



House of Commons

Committee of Public Accounts

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# **Tackling Benefit Fraud**

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**Thirty-first Report of  
Session 2002–03**





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Session 2002–03**

*Report, together with formal minutes,  
oral and written evidence*

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## Summary

The Department for Work and Pensions spend around £100 billion a year on welfare benefits, representing more than a quarter of central government expenditure. Most benefits are directly administered by the Department through Jobcentre Plus. In the case of Housing Benefit the Department are responsible for policy, regulations and rates of benefit, while local authorities are responsible for the delivery of the benefit. The Department estimate that they lose some £2 billion a year through fraudulent claims for benefit. The most vulnerable benefits are Income Support, Jobseeker's Allowance and Housing Benefit which account for some 60% of the loss.<sup>1</sup>

Building on previous reports by the Committee on fraud and error in benefits, and on the basis of a Report by the Comptroller and Auditor General,<sup>2</sup> we examined the Department on:

- progress in reducing fraud;
- action still needed; and
- the special problems of Housing Benefit fraud.

Our main conclusions are:

- Although the Department have made some progress in reducing the losses from fraud and error on Income Support and Jobseeker's Allowance by 24% since 1997–98 the current level of loss is still not acceptable. The rate of reduction slowed in 2001–02, and the Department need to regain momentum. It is clearly not acceptable to have a situation where the Department's accounts have been qualified for the last 13 years, or that some regions have performed half as well as others. This variation suggests that fraud and error could be reduced by sharing good practice and better targeting of the Department's checks on claims and investigation work. The Department should agree performance improvement plans with each region.
- There remain many deficiencies in the performance of local authorities in housing benefit administration and anti-fraud work, despite repeated commitments over the years by the Department to address the longstanding problems. The Department have now launched a number of further initiatives, for example new performance standards and an anti-fraud subsidy scheme, and they intend to review progress in joint working between Jobcentre Plus and local authorities. They need to demonstrate that these initiatives can deliver results, unlike some earlier initiatives.

1 C&AG's Report, para 1

2 C&AG's Report, *Tackling Benefit Fraud* (HC 393, Session 2002–03)

- The Department's experience over the years suggests that the arrangements whereby local authorities pay housing benefit are insufficiently robust to deliver the benefit without substantial losses to the taxpayer. If the Department cannot make these arrangements work more effectively they will need to consider what alternative methods of delivery might align payments better with lawful entitlement.
- The complexity of the benefits system must be reduced if the Department are to make real, sustained progress in reducing fraud. Reducing complexity would help in restricting the opportunities for fraudsters to exploit the confusion faced by many claimants about their obligations and entitlement, and also in reducing the propensity for errors by Departmental staff in paying benefits. Simpler benefits may be less well targeted and perhaps more expensive, but the Department should seek to identify areas in which the costs might be mitigated by administrative savings and reductions in fraud.

# 1 Progress in reducing fraud

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1. The Department estimate that they have been losing more than £2 billion a year in benefits fraud.<sup>3</sup> The highest levels of fraud were in Income Support and Jobseeker's Allowance where the loss was £700 million in 2001–02. The Department had however reduced the losses from fraud and error in these benefits by 24% since 1997–98, outperforming their target of a 10% reduction by March 2002.<sup>4</sup>

2. The rate of reduction slowed down in 2001–02 raising the question whether the Department were facing diminishing returns. But they were reasonably confident they would meet the target to reduce fraud and error for Income Support and Jobseeker's Allowance paid to working age customers by 33% by March 2004, having already achieved a reduction of 27% for this group between 1997 and 2002. They had set a more demanding target to bring the saving to 50% by 2006.<sup>5</sup>

3. The Department planned to measure the likely level of fraud and error in Pension Credit once it was introduced in 2003. For other benefits they administered, the Department believed the risks were lower, and they sought to assess the effectiveness of their anti-fraud activities through periodic national benefits reviews. They were considering whether to have further reviews of the more significant benefits. Disability Living Allowance was the key benefit where the last review in 1997 indicated that fraud might amount to 13% of expenditure<sup>6</sup>. The Department believed that the level of fraud and error could have been over-estimated and a further review might therefore be useful. The last review of Retirement Pension was in 1996, but they were reasonably confident that fraud and error was fairly low, at 0.13% of expenditure.<sup>7</sup>

