Countering Housing Benefit Fraud
A Management Handbook
The Audit Commission

... promotes proper stewardship

of public finances and helps those

responsible for public services

to achieve economy, efficiency

and effectiveness.
<table>
<thead>
<tr>
<th></th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Setting the Corporate Framework</td>
</tr>
<tr>
<td>2</td>
<td>Managing Benefits Administration</td>
</tr>
<tr>
<td>3</td>
<td>Preventing Fraud and Error</td>
</tr>
<tr>
<td>4</td>
<td>Managing Investigations</td>
</tr>
<tr>
<td>5</td>
<td>Investigating Fraud</td>
</tr>
<tr>
<td>6</td>
<td>Data Matching</td>
</tr>
<tr>
<td>7</td>
<td>Recovering Overpayments</td>
</tr>
<tr>
<td>8</td>
<td>Prosecution and Administrative Penalties</td>
</tr>
</tbody>
</table>
## Contents

**Preface** 3  
**Introduction** 5  
1 Setting the Corporate Framework 23  
2 Managing Benefits Administration 43  
3 Preventing Fraud and Error 71  
4 Managing Investigations 99  
5 Investigating Fraud 135  
6 Data Matching 155  
7 Recovering Overpayments 173  
8 Prosecution and Administrative Penalties 195  

**Appendix 1:**  
- Members of the study advisory group 211  

**Appendix 2**  
- Types of fraud 212  

**Appendix 3**  
- Defences against fraud 213  

**Appendix 4**  
- Overcoming the potential disadvantages of a decentralised service 216  

**Glossary** 220  
**References** 223  
**Index** 225  

© Audit Commission 1997  
First published in October 1997 by the Audit Commission for Local Authorities and the National Health Service in England and Wales, 1 Vincent Square, London SW1P 2PN  
Typeset by Dominic Shearn, IDP, Bath  
Printed in the UK for the Audit Commission by Hollbrooks Printers Limited.  
ISBN 1 862 40 051 2  
Photographs:
Preface

This management handbook offers local authority benefits managers, fraud investigators and internal auditors practical advice on how further to improve their arrangements for countering benefit fraud. It is based on the findings of a joint study carried out by the Audit Commission and the National Audit Office (NAO). It is being published shortly after the issue, in July 1997, of:

- the NAO’s report to the Public Accounts Committee of the House of Commons, *Measures to Combat Housing Benefit Fraud* (Ref. 1). This discusses the effectiveness of the Department of Social Security’s (DSS’s) measures to encourage local authorities to combat benefit fraud. It also comments on arrangements within the Benefits Agency and co-operation between the Agency and local authorities; and

- the Audit Commission’s report, *Fraud and Lodging: Tackling Fraud and Error in Housing Benefit* (Ref. 2). The report is aimed at elected members, chief executives and senior officers in local authorities. It summarises the NAO’s findings and recommendations for action by the DSS and the Benefits Agency and the contents of this management handbook (that is, it outlines the Commission’s recommendations for action by local authorities).

Councils’ external auditors are to review authorities’ arrangements to help them to implement the recommendations in this handbook.

The study team comprised Chris Bull, Greg Mountain and Mark Jenkin from the NAO, under the direction of Jane Wheeler; and John Gaughan and Elizabeth Humphrey from the Audit Commission’s Local Government Studies Directorate, under the direction of Doug Edmonds and, later, Kate Flannery. Additional help was provided by Alan Cockburn, Carol Skerrett and David Palmer from District Audit, and consultants Deloitte & Touche, Dr Robert Barr, Martin Ward, Paul Smith and Geoffrey Randall.

The research included preliminary visits to 7 councils and detailed fieldwork at 14 authorities and 12 Benefits Agency offices, reviewing current arrangements and identifying good practice. The study also involved further work by external auditors at three councils; short, focused visits by members of the team to a further four authorities to examine particular aspects of their arrangements; and visits to three Citizens Advice Bureaux. In addition, 79 authorities returned a postal questionnaire.
An advisory group of practitioners and other interested parties, the membership of which is detailed in Appendix 1, provided valuable assistance and professional insight. The study has also benefited from excellent co-operation from the authorities, Benefits Agency offices and Citizens Advice Bureaux that were visited by the team; from those councils that took part in the postal survey; from the DSS and other government departments; and from individuals and organisations who offered their views and advice during the study. The Audit Commission is grateful to these bodies and the individuals who commented on drafts of this management handbook. As always, responsibility for the conclusions and recommendations rests with the Commission alone.
Introduction

1. Housing benefit is a major pillar of support from the public purse to those on low incomes. It is a vital form of financial help for some of the most vulnerable members of society. Housing benefit is significant for a number of reasons:
   - the substantial amount of money involved, which has grown rapidly in recent years;
   - the large number of people dependent on this help towards their rent; and
   - the potentially high risk within the system for fraud and error.

2. Local authorities administer the system but the Department of Social Security (DSS or ‘the Department’) sets the rules about who is eligible for help with their housing costs. The Government also subsidises the costs incurred by councils in administering the benefit – for example, the DSS provides an administration grant to councils and helps to meet the costs of housing benefit awarded to people renting in the private sector; and the Department of the Environment, Transport and the Regions (DETR) and the Welsh Office take account of housing benefit awarded to council tenants when subsidising authorities’ housing revenue accounts.

3. As with most means-tested benefits, principles of equity and probity require a rather complex framework of rules and entitlement. People who rent their homes and who receive income support or income-based jobseeker’s allowance\(^1\) from the Benefits Agency are eligible for housing benefit;\(^2\) other people who rent their homes are also eligible if they have under £16,000 in capital and if their incomes and assessed needs qualify them for assistance. After councils have decided that people are eligible for help, they must determine how much to award. Here, too, the requirements are complex; for example, the amount awarded may be reduced to take account of the incomes of other adults in a household.

4. In practice, two-thirds of the recipients of housing benefit enter the system by the Benefits Agency gateway. Overall, fewer than 10 per cent of people awarded the benefit have any earned income. Many claimants are elderly, suffer from physical or mental disabilities or learning difficulties, are unemployed, or are single parents responsible for children or young people.

5. The majority (about 60 per cent) of recipients are council tenants. Another 15 per cent of recipients are tenants of housing associations, while the remainder rent from private sector landlords. People renting from housing associations and private landlords receive housing benefit in the form of rent allowances, paid either to them or directly to their landlords.

---

\(^1\) The Glossary at the end of this report explains these and other terms.

\(^2\) That is, they are assumed to have no capital or income for housing benefit assessment purposes and are consequently often eligible for maximum benefit.
6. Expenditure on housing benefit has almost doubled in real terms since 1990 (Exhibit 1). Housing benefit now costs in excess of £10 billion a year in England and Wales and accounts for over 3 per cent of total public expenditure. The number of households receiving the benefit has risen by about 20 per cent since 1990, but much of the increase in expenditure is due to rises in rent levels in both the public and the private rented sectors. The increase in the cost of rent allowances, which has risen almost threefold in real terms, has been particularly marked. Large-scale voluntary transfers of properties from local authorities to housing associations, increases in housing association rents and, particularly, rises in other private sector rents following deregulation of the sector in 1989, have contributed to this escalation in the cost of rent allowance.

7. Local authorities also administer council tax benefit, which is paid to owner-occupiers and tenants whose income and circumstances qualify them for help to meet their council tax liabilities. The rules are integrated with those for housing benefit and other means-tested social security benefits. Most people who are awarded housing benefit also, therefore, receive council tax benefit, the cost of which is over £2 billion a year – equivalent to about one-fifth of the cost of housing benefit. In the interests of efficiency, local authorities usually administer council tax benefit in tandem with housing benefit; for example, councils usually have a single claim form for both. The link between the two benefits also means, however, that a housing benefit fraud can be accompanied by council tax benefit fraud.

---

**Exhibit 1**

**Expenditure on housing benefit**

Expenditure on housing benefit has almost doubled in real terms since 1990.

