properly to control claims for Income Support and Jobseeker's Allowance. In effect, this failure provides a gateway to fraud in Housing Benefit. The Committee of Public Accounts have previously expressed serious concerns about fraud and error on Income Support, and have recently examined this issue again and will report separately on what more needs to be done.	<i>Fraud and error on Income Support and Jobseeker's Allowance is covered in Parts 1 and 2 of the Report.</i>
(vi): The main measure for increasing fraud detection is an incentives and penalties scheme, which cost £43.6 million in subsidies to local authorities in 1996-97. This scheme has increased the resources devoted to fraud detection, but contains perverse incentives which encourage inflated claims of savings achieved by authorities and do little to encourage authorities to prevent or deter fraud. (vii): There has also been an overstatement of savings achieved by the BA. The Department are now looking at how the system could be improved, and are searching for a more accurate way of assessing savings from anti-fraud work on Housing Benefit. It is worrying to note their lack of confidence that they will find a solution. (viii): Accurate reporting of savings achieved is essential in assessing the success of, and returns on investment in, anti-fraud work, and the rewards to be paid to local authorities and to individuals in the BA. We therefore look to the Department to secure more robust measurement, and independent validation, of savings reported. (ix): Investment in anti-fraud work can be very cost effective, and the Department have secured extra funding for specific initiatives on a 'spend to save' basis. In our view, increased investment may be justified, but there must be greater assurance over the accuracy of savings achieved.	The Department acknowledged that the validity of the incentives and penalties scheme as an effective anti-fraud mechanism for local authorities was questionable. From April 2002, the Department have been operating a new scheme (Security Against Fraud and Error) which aims to: <ul style="list-style-type: none"> <li>■ encourage prevention of Housing Benefit fraud by introducing higher rewards to local authorities which comply with the Verification Framework (this is in addition to the separate additional funding provided by the Department for implementation of the Framework);</li> <li>■ retain the incentive element for detection of fraud and error by rewarding local authorities that identify fraud and error overpayments, but removing a differential between the two, which was one of the weaknesses of the previous scheme;</li> <li>■ encourage the use of sanctions and prosecutions by introducing incentive payments to local authorities for successful prosecutions of fraudsters and use of administrative penalties and formal cautions.</li> </ul> <i>(See paragraphs 3.29 to 3.30)</i> Local authorities are required to provide supporting evidence on all cases for which a reward is claimed. <i>(See paragraph 3.31)</i>
(x): It is disturbing that innocent people may be suffering as a result of over-zealous anti-fraud strategies. Those who commit fraud should be dealt with effectively, but the conduct of fraud investigations should also be properly controlled to inspire public confidence that suspects are treated fairly and that innocent people do not suffer. We expect the Department to take the lead in drawing up a code of conduct for fraud investigations.	The Department have provided funding for investigators to take up professional training (the "Professionalism in Security" Accredited Counter Fraud Officer Scheme). Currently 80 per cent of the 1,650 local authority investigators have commenced the accredited training, and 58 per cent have completed the programme.  The Department now provide guidance and training to local authority fraud investigators which aims to ensure that they operate legally and ethically, with high professional standards and to maximum effect. The Department are developing a single Fraud Investigation Manual for local authority and Departmental investigators to ensure a consistent standard across both investigation communities.  <i>(See paragraphs 3.41 and 3.43)</i>

