

Fraud and Error in the Social Security System

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WORKSHOP ON

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

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Fraud and Error – The Challenge

- Fraud against the public sector in the UK costs around £25bn a year
- Benefit and Tax Credit fraud and error costs around £5.8 billion per year (around 3% of welfare bill) of which DWP fraud and error costs £3.3bn
- Increased focus by Government given impact of fiscal austerity and tight public spending constraints
- Level of benefit fraud has reduced by over 60 per cent since 2010 as a result of the action the Department has taken, but still too high
- Fraud in the benefit system accounts for 0.7% of total expenditure – although public perception is that it is much higher

Our Strategy - shifting from detection to prevention

Fraud and Error – The Challenge

Why does it matter ?

- Recognise that some fraud and error in a complex system is inevitable – but minimising it is vital
- Duty to minimise illegitimate expenditure in order to ensure maximum funds for social protection
- Recognise the need for anti-fraud and error activity to be cost effective and strike balance between prevention, deterrence and detection
- Therefore important to regard as an end-to-end process, understanding risks, the effectiveness of interventions and sanctions and to design out fraud and error where possible

Fraud and Error – The Challenge

- Social Protection Policy responsibility of the Department for Work and Pensions
- Aspects of social protection administered by Her Majesty's Revenue and Customs (Tax Credits) and Local Authorities (Housing Benefit and support for Council Tax)
- Currently many benefits with varying eligibility criteria:
 - Contributory (e.g. State Retirement Pension, Jobseekers Allowance)
 - Means Tested (e.g. Housing Benefit, Pension Credit, Income Support)
 - Non Contributory and Non Means Tested (Disability, Carers)
- DWP's new Universal Credit will bring together various benefits

DWP's Fraud and Error Structure

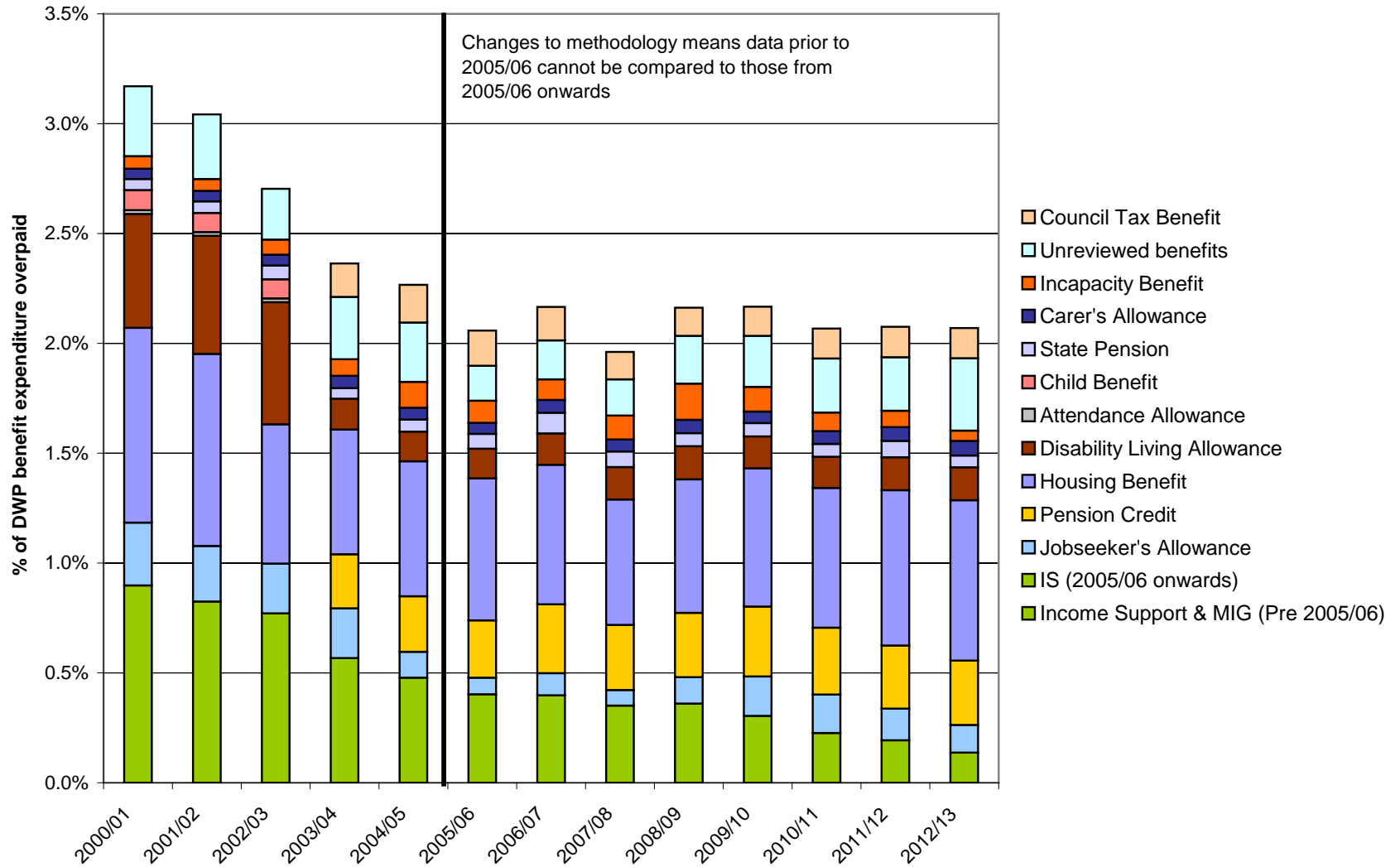
- Director-General of Finance has overall accountability for fraud, error and debt (under the Permanent Secretary) supported directly by:
 - Fraud, Error and Debt Council
 - Fraud, Error and Debt Strategy and Policy
- Information, Governance and Security Directorate:
 - Fraud and Error Measurement and Analysis
 - Information and Data Service
- Operational Excellence Directorate:
 - Fraud and Error Services
 - Quality and Accuracy Teams
 - Quality Project
- Fraud, Error and Debt Programme
- Security Design and Delivery Team, includes
 - Analysis and Intelligence Hub and Security Decision Service
 - DWP Cyber Intelligence and Response Centre