4. In addition to checking all new benefit claims before payment the Department make additional checks, known as interventions, on higher risk new and existing claims. The number of interventions fell by 21% in 2001–02, although better targeting of checks resulted in an increase in the proportion of interventions that led to a reduction or withdrawal of benefit. At regional level, this proportion varied between 10% in East of Scotland to 21% in West Country. **Figure 1** shows the wide variations between regions in the average weekly reduction in benefits from successful interventions.<sup>8</sup>

5. The Department considered that the extent of variations between regions was too large and they planned to reduce it by working closely with each region to benchmark and share best practice. The best region in Jobcentre Plus had reduced the level of fraud and error to 4.6%, which was substantially better than the 6.8% achieved across the whole organisation.

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3 Qq 43–45, 143–144

4 C&AG's Report, para 1.19; Qq 2–3

5 C&AG's Report, para 1.19; Qq 3–4, 123–127

6 58<sup>th</sup> Report from the Committee of Public Accounts, *Appropriation Accounts 1996–97: Class XII, Vote 1 (Administered Social Security Benefits and other payments)* (HC 570, Session 1997–98)

7 C&AG's Report, para 1.15; Qq 5–7

8 C&AG's Report, paras 2.16, 2.29, 2.33–2.34

If all regions achieved the performance on interventions as those in the upper quartile it could yield a 22% increase—or over £400,000—in savings on a weekly basis.<sup>9</sup>

6. The Department believed that, overall, the number of interventions had fallen too low, and they planned to deploy 500 more people on this work. The extra people would be deployed on small scale fraud activity, recognising that the extent of small-scale fraud created a culture in communities which demoralised people who were in work and not claiming benefit.<sup>10</sup>

7. The Department expected that the different approach operated under Jobcentre Plus, where every person making a new claim for benefit would attend an interview at the local office, was likely to eliminate significant numbers of false and fraudulent claims. The process was designed to not only get the claim right to start with, but also lay down some markers about behaviour which would influence people's propensity to defraud the system later. Nevertheless a high proportion of fraud occurred in claims already in payment that were correct at the outset, so the Department needed to use other measures to detect these frauds.<sup>11</sup>

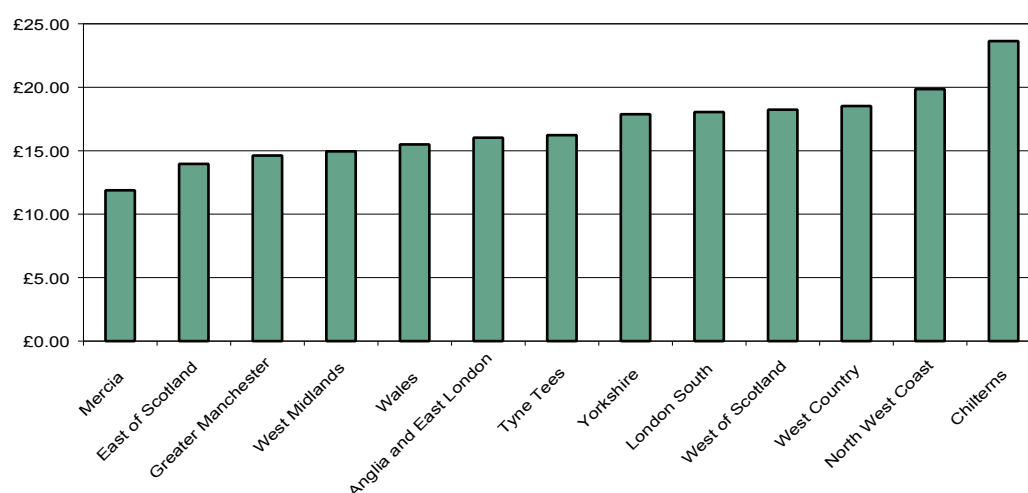
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9 C&AG's Report, paras 1.19, 2.36 ; Qq 11, 31

10 Qq 16, 128–130

11 Qq 71–72

**Figure 1:** Variations between Regions in the average weekly reduction in benefit achieved from a successful intervention