**Source:** Audit Commission analysis of data provided by the DSS. Data are for England and Wales and at 1996/97 prices.
The nature and scale of fraud

Opportunities for fraud

8. There is general agreement that the complexity of the housing benefit scheme creates opportunities for abuse. In addition, entitlement can alter frequently as the circumstances of claimants and their households alter. This all creates temptations to lie or to conceal changes in circumstances. A simple typology categorises three main ways of cheating the system:

- initial eligibility – some claimants lie to get housing benefit in the first place;
- changes in circumstances – claimants who were entitled to housing benefit when they made their claim may later fail to inform the local authority (or the Benefits Agency) of changes that may reduce or end their entitlement. The DSS's Review (Ref. 6) concluded that the majority of frauds, about 70 per cent, are such apparently opportunistic frauds; and
- fraud by landlords or managing agents – over half (by value) of the housing benefit awarded to private sector tenants is paid directly to landlords or their managing agents. This provides opportunities to create false tenancies, or to continue to receive housing benefit for people who have moved away.

How much fraud is there?

9. The amount of housing benefit awarded is so large that substantial amounts of public money will be lost even if only a small proportion of claims is fraudulent. But calculating the true amount of fraud is an inexact science. In 1989, the National Audit Office (NAO) reported that information on the nature and extent of fraud was limited, and that relatively little fraud was detected, but it concluded that there was scope further to improve safeguards (Ref. 3). In 1993, the Commission reported that the subsidy mechanism was flawed and that councils had little economic incentive to counter fraud (Ref. 4). The Commission has subsequently reported that abuse of the benefits system is the major probity issue facing local authorities (Ref. 5). Indeed, the sums it has identified as lost through fraud have increased fourfold during the 1990s, to £55 million a year by 1995/96.

10. These increasing losses have occurred at a time when the overall cost of the benefit has also been rising. Nonetheless, the proportion of total cost accounted for by known losses to fraud has increased since the last government altered the subsidy system in 1993/94 to encourage councils to investigate abuse; known losses to fraud now represent over 0.5 per cent of the cost of the benefit (Exhibit 2, overleaf). This rise may, however, represent improved detection rates, stimulated by the change to subsidy, rather than a growth in the real underlying level of fraud.
Identified losses account for over 0.5 per cent of housing benefit expenditure.

Source: Audit Commission analysis of data on losses to fraud, which it collects from local authorities, and of data on expenditure on the benefit provided by the DSS.

11. Losses of £55 million a year are clearly substantial, even though they represent only a small proportion of the total expenditure of over £10 billion. However, this figure is for losses to frauds that have been detected and where it has been possible to calculate what they have cost. Even when a fraud is identified, it can be difficult to establish when it began and, without a start date, councils cannot calculate the loss. The £55 million may, therefore, be just the tip of the iceberg. Early in 1996, the DSS published the Housing Benefit Review: Main Stage Report (Ref. 6). The Department concluded that about 6 per cent of awards of housing benefit were fraudulent and that another 1 per cent might be so. It estimated that fraud could cost around £900 million per annum in Great Britain (though this estimate is the mid-point of a possible range which extends from £500 million to £1,300 million).1

12. The Review also revealed that:

◆ people receiving income support11 accounted for over half of the losses to housing benefit fraud;

◆ similar numbers of people commit rent allowance and rent rebate fraud. But, as fewer rent allowance than rent rebate claims are in payment at any time, the proportion of fraudulent claims is greater for rent allowance;

---

1 The Department’s estimate consists of £700 million calculated from sampling work, on cases in payment, carried out by local authority fraud investigators, plus £200 million which has been estimated using the results of earlier work on income support fraud. The estimate has a 95 per cent confidence range of plus or minus £400 million – that is, the range extends from £500 million to £1,300 million.

11 Income-based jobseeker’s allowance was introduced after the Review had been completed. Some people who were eligible for income support at the time of the Review would now receive the allowance; others would continue to be eligible for income support.
the financial losses to rent allowance fraud are, however, more than twice those to rent rebate fraud. This is because rents tend to be higher in the private rented sector than for council housing. On average, an award of rent allowance is worth more than a rent rebate award; and

- non-residency is the largest single cause of rent allowance fraud, but this type of fraud is less common in council housing. Across housing benefit as a whole, therefore, undeclared earnings, or under-reporting of earnings, is the largest single type of fraud, accounting for 31 per cent of cases, compared with the 24 per cent of frauds that involve non-residency (Exhibit 3).

13. A third figure then emerged to fuel the debate. The House of Commons Select Committee on Social Security reported, in May 1996, that ‘it is possible that the true total [lost to housing benefit fraud] is £2 billion, perhaps even greater’ (Ref. 7). It added that ‘the most serious frauds revolve around non-existent tenancies and non-existent tenants’ (that is, abuse by landlords). The DSS questions this figure, which is based largely on statements made to the Committee by some local authority fraud investigators. The Department’s own estimate is that landlord abuse accounts for up to £150 million a year of the losses identified by its Review.

14. The position is further complicated by the difficulty in distinguishing fraud from genuine mistakes or misunderstandings made by claimants, landlords or managing agents. Prosecutions for fraud are rare – and much has rested on the claimant’s knowledge of the complex rules and the need to prove an intention to deceive – and decisions on whether to view particular cases as fraudulent, rather than as innocent errors, are normally made administratively within local authorities. The joint study by the NAO and the Audit Commission nevertheless confirms that housing benefit fraud is a significant problem nationally. It also shows that there is abuse by some landlords and managing agents (particularly in houses in multiple occupation and other short-stay accommodation – for example, in parts of London and some other major conurbations). The recently established

---

**Exhibit 3**

**Causes of fraud**

Undeclared earnings, or under-reporting of earnings, is the largest single type of fraud.

<table>
<thead>
<tr>
<th>Cause</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misreported rent</td>
<td>7%</td>
</tr>
<tr>
<td>Undeclared partner</td>
<td>11%</td>
</tr>
<tr>
<td>Other benefits*</td>
<td>12%</td>
</tr>
<tr>
<td>Other income</td>
<td>6%</td>
</tr>
<tr>
<td>Capital</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>31% Earnings</td>
<td></td>
</tr>
<tr>
<td>24% Non-residence</td>
<td></td>
</tr>
</tbody>
</table>

* Claimants had not reported receipt of other state benefits, or under-reported the amount received.

---

‘It estimated that fraud could cost around £900 million per annum in Great Britain...’
London Organised Fraud Investigation Team will help to shed further light on the position in the capital. However, the joint study found that there is, as yet, no reliable evidence to support the higher estimates of the national cost of housing benefit fraud.

15. Despite these difficulties in pinning down a ‘true’ figure for fraud losses, there is clear evidence that fraud and error are both common within the housing benefit system. For example, the DSS’s Review (Ref. 6) reported not only that 7 per cent of cases involved, or might involve, fraud but that the wrong amount was being paid in another 13 per cent of claims sampled. This suggests that, for whatever reason, housing benefit is either underpaid or overpaid in one claim out of every five. In addition, some councils, which have introduced an independent quality control check of all assessment work, have found assessment errors in up to 25 per cent of the cases that they have tested.

Income support fraud

16. Losses to fraud, errors and other difficulties in administering means-tested benefits are not confined to local government. For example:

- the Comptroller and Auditor General, who heads the NAO, has qualified his opinion on the DSS’s accounts because of errors in income support for each year since the benefit was introduced in 1988/89 (Ref. 8);
- the review of income support fraud, which the DSS drew on when estimating losses to housing benefit fraud, suggested that income support fraud was then costing £1.4 billion a year in Great Britain (Ref. 9); and
- the Comptroller and Auditor General’s most recent report on the part of the DSS’s accounts which includes income support (Ref. 8) shows that, in 1995/96, the NAO found that assessment errors affected the amount of money paid in over 15 per cent of the income support awards that it examined. The NAO estimated that, in Great Britain, such errors resulted in income support overpayments to claimants of £485 million and underpayments of £167 million.