Fraud and Error – The Challenge

How are fraud and error defined ?

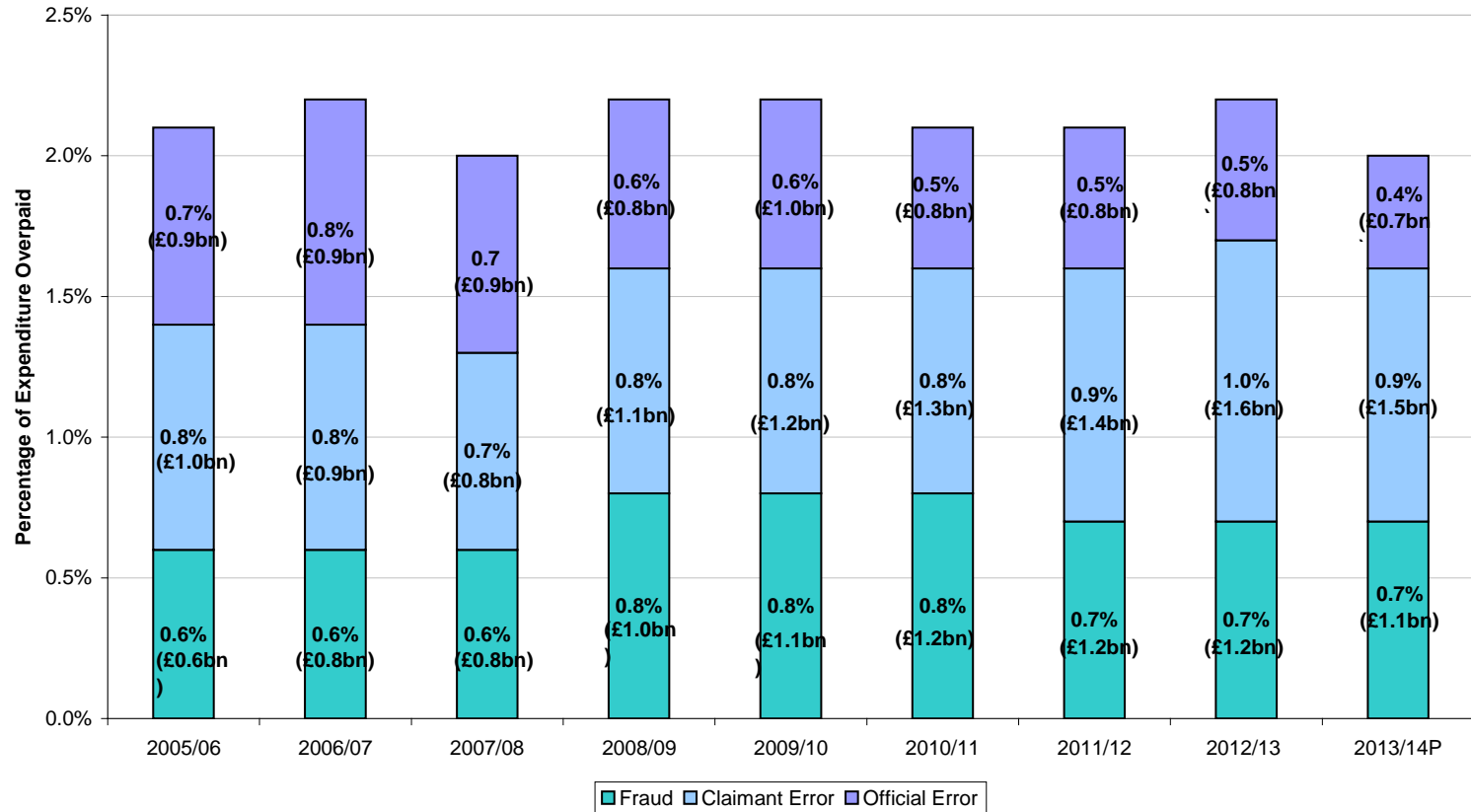
- **Fraud** includes all cases where:
 - the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met; and
 - the claimant can reasonably be expected to be aware of the effect on entitlement.
- **Claimant Error** occurs where the claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the claimant's part (i.e. the claimant could not reasonably have been expected to be aware of the effect of their action or non-action).
- **Official Error** occurs where an over or underpayment is as a result of the Department's actions i.e. failing to action a notified change, mistakes in processing or calculation etc.