Source: Department for Work and Pensions

8. The Department carried out fraud investigations on 390,000 referrals in 2001–02, a reduction of 12% from 2000–01. Fraud or error was found in around 40% of cases. The reduction in the number of investigations was of concern and the Department planned to keep the resourcing of investigations under review. Regional averages in the value of detected fraudulent overpayments ranged from £1,200 to £2,500. However information collected by the Department did not give a sufficiently clear view of whether the performance of individual regions was improving nor how much these activities cost. They planned to make increasing use of intelligence to improve the targeting of investigations to secure a more productive performance.<sup>12</sup>

## Action still needed

### (a) The complexity of benefits

9. The complexity of regulations, particularly for income-related benefits such as Income Support, is a major constraint to improving administration and tackling fraud. The regulations are complex because they cater for the wide range of circumstances of individual customers. Consequently customers may not understand when they should provide information about changes in circumstances affecting each benefit they receive. Furthermore, they could deliberately conceal or misrepresent their circumstances and, if discovered, claim this as a genuine mistake. Complexity also brings the risk of error by officials who have to consider a large volume of guidance.<sup>13</sup>

10. The Department considered that most of the complexity in the system related to the fine-tuning of benefits to meet individual needs. Benefits could be made simpler and broader in their impact, but these were policy choices. Unless the benefits were changed,

<sup>12</sup> C&AG's Report, paras 32(d), 2.51–2.57; Qq 12, 128

<sup>13</sup> C&AG's Report, para 2.3

some of the problems were intractable.<sup>14</sup> The plan for Pension Credit, which would replace Minimum Income Guarantee from October 2003, would however incorporate simpler rules about changes that pensioners have to report, with more generous treatment of savings.<sup>15</sup>

11. The Department had found that means-tested benefits such as Income Support were the most difficult to administer because they depended on self-declarations from customers about their means and circumstances. The highest percentage level of fraud where the Department were making least progress arose on Jobseeker's Allowance, because that required people to be honest about whether they were working.<sup>16</sup>

12. One in 13 claims for Income Support by lone parents was fraudulent, and 40% of benefit overpaid to this group was due to the failure to disclose "Living together as Husband and Wife". The estimated cost of abuse of this rule in Income Support and Jobseeker's Allowance was £190 million in 2001-02. Under this rule two people in a relationship but living separately each receive more benefit than if they lived together as if they were married. This created a strong financial incentive for customers to conceal from the Department their true living arrangements or their relationship. There was no legal definition of a "husband and wife" relationship so there was considerable scope for subjectivity in what constituted evidence to prove that a couple were "Living together as Husband and Wife", and the Department had to make difficult judgements based on criteria embodied in case law.<sup>17</sup>

13. The Department were aiming to target more effectively their visits to people in their homes to establish whether they were living together as husband and wife. For the rule to apply, there had to be a relationship between them and a form of dependency so that they were enjoying the benefits of a household. The only way the officials could make a judgement was by visiting them at home at the right time. There was evidence, for example from Australia, that when a lone parent made an entirely legitimate claim for benefit after separating from the partner, the likelihood was that after a period of weeks the couple would have got back together or the customer would have found another partner. So the Department were trying to target home visits at the point when this was most likely to happen, either to find such cases or to discourage concealment of the relationship.<sup>18</sup>

14. One way to simplify this rule would be to increase the allowance for couples to twice the allowance for single people. The Department estimated this would cost £2.2 billion in 2003-04, in order to save a maximum of £190 million currently lost, and could also have a detrimental effect on work incentives. Moreover such a change would not remove the incentive to disguise a living together relationship, where the income of one member would disbar both from benefit.<sup>19</sup>

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14 C&AG's Report, para 2.5; Qq 14-15

15 C&AG's Report, para 2.6

16 Qq 277-278

17 C&AG's Report, para 1.6, Figures 4-5; Q 106

18 Qq 93-102

19 Qq 103-106

15. The complexity of Housing Benefit has widely been regarded as a major factor in poor local authority administration and the risks of fraud and error. In response to consultation on the 2000 Housing Green Paper, the Government proposed simplifying the existing system, with more fundamental reform to be considered in the longer term.<sup>20</sup> In practice Housing Benefit had since become more complex due, for example to the linkages to new tax credits and the change to pension credits.<sup>21</sup>

16. In October 2002 the Department announced plans to reform Housing Benefit by changing the basis on which it was paid and simplifying the administrative rules.<sup>22</sup> They planned to start piloting in the autumn a new standard local housing allowance, initially for private rented sector tenants, instead of payments based on individual rents. They also planned to change some of the procedures by, for example:

- Removing the requirement to re-claim every year;
- Introducing a quicker reclaim service for those returning to the benefit within 12 weeks; and
- Automatically continuing entitlement to the benefit when customers move into work until the authority processes the change in circumstances.