Committee of Public Accounts' Recommendations <sup>56</sup>	Action taken by the Department
(xi): The measures introduced by the Department have been effective in increasing the amount of fraud detected. But they have not helped to prevent fraud getting into the system in the first place. Poor administration in many local authorities is a contributory factor in the amount of fraud, and the Department must bear a large share of the responsibility for letting this happen. The Department are now seeking to improve Housing Benefit administration by introducing the verification framework, which will give authorities guidance on the checks needed to ensure that claims are correct. This is a step in the right direction.	The Department introduced a Verification Framework in 1998 to help reduce the amount of fraud and error entering local authority benefit administration. The Framework also aims to improve detection of fraud and error.  (See paragraph 3.22)
(xii): We are surprised, however, that implementation of the framework is to be on a voluntary basis. If this remains the case, the Department will have lost the opportunity to drive up standards and ensure consistency across the country. In our view, compliance with the new framework should be mandatory.	The Department followed a policy of encouragement, backed by funding to local authorities, to increase take up of the Verification Framework. The Department plan to extend take-up of the Framework to cover 100 per cent of Housing Benefit expenditure by 2006. By January 2003, 68 per cent (277) of local authorities were fully compliant with the Framework and a further 6 per cent (24) were working to full or partial compliance.  (See paragraphs 3.24 and 3.25)
(xiii): The Department are placing considerable emphasis on the newly established Benefits Fraud Inspectorate to drive up standards of administration and anti-fraud work. Inspections of individual local authorities' performance will also cover, for example, authorities' targeting of anti-fraud work, prosecution policies and weekly benefit savings claimed. The Inspectorate's reports to the Secretary of State will also be published. We welcome this initiative.	The Benefit Fraud Inspectorate have carried out a total of around 140 inspections of local authorities since they were set up in 1997. The Inspectorate issued in April 2002 a performance framework setting out performance standards and a self-assessment package to assist local authorities analyse risks in benefits administration and their fraud activity.  (See paragraphs 3.17 to 3.21)
(xiv): Fear of detection can be an effective deterrent against committing fraud, but only if it is backed up by sufficient prosecutions and effective penalties. Yet the level of prosecutions by local authorities is incredibly low, at under one per cent of detected frauds, and suspected fraudsters have a 99 per cent chance of getting off 'scot-free'. The Department need to provide a stronger lead in identifying and resolving the obstacles faced by local authorities, in helping them to implement cost-effective prosecution policies, and by looking at regional variations in prosecution policy.	The Department's policy is to encourage an increase in the sanctions and prosecutions applied by local authorities for Housing Benefit fraud. However, the Department do not expect these to reach comparable levels to the number of sanctions and prosecutions applied to fraudulent customers of the centrally administered benefits.  (See paragraphs 3.57 to 3.60)
(xv): It is unacceptable that authorities often do not seek repayments from people who have obtained benefit fraudulently. We remain unconvinced that local authority performance in recovering overpayments is as good as it should be. The Department have introduced administrative penalties as an alternative to prosecution. But the effectiveness of the new penalties as a deterrent will be diminished unless authorities make more concerted and consistent efforts to recover overpayments. The Department should examine ways of making this happen.	The Security Against Fraud and Error scheme allows local authorities to keep the overpayments they recover, as an incentive to recover overpayments. However, the Benefit Fraud Inspectorate's analysis from the highest spending local authorities indicated a continuing major failure to manage overpayments.  (See paragraphs 3.18, 3.29 to 3.36 and Figure 28)
(xvi): The Department have introduced a number of new measures to combat organised and landlord fraud, including the London Organised Fraud Investigation Team. We expect them to review the success of these initiatives to ensure they are securing the desired impact, and to assess the benefits of extending the specialist investigation of landlord and organised fraud to other parts of the country.	The London Organised Fraud Investigation Team was disbanded following two inspections, one of which was by the Benefit Fraud Inspectorate.