17. A rather complex framework has evolved to counter housing benefit fraud. This comprises a national system of financial incentives to tackle abuse, central guidance on inter-agency co-operation, and a variety of approaches and techniques at the level of individual local authorities. Within this framework, major impediments to effective action include weaknesses in:

---

1 The London Organised Fraud Investigation Team (LOFIT) targets suspected landlord and other organised housing benefit fraud. LOFIT is an initiative by the Association of London Government which the DSS is funding as a pilot exercise until the end of 1998/99. Westminster City Council is the lead authority and employs LOFIT’s staff.
18. Though the changes made to the system of subsidy by the DSS since 1993 have had many positive effects, they have focused on the investigation of fraud or potential fraud and have not encouraged authorities to improve their general administration of the benefit in ways that would help to prevent or deter fraud. This is because the subsidy changes have not addressed a major difficulty highlighted by the Commission in 1993 in its report, *Remote Control* (Ref. 4). The Department’s administrative grant to councils covers just over one-third of authorities’ actual administrative expenditure (with Revenue Support Grant from the Government covering another third of councils’ administrative costs). Local government thus meets the entire marginal cost of any increases in administrative expenditure to improve defences against fraud (or to improve the quality of service received by claimants). Benefits administrators have to compete for such funds with other council services, sometimes in authorities whose overall expenditure has been, or might be, capped. In contrast, central government receives most of the savings created by improved counter-fraud measures (through reductions in the subsidy that it gives to councils to help them meet the costs of benefit awards).

**Weekly Benefit Savings**

19. The focus on detection rather than prevention is particularly marked in the operation of the principal mechanism to reward anti-fraud activity, Weekly Benefit Savings (WBS) subsidy. Since April 1993, the DSS has set a **national baseline** each year for the total amount of WBS to be achieved by local authorities. It then uses a formula to allocate this national baseline between councils and thus sets a WBS target (a ‘threshold’) for each authority. An authority records such Savings when it refuses to award benefit or cancels or reduces an existing award, following an intervention by its investigators, and the investigators have evidence of fraud or attempted fraud. A council’s subsidy from the Department depends, in part, on how its aggregated Savings recorded during the year compare with its WBS threshold. Local authorities have responded vigorously to this incentive. For example, reported WBS have more than trebled during the scheme’s life (Exhibit 4, overleaf). In 1996/97, local authorities in England and Wales reported WBS of £296 million, sufficient to generate £43 million in WBS subsidy from the DSS.
Exhibit 4
The growth in Weekly Benefit Savings

The Weekly Benefit Savings reported by councils have more than trebled during the scheme’s life.

Source: Audit Commission analysis of DSS data for England and Wales

20. WBS figures need, however, to be interpreted with caution. The Savings are taken as 32 times the weekly sum at risk. This multiplier is an estimate of the average period for which a fraud would have continued had it not been detected. In addition, the definition of fraud required to claim a Saving is a balance of probabilities test, which is less rigorous than that required to secure a criminal conviction, while the advice issued by the DSS may be interpreted differently by different authorities. Official records thus classify many tens of thousands of people as having attempted or committed fraud on evidence that has not been put before – and might not convince – a court. In addition, claimants are not always aware that cases have been classified as fraud and cannot then challenge investigators’ interpretation of the evidence.

21. This definition of fraud is unlikely to be a problem as long as investigative work is sound. However, the management and quality assurance of investigative work often have significant weaknesses. Council investigators:

- frequently claim WBS in all cases where benefit is refused, stopped or reduced following their intervention, not just for those where there is evidence of fraud;
- sometimes record WBS in cases where they obtain evidence that they think reveals fraud or attempted fraud but which does not convince their authorities’ benefits assessors and where their councils therefore decide to award, or continue to pay, benefit. And they sometimes continue to record WBS where a claimant successfully appeals against an assessor’s decisions to refuse, reduce or cancel an award;
- sometimes overstate WBS and sometimes fail to claim WBS when they legitimately could do so;
WBS returns often overstate the amount of fraud uncovered by investigators and exaggerate the Savings that their work generates.

- occasionally claim WBS for income support or other state benefits without the necessary written proof from the Benefits Agency; and
- sometimes show little interest in improving administrative systems in case this removes the opportunity to claim WBS.

22. WBS returns thus often overstate the amount of fraud uncovered by investigators and exaggerate the Savings that their work generates. The problem is more acute in some councils than others, with particular problems in some authorities that have been reporting very good performance against threshold. Conversely, some other councils with average or below-average results against threshold have had much better quality control and fewer errors.

23. Problems with WBS are not confined to local government. The Benefits Agency also records Savings but the Comptroller and Auditor General has reported that these may have been overstated by more than 10 per cent in 1995/96 (Ref. 8). The NAO report, Measures to Combat Housing Benefit Fraud (Ref. 1), reveals that the Benefits Agency’s internal auditors have found a significant problem with the accuracy of the Agency’s reported WBS and a significant level of inaccuracy that will have resulted in substantial overstatement. In addition, the Agency’s reported Savings include those for housing benefit that have been claimed without confirming with a local authority that housing benefit was in fact being paid. The Benefits Agency calculation also uses average amounts of housing benefit that may, in practice, vary from the benefit actually awarded by councils. The NAO concludes that the Benefits Agency’s WBS for housing benefit ‘may include inappropriate Savings’. The Benefits Agency has been introducing measures to try to improve its methodology for estimating and validating Savings.

Other aspects of subsidy

24. The joint study has also revealed some problems with another aspect of subsidy. The Government helps to meet the cost of housing benefit awards made by councils. Under these rules, authorities receive subsidy at less than the normal rate for overpayments of benefit that have been caused by claimant error. However, they receive the normal rate when they identify overpayments caused by fraud – if the rate were reduced under these circumstances, they would have a disincentive to investigate possible abuse. Whether to treat an overpayment as fraud or error is, again, decided using a balance of probabilities test (applied by designated overpayments officers). A small minority of councils appear, from fieldwork evidence, to be misapplying these rules in order to increase their subsidy income.
25. The second main impediment to effective counter-fraud work is poor co-operation between the Benefits Agency and councils. The Benefits Agency is now reviewing its awards of income support and income-based jobseeker’s allowance more systematically than in the past, and is visiting more recipients of these benefits to verify their entitlement, but co-operation between the Agency and local authorities remains one of the keys to combating housing benefit fraud.

26. Accordingly, the DSS has encouraged service level agreements between Benefits Agency local offices and local authorities; the Department has similarly encouraged agreements between Benefits Agency sector fraud units and authorities. The vast majority of authorities now have such agreements. However, the Department does not compare performance with the standards set in the agreements and does not reward either councils or the Benefits Agency for adherence to those standards; nor does it penalise failures to meet them.

27. In practice, co-operation between the Benefits Agency and local authorities varies markedly in quality from place to place and is often poor. As a result, service level agreements, though potentially useful if participants adhered to them and if compliance were policed effectively, are widely viewed as ineffectual by staff in both local authorities and the Benefits Agency. Problems include:

- disagreements about whether particular pieces of information have been forwarded to or received by a council;
- poor co-operation between fraud investigators. Joint investigations and proactive anti-fraud exercises are, for example, rare. The so-called ‘finders keepers’ rule, whereby investigators claim all of the WBS on any investigation initiated by their organisation, is relevant here;
- complaints by local authority investigators of inordinate delay by the Benefits Agency in acting on information about income support fraud forwarded to it by them. In some councils, investigators are so dissatisfied with the Agency’s response that they no longer bother routinely to collect such information or forward it to the Agency;
- dissatisfaction among some Benefits Agency adjudication officers with the quality of evidence about alleged income support or other fraud provided by local authority investigators;
- failure by some authorities to adhere to advice in circulars when forwarding information to the Benefits Agency; and
- difficulty in checking housing benefit claims against relevant, up-to-date records held by the Benefits Agency. In some fieldwork authorities, Benefits Agency staff have used Remote Access Terminals (RATs), located on council premises, to read the Benefits Agency’s computer records. This provides assurance that the council’s decisions are based on an up-to-date understanding of the position on income support or income-based jobseeker’s allowance. These authorities view the terminals as a great success. However, Benefits Agency local offices
have generally been reluctant to provide terminals, because the costs to
the Agency are greater than the administration savings anticipated by
local Agency managers.

The Fraud Act

28. The Social Security Administration (Fraud) Act 19971 – ‘the Fraud Act’
– will help the DSS, the Benefits Agency and local government to combat
housing benefit fraud. For example, the Act makes it easier to compare
housing benefit records with data held on other computer systems and thus
identify inconsistencies that indicate possible fraud. The Act will also make
it easier to provide councils with Remote Access Terminals by removing a
previous legal requirement that terminals be operated by Benefits Agency
staff.