Percentage of DWP Benefit Expenditure Overpaid due to Fraud and Error Over Time



Fraud and Error – Historical Performance

Total Estimates of Benefit Overpayments due to Fraud and Error



Fraud and Error – The Challenge

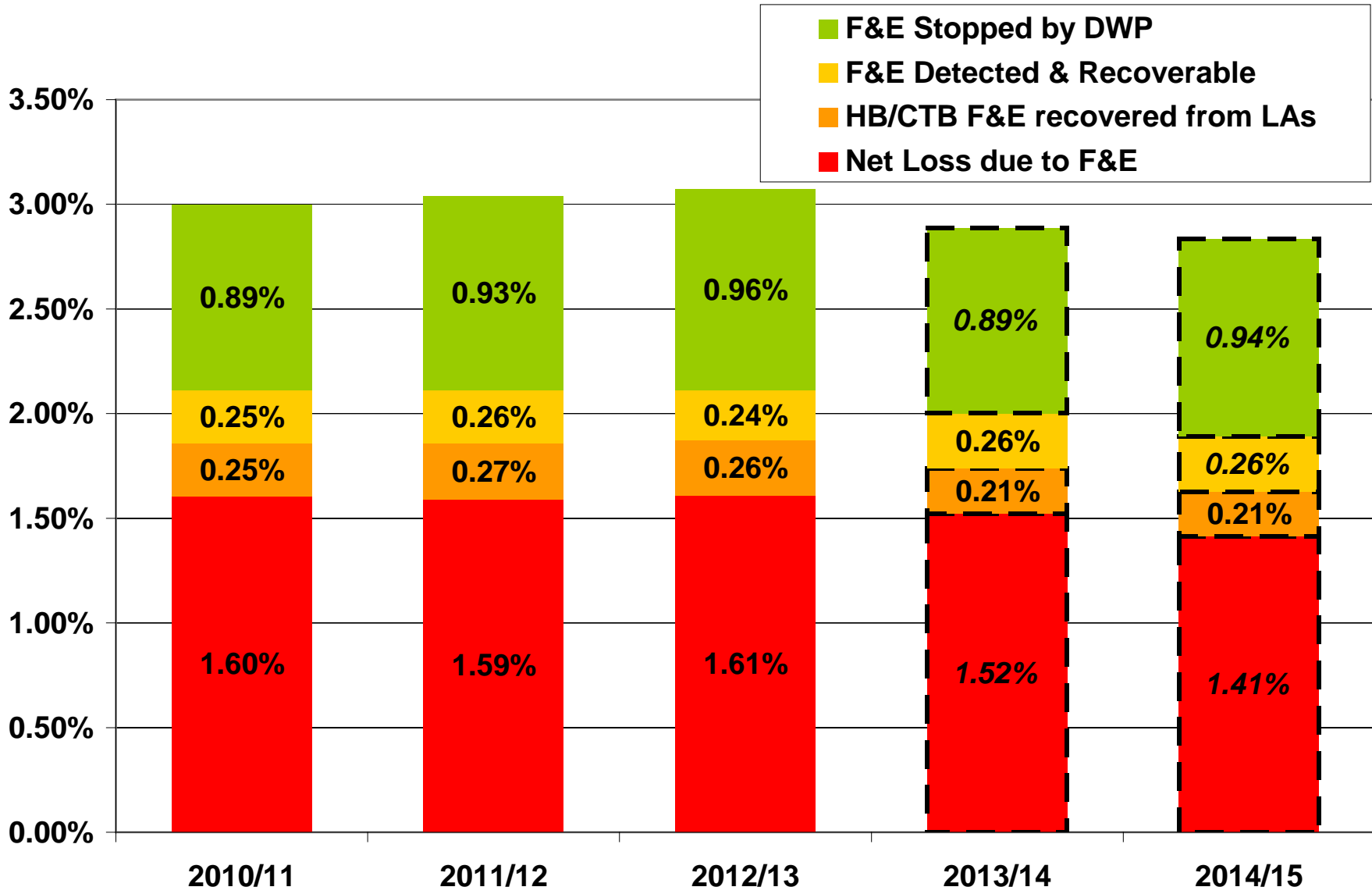
Levels of fraud and error – preliminary estimates for 2014 / 15