Committee of Public Accounts' Recommendations <sup>56</sup>	Action taken by the Department
<p><b>On the co-operation between the Benefits Agency and local authorities</b></p> <p>(xvii): Close liaison between the BA and local authorities is essential if Housing Benefit fraud is to be tackled effectively. Service level agreements between the BA and local authorities are in principle a good idea but we consider it extremely unsatisfactory that those agreements have not been monitored and enforced. If the current arrangements for administering Housing Benefit are to continue, it is essential that the service level agreements are updated and then made to work.</p>	<p>Major problems remain of poor quality and general lack of close working between Departmental and local authority fraud investigators and there has been continued failure to monitor or enforce Service Level Agreements. The Benefit Fraud Inspectorate have recommended the Department:</p> <ul style="list-style-type: none"> <li>■ Monitor and comply with the standards set out in administrative and fraud Service Level Agreements;</li> <li>■ Train Agency staff on Housing Benefit and Council Tax Benefit matters;</li> <li>■ Pursue recovery of Housing Benefit overpayments on behalf of local authorities;</li> <li>■ Work more closely with local authority fraud teams and exchange information more effectively.</li> </ul> <p><i>(See paragraphs 3.46 to 3.51)</i></p>
<p>(xviii): There has also been insufficient involvement of local authorities in the BA's local "Spotlight on Benefit Cheats" anti-fraud drives despite the substantial returns they offer. The BA must take primary responsibility for these failures, and we expect to see the current initiatives to improve co-operation bear fruit quickly.</p>	<p>The Department now operate a range of measures to tackle fraud:</p> <ul style="list-style-type: none"> <li>■ The "Targeting Fraud" website and telephone hotline and the national media campaign. <i>(See paragraph 2.42)</i></li> <li>■ The Department have reduced the focus on proactive work and now emphasise the use of risk analysis and intelligence. <i>(See paragraph 2.50)</i></li> <li>■ The Verification Framework features a risk based approach to fraud and error prevention. <i>(See paragraphs 3.22 to 3.28)</i></li> <li>■ The Security Against Fraud and Error scheme aims to encourage local authorities in their efforts to prevent fraud. <i>(See paragraphs 3.29 to 3.36)</i></li> </ul> <p><i>The Spotlight on Benefit Cheats drive is no longer running.</i></p>
<p>(xix): The "finders keepers" system requires the BA to inform local authorities of related Income Support fraud in cases where the authority had detected Housing Benefit fraud, so that the authority may claim savings in respect of both benefits. This arrangement encourages competition and not co-operation. We await with interest the results of the BA's pilots of alternatives.</p>	<p>The Department have replaced the Weekly Benefits Scheme to which this relates with the Security Against Fraud and Error Scheme.</p> <p><i>(See paragraphs 3.29 to 3.36)</i></p>
<p>(xx): The effective delivery of Housing Benefit depends on the exchange of over 20 million pieces of paper between local authorities and the BA. This is incredible in this computer age. While we recognise the complexity of the Department's computer systems, we view with despair their view of the state of their own systems and that close integration with those of local authorities is a distant prospect. This makes it even more important that other solutions to help the electronic exchange of data are successful.</p>	<p>Computer systems in the Department and local authorities still do not allow close integration and routine sharing of information. The Department have a substantial programme of investment in information technology to reduce levels of fraud and error. Local authorities have separately commissioned information technology systems from suppliers.</p> <p><i>(See paragraphs 2.7 to 2.10)</i></p> <p>The Department's Housing Benefit Matching Service enables local authorities to identify discrepancies in the data between the information on the Department's and their own systems. All but seven local authorities use this facility.</p> <p><i>(See paragraph 3.53)</i></p>
<p>(xxi): One of these solutions is in the installation of Remote Access Terminals in each local authority. It is unacceptable that more than four years since first piloting these terminals, further piloting is now only underway with the aim of making terminals available nationally from April 1998. On the presumption that these terminals are operating satisfactorily, we expect the Department to roll them out to all authorities without further delay.</p>	<p>All but one local authority now have Remote Access Terminals.</p> <p><i>(See paragraph 3.52)</i></p>

# Appendix 3

## The Department's methodology for measuring benefit fraud and error

### Income Support and Jobseeker's Allowance fraud and error measurement

1 The measurement of Income Support and Jobseeker's Allowance fraud and error is a continuous monthly rolling programme designed to determine the incidence and magnitude of fraud, customer and official error in each of the Department's Regional Offices. The programme (known as the Regional Benefit Review) began in April 1997. It superseded national benefit reviews of Income Support and Jobseeker's Allowance/Unemployment Benefit, which were single measurements at a point in time and designed to give results at a national level only. The results from the ongoing benefit reviews for Income Support and Jobseeker's Allowance are shown in **Figure 32**. **Figure 33** shows the amount and percentage overpaid on fraud only on Income Support and Jobseeker's Allowance.

(40x5x13x12=31,200). The actual number reviewed and included in the analysis in the year to March 2001 was only just over 25,000 as no reviews were conducted in February and March 2001, in preparation for the common sample (see paragraph 5 overleaf).

3 Review Officers performed clerical and system checks on these cases and then visited the benefit customers (normally without prior notice) to interview them. Following this, the Review Officers checked that benefit payments matched the entitlement and checked for previous error or fraud. The results of case reviews were checked for consistency. The Information and Analysis Directorate then used the data to calculate national and regional figures for the amounts of fraud and error (and cases where fraud was suspected but benefit remained unchanged).