They expected these changes to make it easier for people to apply for the benefit, and for authorities to administer it and thereby release resources to target claims where the risk of fraud was highest.<sup>23</sup>

## **(b) Making better use of information technology**

17. The Department's inadequate information technology systems are a further constraint in tackling fraud. Benefit data are held in 20 separate systems with no common access point to all the systems. Consequently staff cannot readily detect incorrect information supplied by customers. The systems also rely on clerical interventions in the calculation of benefits.<sup>24</sup>

18. Problems previously encountered in delivering new IT systems had persuaded the Department not to aim for "big bang" replacement of their main Income Support and other existing computer systems. Instead, they would be making incremental improvements over the next three years, which they expected to bring benefits in eradicating error.<sup>25</sup> They were also approaching IT architecture differently, seeking to strengthen the links between the main Income Support/Jobseeker's Allowance system and other systems.<sup>26</sup>

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20 C&AG's Report, paras 22, 3.11–3.13

21 *ibid*, paras 3.11–3.13; Qq 60, 88

22 *Building choice and responsibility: a radical agenda for Housing Benefit*, October 2002

23 C&AG's Report, para 3.16; Qq 13, 60

24 C&AG's Report, paras 2.7–2.8

25 Qq 9, 110–113

26 Q 255

19. Failure to disclose receipt of other benefits was an important cause of fraud and error in Income Support.<sup>27</sup> The Department recognised that they could address this by matching information they held about individuals' claims for different benefits. They had been relying on running tapes from different benefit systems to identify inconsistencies for investigation. They hoped that projects underway would provide automatic cross-checking between different benefits. An integrated electronic information gathering system for new and repeat claims for the main working age benefits and associated claims on other benefits was planned for autumn 2003. This would automatically signal information on customers already held on departmental systems. A single record for each customer, showing benefit awards and payments, which the Department planned to introduce in 2004, would later include household data and help to tackle fraud associated with living together as husband and wife.<sup>28</sup>

20. Information technology improvements were expected to deliver roughly one third of the further fraud reduction required by 2006. Reengineering Jobcentre Plus processes, and adding in more effective information technology over the next three years, would join up information about individuals. This would open up new opportunities either to design out or deal with error more effectively, and to target those seeking to defraud the system while paying benefit more effectively to those who were not.<sup>29</sup>

21. Certain frauds such as claiming benefit while working might be detected by cross checking to records of other departments and organisations. Any exchange and use of data must satisfy the Data Protection Act 1998 and the Human Rights Act 1998. Recent changes in the law had given the Department greater scope to undertake data matching with other organisations. They had broad access to the most important data they needed, including matching data with the Inland Revenue. They could also seek information from the private sector where reasonable grounds for suspicion of fraud existed. They were identifying new ways of exploiting the available access.<sup>30</sup>

22. The Department had, however, encountered practical constraints. Differing IT systems and standards meant that exchange and matching of data could be resource intensive and the cost effectiveness of data matching had to be weighed against other methods of fraud prevention and detection. Priorities across government were being worked out in a number of cross-departmental forums.<sup>31</sup>

23. Some benefit fraud involved cash transactions in the shadow economy which could not be traced in departmental records. The Department were working more closely with HM Customs & Excise and the Inland Revenue in 20 Joint Shadow Economy Teams to investigate traders suspected of tax evasion or of employing people who were in receipt of benefit. The Teams' work from April 2002 to February 2003 resulted in:

- 246 overpayments identified, amounting to nearly £681,000;

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27 C&AG's Report, Figure 4; Q 255

28 Q 255

29 Qq 16-17

30 Qq 131-134, 196, 256-260

31 Qq 196-206

- 335 adjustments to benefit payable;
- 5 collusive employers identified; and
- 93 sanctions.<sup>32</sup>