- **Total benefit expenditure in 2013/14 - £163.9 billion**
- Fraud and error - £3.3 billion (2.0%)
- Fraud - £1.1 billion (0.7%)
- Claimant error - £1.5 billion (0.9%)
- Official error - £0.7 billion (0.5%)

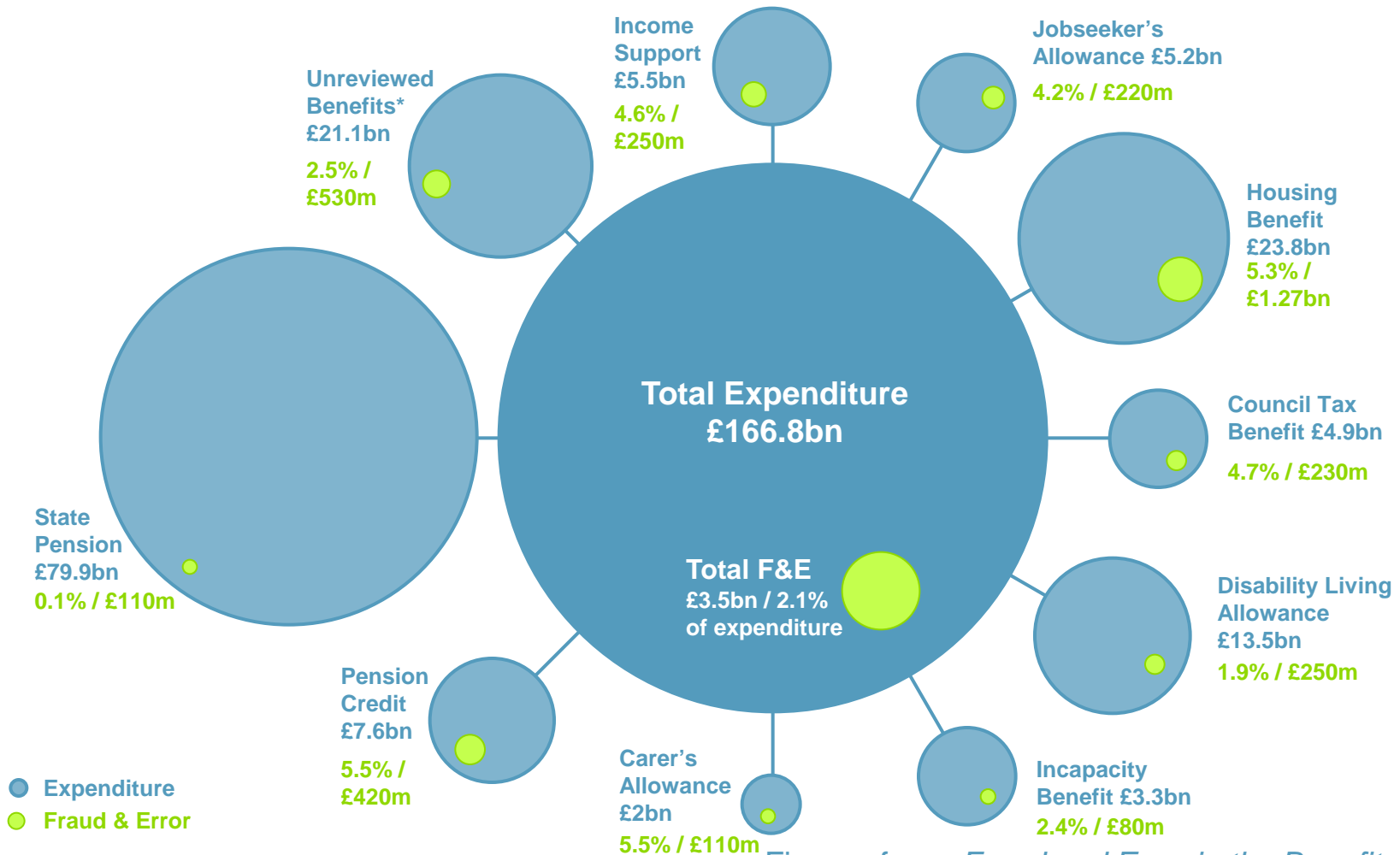
Fraud and Error – The Challenge

Levels of fraud and error by benefit

- Housing Benefit – 5.8% (£1.38 billion)
- Pension Credit – 5.7% (£410 million)
- Income Support – 4.0% (£150 million)
- Jobseeker's Allowance – 3.7% (£160 million)
- Employment and Support Allowance – 3.4% (£360 million)



Current scale of the problem for DWP; the design of the benefit can make a huge impact