### The review methodology up to March 2001

2 The Regional Benefit Review to March 2001 took a random sample of 31,200 cases for review. Five district offices in each Area Directorate were selected at random. From each, 10 customers were randomly selected from each of the four customer groups - lone parents, pensioners and disabled/others for Income Support, and Jobseeker's Allowance. The 40 cases were thus reviewed in five districts in each of the 13 Area Directorates for each month of the review, making a total of 31,200 cases selected for review a year

### Changes in the review methodology from April 2001

4 Up to March 2001, the review methodology involved two separate exercises using separate samples. The Regional Benefit Review was designed primarily to estimate fraud and customer error, although it also found some official errors. There was also a separate review to check official errors. There were considerable overlaps between the two reviews which had to be removed when calculating estimates of the total figure to avoid double counting. Because the two reviews were carried out on different samples the exact overlap was not known, but was estimated by judging the types of error likely to be recorded by both reviews.

#### 32 Results of the Department's Regional Benefit Reviews for Income Support and Jobseeker's Allowance

Type of error	Amount and percentage overpaid					
	Fraud and customer error		Additional official error		Fraud and error total	
	£ billion	%	£ billion	%	£ billion	%
October 1997 - September 1998 baseline	1.06	6.9	0.32	2.1	1.38	9.0
April 1998 - March 1999	1.00	6.5	0.37	2.4	1.37	8.9
April 1999 - March 2000	1.01	6.4	0.31	2.0	1.32	8.4
April 2000 - March 2001	0.95	5.8	0.25	1.6	1.20	7.4
April 2001 - March 2002	0.90	5.3	0.26	1.5	1.15	6.8

Source: Department for Work and Pensions, Regional Benefit Reviews

### 33 Results of the Department's Regional Benefit Reviews for Income Support and Jobseeker's Allowance - levels of fraud

Period	Income Support Fraud		Jobseeker's Allowance Fraud		Total Fraud on Income Support and Jobseeker's Allowance	
	Amount overpaid	Percentage overpaid	Amount overpaid	Percentage overpaid	Amount overpaid	Percentage overpaid
October 1997 - September 1998 baseline	£596 m	5.1%	£302 m	8.4%	£898 m	5.9%
April 1998 - March 1999	£549 m	4.7%	£291 m	8.2%	£840 m	5.5%
April 1999 - March 2000	£559 m	4.4%	£266 m	8.2%	£825 m	5.3%
April 2000 - March 2001	£573 m	4.3%	£201 m	7.0%	£774 m	4.8%
April 2001 - March 2002	£530 m	3.7%	£170 m	6.6%	£700 m	4.1%

The proportion of benefit overpaid due to fraud has reduced by 24 per cent from the 1998 baseline to March 2002.

Source: Department for Work and Pensions, Regional Benefit Reviews

- 5 Since April 2001, the Department have checked a common sample of cases from which measurement of the Public Service Agreement targets will be made. The common sample provides a full picture of the estimated fraud, customer error and official error in Income Support and Jobseeker's Allowance, eliminating the overlap that was a problem with the separate exercises. A disadvantage with the common sample is that it introduces a change to the way official error is calculated, making it harder to make comparisons over time. From October 2001, the common sample stopped recording low suspicion of fraud. The Department do not collect percentage accuracy figures for customer error and it is likely to appear that accuracy has improved, although the monetary value of error will be unaffected.
- 6 From April 2001, the official error review team aim to examine around 39,000 cases a year. The common sample for measuring progress against the Public Service Agreement target requires some 27,000 cases which are derived from the larger official error sample.
- 7 When the official error review team have completed their checks, the Regional Benefit Review teams take forward the cases and arrange home visits. The Review Officers refer cases of high suspicion of fraud to the Counter Fraud Investigation Service for investigation. The Review team's work is validated by separate teams.
- 8 The official error review team collects information about the types of official error found, processes, events and timing. The Regional Benefit Review collects information about the types of fraud and customer errors found, the characteristics of the customers and the way the fraud and customer errors are detected. These help the Department target resources to detect and prevent fraud and benefit incorrectness due to customer and official error.
- 9 The Regional Benefit Review Officers are recruited from both the Counter Fraud Investigation Service and benefit paying staff. All Review Officers are trained in visiting and interviewing skills and also receive special training in research-type interviewing.
- 10 The first results drawn entirely from the new common sample on fraud and error for April 2001 to March 2002 were published in November 2002. The costs of the Regional Benefit Review in 2001-02 were £5.8 million.