29. The Act also:
◆ introduces an administrative penalty for fraud, as an alternative to
prosecution;
◆ gives local authority fraud investigators powers to enter ‘business’
premises and to require information about claimants;
◆ creates a specific offence of failing, without reasonable excuse, to report
a relevant change of circumstances; and
◆ simplifies procedures for recovering overpaid benefit from landlords
and managing agents.

The Benefit Fraud Inspectorate

30. In addition, a Benefit Fraud Inspectorate has been established to
examine and report on standards of counter-fraud and security performance
in the administration of social security benefits. The Inspectorate will
exercise powers introduced in the Fraud Act to examine and report to the
Secretary of State on how local authorities administer housing benefit and
council tax benefit, with particular reference to the prevention and detection
of fraud. The Inspectorate will seek to establish a fair record of an
authority’s performance, including the extent to which this is affected by
and affects performance in the local Benefits Agency district with which the
authority co-operates and liaises. This recognition that poor performance by
the Benefits Agency may hinder councils’ efforts to counter fraud is
welcomed.

---

1 Some of the Act’s provisions came into effect in July 1997. Others are expected to become effective in
October 1997. Start dates for the remainder have yet to be decided.
A national verification and benefits administration framework is expected to be available from the autumn of 1997. It is expected to set out the core checks that councils should carry out when processing claims, including an increase in the numbers of visits to, or interviews with, claimants, before awarding benefit. The framework is also expected to suggest that councils should carry out risk analyses, to help to identify people whose circumstances appear particularly likely to change; they should then contact or visit these claimants while benefit is being paid to check that they are still entitled to and receiving the correct benefit. The DSS is expected to change the subsidy rules to encourage authorities to adopt this framework. The introduction of the framework, and the related changes to subsidy, will go some way towards implementing the improvements to the subsidy mechanism recommended by the Commission in 1993 (Ref. 4) and thus towards removing the current imbalance in the subsidy incentives between prevention and detection.

Other initiatives

In addition to strengthening councils’ hands by the above provisions, the DSS is using Challenge funding to finance counter-fraud initiatives by individual councils and to fund the National Anti-Fraud Network, a group of regional collators who exchange intelligence on behalf of the local authorities in their areas. The Department is, in addition, funding the London Organised Fraud Investigation Team. It is also addressing problems in the exchange of information between councils and the Benefits Agency. For example, as part of its information technology strategy, it is examining ways of linking housing benefit systems to its own computer systems, including the options of making Remote Access Terminals more widely available and of providing a standard DSS housing benefit system.

The NAO’s report, Measures to Combat Housing Benefit Fraud (Ref. 1), concludes that the anti-fraud measures implemented in recent years by the DSS, notably subsidy incentives and penalties, have had demonstrable success in combating housing benefit fraud and that the Fraud Act and the national verification and administration framework will further increase the DSS’s and local authorities’ capability to tackle fraud. However, the NAO report warns against complacency and contains a number of recommendations to help further improve arrangements to combat fraud. The Audit Commission supports these proposals which, once implemented, will greatly help in combating housing benefit fraud.

The report includes recommendations about:

- the rules governing entitlement to housing benefit;
- the Benefits Agency’s administration of income support and income-based jobseeker’s allowance;
liaison and co-operation between the Benefits Agency and local authorities; and

the subsidy received by local authorities.

Entitlement to housing benefit

35. The NAO recommends that the DSS explore options for simplifying housing benefit. The current complexity of the rules increases the risk of confusion and error on the part of claimants and on the part of benefit assessors when determining entitlement and provides considerable opportunity for dishonesty. Simplification would reduce the scope for both error and fraud.

Income support and income-based jobseeker’s allowance

36. Income support and income-based jobseeker’s allowance are gateways to housing benefit. Income support suffers significant losses to fraud because the Benefits Agency does not always determine claimants’ entitlement correctly. The NAO thus recommends that the DSS and Benefits Agency:

◆ improve the quality control of income support and income-based jobseeker’s allowance determinations;
◆ introduce a verification framework for income support and income-based jobseeker’s allowance, similar to the national verification and benefits administration framework that the DSS is developing for housing benefit;
◆ review entitlement to income support and income-based jobseeker’s allowance more frequently than at present; and
◆ compare information on repeat claims with that provided on earlier claims which is held on computer records.

Co-operation and liaison between the Benefits Agency and local authorities

37. The NAO recommends that the DSS:

◆ phase out the ‘finders keepers’ rule, as this militates against co-operation between local authorities and the Benefits Agency;
◆ encourage more joint working between the Benefits Agency and local authorities; for example, by joint proactive anti-fraud drives and by involving local authorities more closely in its ‘Spotlight’ anti-fraud drives;
◆ extend the provision of Remote Access Terminals; and
◆ issue revised service level agreements that reflect these changes and then review progress in securing more effective co-operation.

‘The current complexity of the rules increases the risk of confusion and error...’
The subsidy regime

38. Though the changes to subsidy in 1993 have significantly improved arrangements for countering fraud, the NAO warns that some undesirable and adverse side-effects are flowing from WBS subsidy. A main theme in the NAO report is, therefore, that the DSS should consider whether resources might be better used in preventing rather than detecting fraud. The NAO thus recommends that the DSS:

- introduce minimum standards in housing benefit administration, based on the work already done to develop the national verification and benefits administration framework. These should be supplemented by a code of conduct for local authority fraud investigators and by improved advice from the Department on the conduct of investigations;
- monitor performance against these standards, drawing on:
  - the reports on local authorities’ performance in the prevention and detection of fraud which the Benefit Fraud Inspectorate will submit to the Secretary of State;
  - independent audit of the implementation, and subsequent application, of the national framework;
  - more frequent and extensive internal and external quality assurance of local authority fraud investigators’ work; and
  - a revised external audit certificate which covers the review of anti-fraud systems and the levels and effectiveness of anti-fraud work in local authorities;
- reward local authorities for compliance with these standards, using funds redirected from those currently used to reward fraud detection; and
- reward local authorities that prosecute cases that are appropriate to bring to court.

Action by local authorities

39. Though most councils actively investigate possible fraud, many authorities’ overall arrangements for countering fraud could be improved. The joint study has also, however, identified good practices that are already used by some authorities and which other councils could usefully adopt. The Commission’s report, Fraud and Lodging: Tackling Fraud and Error in Housing Benefit (Ref. 2), has summarised these good practices for elected members, chief executives and other chief officers.
40. The overall approach advocated in that report is summarised at Exhibit 5. This management handbook is intended to help internal auditors, those managing benefits units and those responsible for investigating benefits fraud to implement those recommendations. It includes more detailed checklists, case studies and other advice. Competitive tendering and outsourcing are altering the ways in which many councils administer benefits. Councils, nevertheless, remain responsible for the service, and the key features of effective counter-fraud arrangements are the same whether the service is delivered in-house or by contractors. Good counter-fraud arrangements require a corporate approach that covers all aspects of benefits administration and which emphasises prevention and deterrence as well as investigation. This handbook thus focuses on good practices rather than on who will implement them.

### Exhibit 5
**An effective counter-fraud strategy**

An effective strategy requires support from across the council and involves prevention, investigation and deterrence.

<table>
<thead>
<tr>
<th>Corporate framework</th>
<th>Managing benefits administration effectively</th>
<th>Preventing fraud and error</th>
<th>Managing investigations</th>
<th>Investigating cases</th>
<th>Deterrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• member support</td>
<td>• clear responsibilities and standards</td>
<td>• adequate resources</td>
<td>• terms of reference, targets and performance monitoring</td>
<td>• both rent allowance and rent rebate fraud investigated</td>
<td>• recovery</td>
</tr>
<tr>
<td>• codes of conduct for officers and members</td>
<td>• good communication with claimants and landlords</td>
<td>• defences against internal fraud</td>
<td>• adequate resources and training</td>
<td>• residency and other frauds examined</td>
<td>• fixed penalties</td>
</tr>
<tr>
<td>• effective internal audit</td>
<td>• quality control and performance monitoring of assessment work</td>
<td>• fraud awareness</td>
<td>• code of conduct for investigators</td>
<td>• referrals encouraged</td>
<td>• prosecution</td>
</tr>
<tr>
<td>• reliable housing records</td>
<td>• flexibility</td>
<td>• national verification framework</td>
<td>• clear procedures</td>
<td>• proactive work</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• data matching</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• overpayments identified</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• sound homelessness procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• effective recruitment procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• co-operation with Benefits Agency local offices</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• changes actioned quickly</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• no backlogs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• good communication with claimants and landlords</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• training</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• flexibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• no backlogs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• co-operation with Benefits Agency on fraud cases</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• quality control of investigations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• defences against malpractice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• safety procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• co-operation with the Benefits Agency on fraud cases</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
41. However, if the service is to be provided by a contractor, councils will need to make appropriate arrangements to implement good practices. They will particularly need to:

- define the client’s and the contractor’s responsibilities for dealing with fraud;
- translate these duties and responsibilities into contractual requirements;
- clarify the contractor’s role in investigating fraud and possible fraud; and
- monitor compliance with the contract and act speedily and effectively if suppliers do not meet requirements.