### (c) Publicity and sanctions

24. The Department identified some 667,000 cases of potential fraud, known as referrals in 2001–02, down 25% from 1999–00. 15% of these referrals came from the telephone hotline and website which gathers information from the public on alleged benefit fraud. A further 32% came from other reporting by the public, such as letters to local offices.<sup>33</sup> The rate of success from these referrals was lower than from other sources partly because allegations often did not contain enough information. Phone calls to the hotline could be more successful because the operator could ask additional questions to get a higher quality referral. 22% of hotline referrals were converted into investigations and over a quarter of these resulted in a reduction in benefit or other action.<sup>34</sup>

25. Since March 2001 the Department had been running a publicity campaign to change attitudes towards benefit fraud among the general public and customers. Their aim was to reduce fraud, by making fraud less socially acceptable. Their evaluations of the campaign indicated that it had been successful and they were planning a further phase. It was not possible to make a direct link between the campaign and reductions in fraud levels, because of other anti-fraud measures also in force. But the general public and customers appeared to have got the main messages such as that people who abuse the system will be caught.<sup>35</sup>

26. The Department applied some form of sanction beyond the withdrawal of benefit in around 15% of the 161,000 cases where investigations found evidence of fraud or error.<sup>36</sup> The Department's main reasons for not taking further action in the remaining 85% were quality of evidence or concentrating resources for prosecutions and other sanctions on larger cases where they wished to maximise the deterrent effect.<sup>37</sup>

27. Although the Department considered that prosecutions and other sanctions had an important deterrent effect they were resource intensive. Their main way of reducing fraud was by getting the benefit payments right in the first place and keeping them right by challenging people through the process of interventions.<sup>38</sup> They believed their approach to sanctions was similar to those applied in the private sector, but they did not know, for example, what proportion of possible fraud in the insurance industry led to prosecution.<sup>39</sup>

28. 98% of prosecutions for fraud brought by the Department have resulted in conviction by the Courts. Of the 11,000 convictions secured in 2001–02, 646 people were imprisoned.

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32 Qq 107–109

33 C&AG's Report, paras 2.47–2.48 and Figure 15; Qq 64–65

34 Qq 62–63, 66–69, 71–75

35 Qq 223–228, 232–235

36 C&AG's Report, paras 2.76–2.78 and Figure 23

37 Qq 154

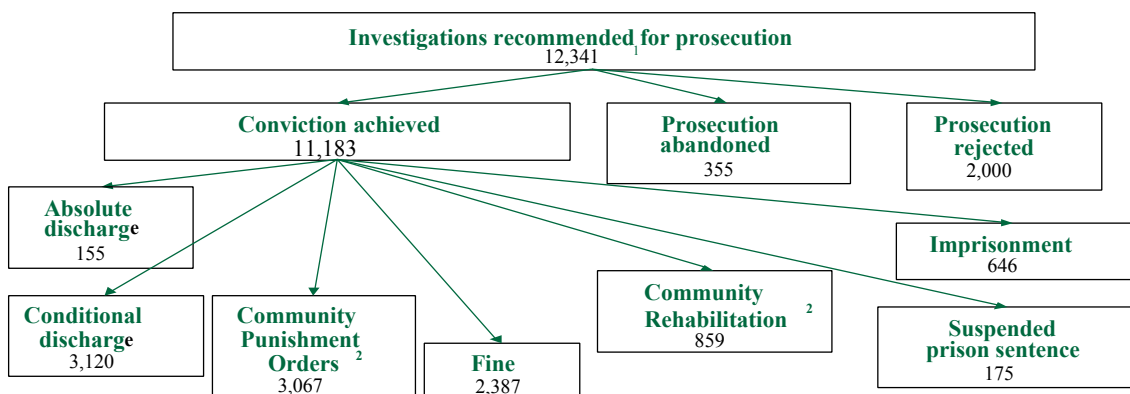
38 Qq 160–161

39 Qq 162–163

Most convictions resulted in a conditional discharge, community service or a fine (**Figure 2**). Many of the people the Department prosecuted were quite poor, and they wanted to see the heavier sentences applied to those engaged in large scale crime, such as instrument of payment fraud.<sup>40</sup>

29. The effectiveness of sanctions depends in large measure on whether they are applied in practice. Previous enquiries by the Committee have shown that although fines account for some 70% of all sentences, only some 60% of fines are paid.<sup>41</sup> The Department did not have data on the extent to which benefit overpayments were recovered or non-custodial sentences for benefit fraud were actually enforced, but they were conducting an exercise to quantify this. The Department also did not collect data on the number of fraudsters who re-offended but they had estimated that 9% of those fraudulently claiming Income Support and Jobseeker’s Allowance had been caught before. To help combat recidivism, since April 2002 the Department had been able to stop all benefits for thirteen weeks if individuals were convicted of committing benefit fraud twice within the space of three years. So far two people had received the ‘two strikes’ penalty.<sup>42</sup>