## Housing benefit fraud and error measurement methodology

- 11 The Department have begun a continuous Housing Benefit Review to generate estimates of the incidence and magnitude of Housing Benefit fraud, customer and official error within each of the 408 local authorities. The measurement is being carried out through a stratified random sample of 10,000 Housing Benefit cases across the local authorities.
- 12 The Department's Housing Benefit Matching Service selects the samples of cases. The sample size for each local authority is determined by their number of Housing Benefit cases, and varies from 60 in the 21 largest local authorities, 40 in the 50 medium sized local authorities, to 20 in the 337 small local authorities, giving the total sample size of 10,000 a year.
- 13 Review Officers in each Region review the sample of cases selected. The Officers carry out visits to the selected customers to check whether the benefit in payment matches the customer's entitlement. In 2001-02, the cost of the Housing Benefit Review was £3.2 million.
- 14 Review Area Control Teams are responsible for ensuring the Housing Benefit Review methodology is correctly and consistently applied in local authorities. Review Officers must provide the necessary information from

their inspection to enable the Team to carry out their validation. The Team also refer cases of high suspicion of fraud to the Counter Fraud Investigation Service or local authority fraud investigators for investigation.

- 15 A Housing Benefit Review Team provides data to the Department to calculate the aggregate level of fraud and error in Housing Benefit. The Team also collects information about case characteristics and customer group behaviour.
- 16 The Department's Information and Analysis Directorate is responsible for analysing the data received to produce the results of the Housing Benefit Review. The Directorate monitors data quality and correct implementation of the sampling specification and data recording. The Directorate will use the data in risk analyses studies to help bring about changes in the way the Department can deal with security, and detect and prevent fraud and benefit incorrectness due to customer and official error.
- 17 The continuous Housing Benefit Review began sampling and examining cases in April 2001. The Department consider that the timetable for introduction was particularly challenging and did not provide for an initial pilot phase, nor opportunity to test the supporting Information Technology, in what they considered was a technically demanding and complex survey process. Consequently, it was not until the initial live running that the Department identified problems with the Information Technology and during the planned review in September 2001, that the Department discovered the problems with the survey methodology, adequacy of staff training and guidance. The Information and Analysis Directorate concluded that the first year of results for April 2001 to March 2002 were not of sufficient quality to publish or to establish a baseline estimate of fraud and error. However, the Department hope to derive indicative information.
- 18 The Department implemented changes to correct these problems from April 2002. These included investment of extra resources, changes in the guidance, methodology, database and working with local authorities. The Department have introduced a real-time monitoring of the review process, and have produced monthly monitoring reports. The first published results of the continuous Housing Benefit Review will be for the period April 2002-March 2003. The Department expect these to be published in late 2003.
- 19 The National Audit Office will periodically check on the work of the Review Area Control Teams, the Housing Benefit Review Teams and the Information and Analysis Directorate to provide a "Seal of Approval" on the Housing Benefit Review figures, findings and processes.

- 20 The Department previously carried out snapshot Housing Benefit Accuracy Reviews in 1995 and 1997-98, as part of their programme of National Benefit Reviews.

## National Benefit Reviews

- 21 The Department have carried out a programme of reviews for specific benefits as part of their security strategy (Figure 34). The Department's aims from National Benefit Reviews are to produce snapshot estimates of the amount of money over and underpaid through fraud and error.
- 22 The size and risk of potential fraud determine which benefits are reviewed and how frequently. The sample size is determined by the Department's professional statisticians to obtain an acceptable level of accuracy on the estimates produced (generally with reference to a 95 per cent confidence limit). The sample may be stratified for various reasons including reducing sampling error or obtaining sufficient accuracy on subtotal estimates.
- 23 Review staff are drawn from the experienced pool working on the Regional Benefit Review and are specifically trained on the particular benefit. The methodology in each case is tailored to the benefit under review. The results are subject to a quality assurance process and are published by National Statistics. The most recent national review (of Incapacity Benefit in 2001) cost £485,000.
- 24 The National Audit Office examine the review findings and, where appropriate, use them to come to a view about the Department's accounts that record benefit expenditure.

### 34 The Department's programme of National Benefit Reviews

Benefit(s)	Publication Date
Income Support and Unemployment Benefit	July 1995
Housing Benefit	January 1996
Retirement Pension	March 1996
Invalid Care Allowance	July 1996
Disability Living Allowance	February 1997
Income Support	July 1997 (second review)
Child Benefit/Child Benefit (Lone Parent)	July 1998
Housing Benefit	August 1998 (second review)
Incapacity Benefit	July 2001

Source: Department for Work and Pensions