42. The handbook supplements, rather than replaces, systems and other work which internal and external auditors already perform. It does not, therefore, cover in depth issues such as the separation of duties, password control or the existence of sound audit trails. Its structure reflects the corporate approach described in Exhibit 6. It is therefore divided into eight chapters:

- **Chapter 1** – examines how an authority-wide counter-fraud culture, supported by internal audit, can contribute to defences against benefit fraud.
- **Chapter 2** – covers the essential requirements for a well-managed benefits unit. Fraud defences are required at every stage in processing benefits applications and awards. Effective counter-fraud arrangements cannot, therefore, be divorced from the overall management of a benefits unit.
- **Chapter 3** – discusses good practice in preventing benefit fraud when processing claims. These measures will also help to reduce the number of errors.
- **Chapter 4** – describes good practice in managing detection and investigations, including the setting of staffing levels and the recruitment and training of investigators. It also examines arrangements to help to safeguard investigators from attack or injury; quality control of their work; and procedures to validate and verify WBS claims.
- **Chapter 5** – examines different investigative strategies and techniques.
- **Chapter 6** – discusses one particular technique, data matching.
- **Chapter 7** – describes one aspect of deterring fraud, recovering money obtained by fraudsters.
- **Chapter 8** – covers good practice in prosecution and the use of the administrative penalty introduced by the Fraud Act.
At present, in most authorities, visits to claimants to verify entitlement or continued entitlement to benefit are carried out by investigative staff. The management of visiting programmes is, therefore, covered in detail in Chapter 4, *Managing Investigations*, and in Chapter 5, *Investigating Fraud*. However, the discussion in Chapter 3, *Preventing Fraud and Error*, recognises that visits are likely to be a key part of the national verification and benefits administration framework and that their number is likely to increase with the implementation of the framework.
Successfully countering benefit fraud involves more than the staff in the authority’s benefits section and the fraud investigators. People throughout the authority contribute. In particular, a successful counter-fraud strategy involves:

- active support from elected members;
- appropriate behaviour from members, employees and contractors’ staff;
- effective audit;
- procedures to guard against recruiting people who may attempt internal fraud;
- reliable housing records; and
- defences against abuse of procedures for allocating council housing.
Constant vigilance is needed to guard against both internal and external abuse of housing benefit. An authority’s benefits unit and the council’s fraud investigators have key roles in countering fraud but this requires support from across the authority. This chapter thus recommends establishing a corporate framework within which to counter benefit fraud. This:

<table>
<thead>
<tr>
<th>requires...</th>
<th>which will help to...</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ support from members for a counter-fraud strategy</td>
<td>…focus officers’ attention on fraud and to delineate responsibilities</td>
</tr>
<tr>
<td>♦ appropriate behaviour from elected members and from employees and contractors’ staff</td>
<td>…indicate to elected members, and to employees and contractors’ staff, the ways in which the council expects them to behave. Disciplinary action should be taken if staff breach established rules or codes of conduct and should include, for serious violations, dismissal</td>
</tr>
<tr>
<td>♦ effective audit</td>
<td>…provide assurance to managers that systems of control are operating properly</td>
</tr>
<tr>
<td>♦ sound defences against recruiting people who may commit internal fraud</td>
<td>…ensure that the council does not recruit people who seek to join it in order to commit internal fraud</td>
</tr>
<tr>
<td>♦ reliable housing records</td>
<td>…guard against rent rebate fraud. Benefit fraud can accompany unlawful occupation, key selling and other abuses</td>
</tr>
<tr>
<td>♦ procedures that guard against misrepresentation to obtain council housing</td>
<td>…prevent rent rebate fraud. People who obtain housing by deception are likely then to claim housing benefit, to which they are not entitled, for that accommodation</td>
</tr>
</tbody>
</table>
1.1 Active support and encouragement from members will help to foster an authority-wide counter-fraud culture. The Commission has previously recommended (Ref. 4) that councils’ corporate review processes should cover arrangements for the prevention of fraud and corruption. Formal anti-fraud and corruption strategy statements emphasise to all employees the importance placed by the authority on probity, financial honesty and honest administration. Authorities should, therefore, prepare, and regularly review and update corporate anti-fraud strategies. Members should agree the strategy and revisions to it.

1.2 The strategy should describe the key anti-fraud arrangements within the authority. It should also set out the roles and responsibilities of managers and employees, internal auditors and fraud investigators and, where work is outsourced, contractors. The strategy should encourage staff to report concerns about internal or external fraud. It should also ensure that someone is clearly responsible for taking the lead in countering each type of fraud (housing benefit; housing occupancy; allocation of council housing, etc) and allow the council to co-ordinate its work to counter different types of fraud.

1.3 Arrangements for investigating fraud vary with local circumstances. A minority of councils have corporate anti-fraud units that deal with all or most types of fraud. However, most authorities have dedicated housing benefit fraud units. These are usually either located in the benefits unit or form part of internal audit. Some councils also have other fraud units, for example, teams dealing with housing tenancy fraud. Whatever arrangements are used:

- each fraud unit requires clear terms of reference;
- the relationship between investigative units and internal audit should be clear, if investigators are not part of internal audit; and
- there should be clear protocols for co-ordinating work, if the council has more than one investigative unit.

1.4 There should also be clear arrangements and delineation of responsibility for investigating:

- apparent fraud by council members. Authorities need to be alert to this possibility. They should have systems under which staff can report concerns to senior managers and then arrangements to investigate allegations and to take appropriate action if these appear to have substance. As a matter of good practice, investigators should never claim WBS, because of apparently fraudulent behaviour by a councillor, without reporting this to an appropriate senior officer. Designated overpayments officers should similarly report to an appropriate senior officer whenever they classify an overpayment made to a councillor as fraudulent. Failure to do so (Case Study 1.1, overleaf) is poor practice.

Do members actively support measures to counter fraud and corruption?

Support from members

‘The strategy should encourage staff to report concerns about internal or external fraud.’
Where there is clear evidence of benefit fraud by elected members, councils should normally prosecute, or ask the police or (if the case involves other social security benefits) the Benefits Agency to do so;

- internal frauds by council employees (ie, frauds which depend upon, and exploit, an employee's position or knowledge). In many councils, internal audit deals with, or supervises the work of, investigative units examining such cases;
- other frauds by council employees (that is, ones that do not exploit an employee's position with the council). Case Study 1.2 gives some examples. This category includes frauds by staff whose housing benefit claims do not declare earnings they receive from the council;
- internal frauds, and other frauds, by contractors' staff who are delivering services on behalf of the council; and
- external fraud.

Case Study 1.1
One authority's investigators have claimed WBS, and classified an overpayment as fraudulent, in a case involving direct payments to an elected member of their council.

At one authority, investigators were unable to establish contact with a claimant despite making repeated visits to the address for which the council had awarded the benefit; the claimant also failed to respond to letters. Further enquiries revealed that no electricity had been used during the period for which the benefit had been paid. The authority terminated the claim, recorded Weekly Benefits Savings and raised an overpayment of £715 (11 weeks benefit) which it classified as fraudulent for subsidy purposes.

The landlord was a member of the council; this was not the first time that investigators had established that claimants were not resident at his properties. Investigative and overpayments officers had not reported these cases to an appropriate senior officer.