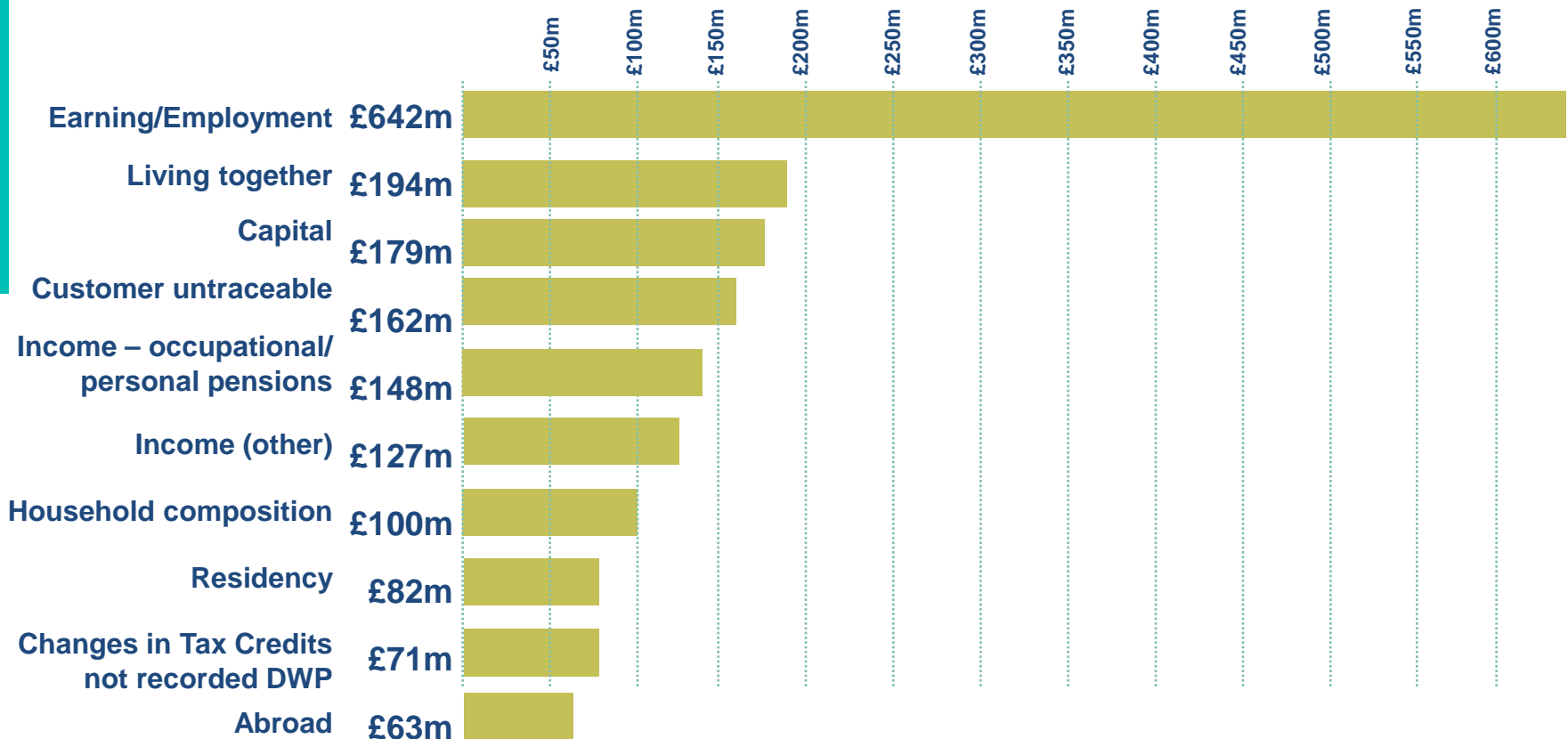


* Includes Employment & Support Allowance, Attendance Allowance and Social Fund

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

We understand where our problems lie

- Top ten types of loss in the benefit system:



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

An integrated strategy

- The strategy is based on five elements, focused on preventing fraud and error entering the system in the first place;
- seeking it out and correcting it where it does exist;
- meting out effective punishments to those who do attack the system,
- deterring others from considering the same course of action

PREVENT

Stopping fraud and error getting into the system in the first place

DETECT

Increasing the likelihood of finding incorrect and fraudulent claims

CORRECT

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

PUNISH

Strengthen sanctions for those caught

DETER

Publicise harsh punishments and the high likelihood of being caught

The scale of our current efforts cannot be underestimated

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

We continue to receive excellent results from initiatives

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

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



£1 spent currently returns £7 in benefit savings



Data Sharing

- Counter Fraud Checking Service
 - working with HMRC and representatives from the banking and insurance industries
 - exchanging known fraud data via the Serious & Organised Crime Agency (SOCA)
- Automated Transfer to Local Authority Systems (ATLAS)
 - Tax Credits award details to LAs
 - delivered £138m savings to end March 2013
- Housing Benefit Matching Service
 - data matching information provided for LA identifies around £60 million incorrectness pa