**Figure 2:** The results of the Department’s prosecutions for benefit fraud



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

1.	All data are for 2001–02. 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 Rehabilitations

40 C&AG’s Report, para 2.79–2.80; Q 165

41 68<sup>th</sup> Report from the Committee of Public Accounts, *Collection of fines and other financial penalties in the Criminal Justice system* (HC 999, Session 2001–02)

42 C&AG’s Report, paras 2.56, 2.82; Qq 266–272

## 2 Special problems of Housing Benefit Fraud

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30. On Housing Benefit the Department set policy, regulations and rates of benefit and issue guidance to the 408 local authorities who are responsible for administering the benefit. Funding is currently provided through subsidies from the Department and support from the Office of the Deputy Prime Minister, Scottish Executive and National Assembly for Wales. These cover housing benefit expenditure, administration and anti fraud measures.<sup>43</sup>

31. The Department's best estimate of the level of fraud on Housing Benefit was in the region of £500 million, based on data collected in 1997–98. Since April 2001 they had been seeking to measure the level of fraud and error, using the same techniques as those used on Income Support and Jobseeker's Allowance. Because of the failure of the pilot, however, the results of the 2001–02 exercise, which cost £3.2 million, were not sufficiently accurate to be published. They expected to publish the first results later in 2003.<sup>44</sup>

32. Despite our predecessors' concerns in 1998 about the lack of information on trends in Housing Benefit fraud and on the types of fraud committed, the Department were unable to assure us that the number of people committing fraud, its overall value or the level of landlord fraud were reducing, although they believed this to be the case. Although they had not yet established with full confidence the level of fraud and error, they had set a target for reduction of 25% by 2006.<sup>45</sup>

33. Our predecessors concluded in 1998 that the Department needed to take steps to raise the standards of administration in local authorities, reward effective fraud prevention systems and remove barriers to co-operation between authorities and the then Benefits Agency.<sup>46</sup> The Department acknowledged that the pace of change had been less than desirable. Despite efforts over the years to drive up performance, the results of their comprehensive performance assessment review in autumn 2002 had been very mixed, and the Department considered that the record of local government in administering housing benefit was not defensible.<sup>47</sup> The Benefit Fraud Inspectorate had found that Housing Benefit could be administered effectively by some authorities but it had identified continuing problems in benefit administration which was often not given sufficient priority by local authorities.<sup>48</sup>

34. The Department had launched a major initiative in 1988 to improve local authority controls in preventing fraud through the voluntary implementation of a verification framework backed up with additional funding. However, progress in implementing the

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43 C&AG's Report, paras 24, 3.2

44 *ibid*, para 1.14 and Figure 1; Qq 53–59, 167

45 27<sup>th</sup> Report of the Committee of Public Accounts, *Measures to Combat Housing Benefit fraud*, (HC 366, Session 1997–98); Qq 51–53, 90–92, 165, 167

46 27<sup>th</sup> Report of the Committee of Public Accounts, *Measures to Combat Housing Benefit fraud*, (HC 366, Session 1997–98); Qq 51–53, 90–92, 165, 167

47 Qq 26, 28–30, 52, 279, 283

48 C&AG's Report, para 3.19

framework had been slow, so the Department changed the framework to make it easier to implement in stages. They expected 301 authorities to be compliant by April 2003, and to achieve full compliance by 2006. In April 2002 the Department had also set new performance standards for Housing Benefit delivery, and were providing additional funding over three years to help authorities achieve the standards.<sup>49</sup>

35. The Department agreed there was room for improvement through universal application of basic checks and procedures by local authorities. For example, one of the performance standards expected of local authorities under the new performance framework was operation of the "Do not redirect" scheme which had been introduced in 1992. 90% of local authorities operated the scheme and some others had made their own arrangements with the Post Office, but some authorities did not operate any such arrangements. The Department were conducting an evaluation of the scheme to assess its benefits and risks. They intended to consider their approach to non-participating authorities in the light of this review.<sup>50</sup>