Case Study 1.2
Housing benefit fraud by council employees

One council launched an investigation following an anonymous tip-off. It found that an employee was not only obtaining income support and housing benefit fraudulently but that she had also fraudulently obtained a tenancy from a housing association (in addition to her own home). She resigned her post and was prosecuted and convicted.

The same council identified a cleaner on its payroll who had claimed housing benefit under several different names and national insurance numbers. He had divorced his wife, who was also a council employee, but was still living with her. She was the ‘landlady’ to whom the benefit was paid. The frauds ran for three years and cost £10,000. The man was dismissed, prosecuted and sentenced to eight months imprisonment. His ‘ex’-wife was too ill to stand trial.
Members’ attitudes and conduct give strong signals about their commitment to probity. The National Code of Local Government Conduct sets out what is expected from councillors in the course of their duties. The Local Authorities (Members’ Interests) Regulations 1992 (as amended) require that members register prescribed pecuniary interests. These include employment, trade profession or vocation and various financial interests including interests in freehold or leasehold land. This would appear to require that members declare if they are acting as, or working for, a landlord or managing agent, irrespective of whether tenants are receiving housing benefit. Non-disclosure of a prescribed pecuniary interest is a criminal offence.

Members can become involved with individual housing benefit cases when serving on Housing Benefit Review Boards. The DSS’s Review Boards: A Good Practice Guide (Ref. 10) offers advice on how to conduct Boards.

Officers can face conflicts of interest when they administer benefits. They or members of their households may be receiving housing benefit. A junior officer might, for example, be eligible for housing benefit if he or she works part-time for the council. Officers might also be landlords. All councils have rules of conduct for employees built into their terms of employment but there is no statutory requirement for employees to register interests. Nor is there a statutory code of conduct for employees.

However, the Local Government Management Board has developed the Code of Conduct for Local Government Employees on behalf of the local authority associations. About 70 per cent of councils in England and Wales have adopted the Code, sometimes with local additions. Adopting such a code provides a framework within which employees can work. It also makes it easier for the authority to take disciplinary action where an employee has behaved fraudulently but where there may be insufficient evidence of fraud to prosecute. For example, a council can take disciplinary action if there is no proof of fraud but proof that an officer has behaved deceitfully (for example, by failing to declare an interest when required to do so).
1.9 As a matter of good practice, councils should normally require benefits staff, investigators and internal auditors to provide signed declarations of any possible conflicts of interest. Councils such as Southwark (Case Study 1.3) and Liverpool already require that their staff report possible conflicts. As part of this, councils should require that staff who do not currently face any conflicts of interest report any which arise in future. They can provide standard forms on which to declare the interest. These procedures should apply to all staff who join the benefits unit, the investigations unit or internal audit, from either within or outside the authority. Any existing staff who have not already made a declaration should provide one. Declarations should also ask staff to reveal any previous disciplinary action involving fraud, dishonesty or deceit. False declarations, or failures to report relevant changes, should provide grounds for dismissal or other disciplinary action.

1.10 Authorities which outsource work should, as a matter of good practice, seek to ensure that contractors’ staff also work to a code of conduct and are required to declare any interests in benefits cases, in a similar way to in-house staff.

1.11 Benefits administration is a high value activity. Systems need to be reviewed and tested thoroughly and frequently to ensure that they offer adequate protection against both internal and external fraud. Internal and external audit provide assurance that systems of control are operating properly and, where they are not, identify necessary remedial action.

**Are benefits staff required to declare any interests they have in benefits cases?**

**Are contractors’ staff placed under similar obligations?**

---

**Effective audit**

**Case Study 1.3**

**Codes of conduct and declarations of interest**

The London Borough of Southwark Council’s Code of Conduct for Staff includes:

Staff should notify their supervisor if they have an interest, either direct or indirect, in some element of work being undertaken by their section.

*Source: Fieldwork*
1.12 Many parts of a benefits system may come under pressure from fraudsters. Any weaknesses can thus create substantial risks (Exhibit 1.1). A well trained, adequately resourced internal audit unit has a key role in securing sound, robust systems. The Commission has previously, therefore, recommended that internal audit work be overseen by members, preferably through a dedicated audit committee (Refs. 4 and 11). External auditors complement the work of internal audit. They provide managers with additional assurance that systems are operating properly and, if they are not, help identify necessary remedial action.

1.13 Reporting arrangements should allow members to satisfy themselves that any weaknesses identified by internal auditors, or by external auditors or consultants, are remedied. Authorities that outsource their internal audit need to retain a competent client function and member oversight. They should also ensure that internal auditors report objectively on other services which the council has outsourced as well as on ones which in-house staff provide.

1.14 Councils should carry out formal risk analyses when devising their internal audit programmes. These should take account of national and local evidence about the likelihood of fraud. They should also take account of the extent to which benefits systems are likely to have altered since the previous year’s audit work. Frequent changes to legislation force councils to make

---

**Is internal audit managed effectively?**

**Do auditors examine benefits administration frequently enough and in sufficient depth?**

---

**Exhibit 1.1**

**Benefits systems**

Many parts of a benefits system may come under pressure from fraudsters; any weaknesses can thus create substantial risks.
repeated changes to benefits procedures. Internal auditors will often, therefore, need to examine benefits systems in some detail each year. They should not assume that a satisfactory review in one year allows them to carry out only a cursory update in the next.

Recruitment

Do we have adequate protection against recruiting people who are likely to attempt internal fraud?

1.15 Each year a housing benefit assessor can easily initiate the payment of claims that have an aggregate value of many hundreds of thousands of pounds. A section head can be responsible for several millions of pounds of payments. As one London borough found, a corrupt supervisor, or collusion between a section head and one or more assessors, presents particular dangers of internal fraud (Case Study 1.4).

1.16 In this case, the council has strengthened its defences to prevent any repetition. In addition, four of these fraudsters were convicted and imprisoned. However, one of those convicted, a corrupt team leader, had left the authority for a post with another council before the frauds were identified. Another of those convicted obtained employment within the benefits services of two other authorities, using false identities, while awaiting trial. As this demonstrates, people may seek employment within housing benefit units with the aim of perpetrating fraud. Effective verification of qualifications and employment histories is thus a key protection against internal fraud. Similar checks are needed when recruiting fraud investigators and internal audit staff. Their work provides opportunities for fraud or corruption; for example, collusion between investigators and fraudulent claimants or landlords.

Housing records

Are housing records reliable?

1.17 In the early 1990s, several local authorities, particularly in London, discovered problems with illegal occupancy of council housing. Properties were not occupied by a legitimate tenant but were being illegally sub-let for a regular cash rental or for a single lump sum (key selling). Several London authorities undertook surveys and found that as much as 10 per cent of their housing was occupied by such unauthorised tenants. The legitimate tenant lived elsewhere but the rent which the council received for the property often continued to be met by housing benefit. Either the legitimate tenant submitted fraudulent benefit claims or the illegal tenant did so using the legitimate tenant’s name.

1.18 Many of these tenancy frauds were opportunist; the legitimate tenant retained a tenancy when he or she found other accommodation, rather than surrendering it to the local authority. However, there have been examples of local authority officers ‘intercepting’ keys, sub-letting the property and either submitting fraudulent benefit claims or recording the property as void.
**Case Study 1.4**

**Internal fraud**

During the late 1980s, one London borough’s Benefits Division found it difficult to cope with the ever increasing changes in legislation and with a rapid increase in caseload and to recruit and retain staff. Service quality declined, backlogs increased and, inevitably, supervision and checking by managers weakened. Benefits staff recognised that the control environment was weak. The leader of a private sector benefits team set up false claims and authorised payments into a bank account that he controlled. Soon after this, four other members of the team used the same method to set up fraudulent claims.

In early 1990, one of the fraudsters accidentally left a document on a photocopier which showed that he owned a property that the council had leased to use as accommodation for homeless families. The document was then passed to a manager in the Benefits Division by another member of staff.

The employee had not declared this conflict of interests to the council. An investigation began as a joint exercise by Benefits Division managers and internal audit. A precautionary check of the benefit cases dealt with by the employee who had mislaid the document quickly identified a number of false claims. Further investigation uncovered frauds perpetrated by three other members of the team. A similar examination of cases dealt with by the team leader, who had by then moved to a post with another authority, revealed his frauds.