- Private / Not for Profit Sector
 - Sharing information with financial institutions to expose irregularities

So, we are consciously moving from Detecting to Preventing fraud

- Universal Credit has been designed to reduce the opportunities for fraud and error. The benefits system is being simplified.
- Real-time earnings data and better sharing of information will tell us about changes to claimant circumstances
- Experts from across DWP and HMRC are ensuring the detailed design of Universal Credit is fraud and error proofed as much as possible
- Our fraud and error strategy is also protecting the integrity of Universal Credit through
 - A sophisticated Counter Fraud Capability and Security Decision Service
 - Single Fraud Investigations delivered through Fraud and Error Services
 - Greater deterrent through more severe penalties for lack of compliance
- And Personal Independence Payments will protect the “gateway” through robust medical assessments

The Future

- Exploring how changes to policy and process can drive out or prevent fraud and error and understanding the opportunities and risk of digital delivery;
- Extending punishment to prevented fraud;
- Building on tried and tested initiatives:
 - Continuation of the proven success of Benefit Integrity Centres;
 - Further investment in high-return case cleanse activity;
 - Targeting activity on high risk areas and interventions.
- Actively working with CO and across Government to share best practice and to raise profile of the importance of preventing fraud and error;
- Building our capability through a new fraud and error service, a focus on prevention through risk and identity work and working with National Audit Office and others to ensure that the progress being made on Fraud and Error is properly reflected.