36. The Department recognised that they should be driving up the level of prosecutions and other sanctions applied by local authorities on Housing Benefit fraud. Sanctions were applied by local authorities in less than 4% of the detected fraud cases in 2001–02. Prosecutions were made in less than 2% of cases, compared with 7% of cases on benefits administered by the Department. They had tried to establish a framework to incentivise local authorities to prosecute more and the numbers were increasing, but data to September 2002 suggested wide variability between authorities in the number of prosecutions brought. They had also made available from autumn 2002 free use of their own prosecution service to help local authorities in taking prosecutions. They had so far signed service level agreements with around a quarter of local authorities and planned to review the provision of services when the demand became clearer.<sup>51</sup>

37. The Department considered they had improved the incentives for local authorities to tackle fraud through changes they had made to the subsidy scheme, to remedy some of the deficiencies previously identified by our predecessors. On the basis of claims from local authorities for April to September 2002, the Department had paid subsidies of around £10 million against an annual budget of £50 million. 44 authorities had not claimed any subsidy, although the Department expected claims for the second half of the year to be higher for some authorities.<sup>52</sup>

38. The Department had also put in place a better framework for working effectively in partnership with local authorities. They had created a joint working unit and joint regional boards to tackle the continuing problems in working relationships at local level. The Benefit Fraud Inspectorate was starting an inspection of Jobcentre Plus and its relationship with local authorities which was due to be completed by the autumn 2003.<sup>53</sup>

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49 C&AG's Report, paras 23, 3.18–3.25

50 *ibid*, para 3.20 and Figure 26; Qq 18–22

51 C&AG's Report, para 3.60, Figures 23, 29; Qq 165, 172–180, 184–189

52 Qq 76–79, 82–83, 89, 119

53 C&AG's Report, paras 3.46–3.51; Qq 85–86

## Conclusions and recommendations

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Our more detailed conclusions and recommendations are as follows:

### Progress in reducing fraud

1. The recent reduction in anti-fraud activity is difficult to understand when the loss from fraud across all benefits is still £2 billion a year. The planned addition of 500 staff for this work is welcome but the Department need reliable regional information on the costs and results of prevention and investigation work if they are to use their resources to best effect.

### Action still needed

2. The complexities of benefit regulations are a major constraint in tackling fraud, especially for means-tested benefits, such as Income Support, where entitlement depends upon many different aspects of a customer's circumstances. The Department are streamlining claims processes and simplifying some of the rules for Pension Credit and Housing Benefit, for example by limiting the number of circumstances when payments have to be changed. They should consider how far such changes would be applicable to other benefits such as Income Support and Jobseeker's Allowance.
3. The Department's inadequate information technology systems have long been a significant constraint in tackling fraud. Staged improvements appear more realistic than wholesale replacement of existing systems. The Department now expect to make substantial gains by linking up existing systems, improving their access to customer information and making greater use of data matching, particularly with the Inland Revenue. They should set specific milestones for these improvements, in terms of what benefits they expect to achieve and by when.
4. There are doubts whether the level and range of sanctions imposed on fraudsters provide a sufficient deterrent. The 98% conviction rate achieved suggests the department could prosecute more than the 7% of fraud cases currently pursued. The Department should increase the number of prosecutions and evaluate the deterrent effects of the different sanctions used, including whether fines and other penalties are enforced, and the level of re-offending. They should also assess the deterrent effect of their media campaigns on potential fraudsters.

### The special problems of Housing Benefit fraud

5. The Department have no up to date estimate of the level of fraud in Housing Benefit because of delays and errors in their measurement exercise which was intended to produce an estimate for 2001-02. They now plan to produce the first new measure by autumn 2003, based on 2002-03 data which will provide the baseline for assessing progress towards meeting their target for reducing fraud and error by 25% by 2006. In order to respond effectively to changes in performance the Department need to

produce this estimate and those for future years on time. The estimates should include up to date estimates on the level of landlord fraud.