In total, over three years, almost £500,000 of fraudulent payments had been made. The Metropolitan Police Public Sector Corruption Unit was notified as soon as the scale of the frauds became clear. One of the alleged fraudsters fled the country soon after he had been suspended by the council. The remaining current and former employees were arrested, charged and tried for fraud. The former team leader was sentenced to four and a half years imprisonment, the others received eighteen months each. They were also dismissed by the council. A number of other benefit employees were disciplined for breaches of the council’s Disciplinary Code of Conduct.

The council has prevented a repetition of such frauds by completely overhauling the control environment and improving its ability to respond to suspicions of fraud by:

- establishing a housing benefit fraud team responsible to both the Assistant Treasurer (Revenues/Benefits) and the council’s Internal Audit Division;
- reorganising the Benefits Division to establish a strong discrete control section whose responsibilities include the maintenance of the system of internal controls;
- establishing additional internal controls; and
- setting up fraud awareness programmes.

*Source: District Audit/the council involved*
1.19 Housing tenancy managers face several disincentives when tackling tenancy fraud:
- detection and investigation can be costly;
- obtaining possession of the property and evicting an illegal tenant can also be expensive;
- discovery may increase rent arrears, as housing benefit may cease to be payable; and
- once they have obtained vacant possession, councils may need to repair or renovate the property before they re-let it. This too can be costly.

1.20 Tenancy abuses may be more likely in some areas and authorities than others but all councils need to be alert to the possibility of, and have defences against, such fraud. In-house housing managers, and contractors, should be specifically required, and provided with incentives, to identify and address any abuses. Good practice requires:
- accurate housing records;
- secure systems for starting and terminating tenancies;
- arrangements to verify continued occupancy;
- that internal audit regularly reviews records and systems;
- the investigation of possible tenancy frauds;

and where housing management has been outsourced or exposed to competitive tendering:
- service specifications which cover these requirements;
- financial arrangements which give service providers an incentive to meet these requirements; and
- effective contract monitoring and management.

1.21 Such defences will also help guard against other potential abuses. For example, staff working for in-house or external housing management contractors may be tempted to manipulate the measures by which their performance is measured, perhaps, by understating void levels.

Allocating council housing

Do procedures for allocating council housing include adequate defences against misrepresentation?

1.22 Housing authorities have to give reasonable preference to individuals and families who present themselves as homeless when allocating council housing. During the 1980s, councils were under a duty to rehouse people who presented themselves as homeless (and who were not intentionally homeless and who fell within specific priority groups). Presentation as homeless then became a major way of obtaining a new tenancy in many councils. This led to fraudulent homelessness applications. Misrepresentation still provides opportunities to be allocated council housing to which the person is not entitled.
1.23 These frauds have often involved deception about the circumstances of the family presenting itself as homeless; for example, contrived evictions, non-declaration of alternative accommodation or ‘manufacturing’ a family by ‘borrowing’ children. Other deceptions are possible. For example, people may use ‘invented’ children to argue that their current accommodation is overcrowded and thus to obtain higher priority in the allocation of housing. Fraudulent applications for housing benefit often follow once people fraudulently obtain housing from a council. Here, too, the risk may be greater in some authorities than others but all councils need to be alert for, and to have sound defences against, such abuse. Good practice requires:

- accurate records;
- verification of information provided by homeless and other applicants, including, wherever possible, checks with other records held by the council or by third parties;
- visits to applicants. People presenting themselves as homeless are not necessarily ‘roofless’ but may, for example, be living with family or friends in unsuitable or overcrowded accommodation;
- that internal audit reviews records and systems for allocating council housing;
- the investigation of possible frauds; and
- analytical review, ie, searches and comparisons of applications to identify indicators of possible fraud, for example, addresses that have generated two or more applications in the last few years.
## Checklist for action

### Support from members

- The council has adopted and supports an anti-fraud and anti-corruption strategy
- Members review and, if necessary, update the strategy annually

- The strategy:
  - Defines fraud and corruption
  - States that members are committed to combating fraud
  - Sets out whistle-blowing arrangements to encourage staff to report suspected internal and external fraud or corruption
  - Describes key anti-fraud arrangements:
    - Audit
    - Systems
    - Procedures
  - Defines the responsibilities of managers, employees and, where work is outsourced, contractors
  - Identifies the roles of different anti-fraud agencies within the council (for example, internal audit, benefits fraud investigators, other investigators working for the council)
  - Ensures that the council can co-ordinate the work of these agencies
  - Sets out clear responsibilities and arrangements for investigating:
    - Fraud by elected members
    - Internal fraud
    - Other fraud by council employees
    - Fraud by contractors’ employees
    - External fraud

- Members support initiatives to counter benefits fraud including:
  - Fraud by council tenants
  - Fraud by people renting from housing associations
  - Fraud in the commercial rented sector
  - Housing benefit frauds linked to income support fraud or income-based jobseeker’s allowance fraud

- Members support the professionally managed and conducted investigation of housing benefit fraud
- Members also support the prevention and deterrence of housing benefit fraud
- members receive regular (at least quarterly) reports on the work of housing benefit fraud investigators

- members receive reports on any internal housing benefit frauds or significant external housing benefit frauds and on the systems to be introduced, or the modifications to be made to existing systems, to guard against repetition

### Codes of conduct

- members have all received copies of the *National Code of Local Government Conduct*

- the chief executive has established appropriate arrangements for investigating alleged breaches of the *National Code of Local Government Conduct*

- the authority keeps a register in which members record interests

- members who are landlords or managing agents declare this in the register

- members who work for landlords or managing agents declare this in the register

- at least once a year the authority examines housing benefit records to identify members acting as landlords or agents, and compares findings with the register

- investigators are required to report to an appropriate senior officer whenever they find evidence of apparent fraud by an elected member; for example, whenever they claim WBS because of an apparent fraud by a councillor

- designated overpayments officers similarly are required to report to an appropriate senior officer whenever they find evidence of apparent fraud by an elected member; for example, whenever they classify an overpayment as fraudulent because of an apparent fraud by a councillor

- the authority follows up such cases and normally prosecutes, or passes the case to the police or the Benefits Agency, where there is clear evidence of fraud by an elected member

- the authority has adopted a code of conduct for employees, based on the Local Government Management Board’s *Code of Conduct for Local Government Employees*

- officers acknowledge in writing that they have received and understand the authority's code

- the authority’s code requires that officers declare pecuniary and, where relevant, non-pecuniary interests on a register

- each member of benefits, internal audit, fraud investigation and housing staff is required to provide a signed declaration indicating whether he or she
  - is receiving housing benefit or council tax benefit
  - is a landlord or agent
  - shares a household with anyone who receives benefit or acts as a landlord or agent
  - has been found guilty of benefit fraud
  - has been subject to disciplinary action as a result of benefit fraud or suspected fraud
and that he or she will:

– immediately report any change to the above in writing to a designated officer

and understands that:

– any false statement when making this declaration will be grounds for dismissal

– any failure promptly to report changes will also be grounds for dismissal

◆ new staff complete this declaration on recruitment

◆ staff transferred to benefits work from elsewhere in the council complete this declaration on transfer

◆ existing staff will make this declaration, if they have not already done so

◆ contractors administering benefits, or providing internal audit, investigative or housing management services, are required to follow similar procedures

◆ contractors comply with this requirement

◆ the authority regularly reviews benefits records and compares them with staff declarations

◆ any allegations or evidence of impropriety are recorded and promptly investigated

◆ the council maintains a central register of all staff dismissed for dishonesty and consults it whenever it recruits new employees or other councils, or their contractors, seek references from it

◆ the council has arrangements that ensure that departments or units to which it has devolved personnel responsibilities update this register whenever they dismiss staff for dishonesty and refer to it when recruiting or when asked to provide references to other employers

◆ the council has arrangements which ensure that it includes on that register any staff dismissed for dishonesty by its contractors

◆ the authority normally prosecutes, or passes the case to the police or the Benefits Agency, where there is clear evidence of internal fraud by council or contractors’ staff

◆ the authority normally takes disciplinary action if it has clear evidence of deceit by its staff but no evidence of fraud (or insufficient evidence to support a prosecution). Contractors behave similarly