6. The Department's limited success in improving performance by local authorities over many years raises doubts over whether its influence on local authorities is sufficient to secure lasting improvements. For example, the Verification Framework project to improve local authorities' controls in preventing fraud is expected to take eight years to implement and the simple "Do not redirect scheme" introduced ten years ago is not yet universally applied. In their review of Housing Benefit funding the Department should consider what further incentives are needed to achieve more rapid implementation of good practice, such as a link between funding and the achievement of defined performance targets.
7. The level of prosecutions by local authorities for fraud against Housing Benefit, at around 2% of detected frauds, is much lower than the 7% of detected frauds prosecuted by the Department. Housing Benefit fraudsters should face the same chance of being prosecuted as other benefit fraudsters. The Department should work with those authorities which bring no or few prosecutions to identify cases which could be pursued through the Department's own prosecution service.
8. The low level of claims by local authorities under the Department's new anti-fraud subsidy scheme during the first six months of 2002-03 raises doubt about its effectiveness. The Department should identify why the take-up has been low.

# Formal minutes

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**Wednesday 18 June 2003**

Members present:

Mr Edward Leigh, in the Chair

Geraint Davies

Mr Brian Jenkins

Mr George Osborne

Mr David Rendel

Mr Alan Williams

The Committee deliberated.

Draft Report (Tackling Benefit Fraud), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 38 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Thirty-first Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Monday 23 June at 4.30 pm

## Witnesses

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**Monday 3 March 2003**

*Page*

**Sir Richard Mottram KCB, Mr Rod Clark, and Mr Mark Fisher,**  
Department for Work and Pensions

Ev 2

## List of written evidence

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1 Department for Work and Pensions

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## List of Reports from the Committee of Public Accounts Session 2002–03

First Report	Collecting the television licence fee	HC 118 ( <i>Cm 5770</i> )
Second Report	Dealing with pollution from ships	HC 119 ( <i>Cm 5770</i> )
Third Report	Tobacco Smuggling	HC 143 ( <i>Cm 5770</i> )
Fourth Report	Private Finance Initiative: redevelopment of MOD Main Building	HC 298 ( <i>Cm 5789</i> )
Fifth Report	The 2001 outbreak of Foot and Mouth Disease	HC 487 ( <i>Cm 5801</i> )
Sixth Report	Ministry of Defence: Exercise Saif Sareea II	HC 502 ( <i>Cm 5801</i> )
Seventh Report	Excess Votes 2001–02	HC 503 ( <i>N/A</i> )
Eighth Report	Excess Votes (Northern Ireland) 2001–02	HC 504 ( <i>N/A</i> )
Ninth Report	The Office for National Statistics: outsourcing the 2001 Census	HC 543 ( <i>Cm 5801</i> )
Tenth Report	Individual Learning Accounts	HC 544 ( <i>Cm 5802</i> )
Eleventh Report	Facing the challenge: NHS emergency planning in England	HC 545 ( <i>Cm 5802</i> )
Twelfth Report	Tackling pensioner poverty: encouraging take-up of entitlements	HC 565 ( <i>Cm 5802</i> )
Thirteenth Report	Ministry of Defence: progress in reducing stocks	HC 566
Fourteenth Report	Royal Mint Trading Fund 2001–02 Accounts	HC 588 ( <i>Cm 5802</i> )
Fifteenth Report	Opra: tackling the risks to pension scheme members	HC 589 ( <i>Cm 5802</i> )
Sixteenth Report	Improving public services through innovation: the Invest to Save Budget	HC 170
Seventeenth Report	Helping victims and witnesses: the work of Victim Support	HC 635
Eighteenth Report	Reaping the rewards of agricultural research	HC 414
Nineteenth Report	The PFI contract for the redevelopment of West Middlesex University Hospital	HC 155
Twentieth Report	Better public services through call centres	HC 373
Twenty-first Report	The operations of HM Customs and Excise in 2001–02	HC 398
Twenty-second Report	PFI refinancing update	HC 203
Twenty-third Report	Innovation in the NHS—the acquisition of the Heart Hospital	HC 299
Twenty-fourth Report	Community Legal Service: the introduction of contracting	HC 185
Twenty-fifth Report	Protecting the public from waste	HC 352
Twenty-sixth Report	Safety, quality, efficacy: regulating medicines in the UK	HC 505

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Twenty-seventh Report	The management of substitution cover for teachers	HC 473
Twenty-eighth Report	Delivering better value for money from the Private Finance Initiative	HC 764
Twenty-ninth Report	Inland Revenue: Tax Credits and tax debt management	HC 332
Thirtieth Report	Department for International Development: maximising impact in the water sector	HC 446
Thirty-first Report	Tackling Benefit Fraud	HC 488

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number