**Effective audit**

◆ internal audit reports to an audit committee or equivalent

◆ internal audit’s role, responsibilities and powers are set out in the council’s standing orders and financial regulations

◆ these standing orders and financial regulations cover internal audit’s role in countering fraud and corruption

◆ the council’s anti-fraud and corruption policy also covers in detail the role of internal audit

◆ the authority agrees an annual internal audit plan
- the plan uses formal risk analyses to help to identify areas to examine and to identify the resources required by internal audit
- these analyses draw upon national and local data to take account of the likelihood of benefit fraud
- the analyses also take account of the extent to which benefits systems are likely to have altered since the last audit examination
- external auditors are consulted when preparing the plan to:
  - cover any areas of concern to them
  - avoid unnecessary duplication
- members agree the plan
- internal audit implements the full plan each year
- internal audit reports annually to members on achievement against the plan
- external audit reviews and reports on the content and execution of the plan each year
- internal audit monitors and reports to members on the implementation of its recommendations
- internal audit also reports to members on the outcomes of any anti-fraud initiatives that it takes
- internal audit is adequately staffed:
  - there are no long-term vacancies
  - staff possess, or are receiving, training to equip them with appropriate skills
- if the council has outsourced its internal audit work, it retains a competent client function and member oversight
- if the council has outsourced its internal audit work, the arrangements ensure that the auditors report objectively on work carried out for the council by contractors as well as in-house staff
- internal audit normally examines the administration of housing benefit and council tax benefit every year
- this work includes:
  - maintaining an up-to-date systems matrix or other record of procedures
  - annual sample testing of cases
- the authority has implemented all recommendations to improve the security of benefits administration made by its internal auditors
- the council’s external auditors have commented favourably upon the council’s internal audit arrangements
- the authority has implemented recommendations made by external auditors following their testing of the council’s arrangements against the recommendations in the Audit Commission’s *Fraud and Corruption Manual*

- the authority has implemented any other recommendations to improve the security of benefits administration made by external auditors

- the authority has implemented any recommendations to improve the security of benefits administration made by consultants

- systems are reviewed and appropriate improvements made whenever an internal fraud or significant external fraud is identified

**Recruitment**

- the authority has written procedures covering the recruitment of:
  - permanent staff
  - full-time and part-time staff
  - temporary or fixed-term contract staff and those employed on rolling contracts

- these requirements cover:
  - taking up references
  - staff taking and passing appropriate competence tests prior to appointment
  - verifying qualifications
  - verifying the duties performed in earlier employment
  - checking whether the employee is subject to a disciplinary action (if working for, or a recent employee of, another authority)
  - verifying the bona fides of previous employers in appropriate instances

- whenever staff transfer to benefits fraud investigation, internal audit or housing work from elsewhere in the council, the receiving unit confirms that these checks were carried out when the person joined the council

- if this reveals that the full checks were not carried out, they are performed before the person transfers

- contractors are placed under similar obligations to verify information about their staff

- the authority monitors and tests contractors’ adherence to such requirements

- non-compliance is covered by default point and contract termination clauses and, where appropriate, liquidated damage conditions

- staff turnover is low

- salaries are not excessive but are sufficient to retain competent staff
internal audit reviews recruitment procedures annually:
  – focusing on risk areas, including benefits administration
  – testing a sample of cases
  – examining contractors’ adherence to recruitment requirements

the council has implemented any recommendations to improve its recruitment procedures made by external auditors following their testing of the council’s arrangements against the recommendations in the Audit Commission’s *Recruitment and Training Audit Guide*

the council has implemented any other recommendations to improve its recruitment procedures made by internal or external auditors or consultants

**Housing records**

the council has accurate records of:
  – tenancies
  – void properties
  – rent accounts

the authority regularly and effectively reconciles relevant subsystems; for example, rents and benefits, voids and tenancy records

different staff start and terminate tenancies

lettings are authorised in writing by a senior member of staff

the relevant section maintains a register of all new tenancies and tenancy terminations, separate from the main housing management system

arrangements ensure the security of keys returned when people surrender their tenancies

the housing unit carries out regular sample checks to confirm that properties are occupied by their legitimate tenants

the sampling programme covers a sufficient proportion of the housing stock each year

the authority will increase the testing if the programme suggests that there is a significant problem

it will review all tenancies, if such increased testing confirms that there is a significant problem

internal audit takes account of the risks of unauthorised occupancy when devising its programme and periodically:
  – examines systems for allocating housing
  – tests a sample of tenancy records for accuracy, including an occupancy check
  – reports its findings to members

the council has implemented all recommendations to improve the accuracy or integrity of its housing records made by internal or external auditors or by consultants
- the checks carried out by housing staff, the housing contractor or DSO, the housing client-side unit and auditors suggest that unauthorised occupancy is not a problem

- the council has clearly defined and allocated responsibility for investigating possible tenancy fraud

- the section responsible for investigating tenancy fraud has:
  - sufficient staff
  - the necessary experience and knowledge of housing legislation
  - the necessary investigative skills
  - sufficient independence from housing management

- there is effective liaison between the tenancy fraud function and other fraud investigation agencies within the authority

- any housing management contract or service level agreement:
  - requires that the service provider undertakes an annual tenancy check of an appropriate percentage of the stock
  - allows the client side to supervise these tenancy checks
  - defines and allocates responsibility for detecting, preventing and deterring such fraud
  - ensures that any failure by the service provider to act on evidence of fraud leads to financial penalties and, for serious or persistent failures, termination of the contract or service level agreement

- the client-side unit checks that the service provider has performed these checks and carries out some sampling of its own

### Allocating council housing

- the council has accurate records of:
  - homeless and other applications for council housing
  - tenancies and rent accounts for temporary accommodation
  - homeless and other assessments

- there is regular and effective reconciliation between relevant subsystems

- the council has satisfactory procedures for:
  - obtaining necessary evidence from the applicant
  - obtaining necessary third-party evidence
  - interpreting relevant housing legislation
  - quality assuring the work of homelessness and other assessment staff
  - identifying and following up suspected fraudulent homelessness or other applications
  - maintaining homelessness and other assessment files
- homelessness and other assessment files are secure
- there is an accurate, up-to-date register of missing files
- staff visit applicants, where they are currently living, before the council decides on the application
- responsibility for investigating possible fraudulent homelessness or other applications is clearly defined and allocated
- the unit responsible for such investigations has:
  - sufficient staff
  - the necessary experience and knowledge of housing legislation
  - the necessary investigative skills
  - sufficient independence from housing management
- there is effective liaison between this fraud function and other fraud investigation agencies within the authority
- internal audit takes account of the risks of fraudulent homelessness and other applications when devising its programme and periodically:
  - examines systems
  - tests a sample of records for adherence to procedures
  - reports its findings to members
- the council has implemented any recommendations to improve the integrity of its assessment or allocation procedures made by internal or external auditors or by consultants
- the authority records full details of current or last addresses when people present themselves as homeless or otherwise apply for council housing
- the council can identify addresses that have generated two or more applications in the last two years
- the council investigates these addresses and the associated applications
Competitive tendering and outsourcing mean that many councils are altering the ways in which they administer benefits. However, irrespective of who delivers the service, it will be easier to combat fraud where councils have:

- clear managerial responsibilities;
- well-defined performance standards;
- good communication with claimants, landlords and managing agents;
- effective quality control and monitoring of achievement;

and if:

- the service is organised and delivered so as to support effective administration;
- staff possess the necessary knowledge and skills and are deployed where they are most needed; and
- there are no backlogs.

2 Managing Benefits Administration
Poorly managed benefits administration can create delays and backlogs, increase the numbers of errors and create confusion and uncertainty for claimants and their landlords. It can therefore damage the quality of service and make it more difficult to identify frauds and attempted frauds.

Competitive tendering and outsourcing are altering the ways in which many councils administer the service. The key features of good administration are, however, the same whether in-house staff or contractors deliver the service. Authorities placing work to competition will, however, need contractual arrangements that include these features.

The rest of this chapter discusses good administrative practice in more detail, summarising and updating earlier Audit Commission advice, published in 1993, in *Benefits Administration: A Management Handbook*. It recommends that:

<table>
<thead>
<tr>
<th>authorities should have...</th>
<th>which has the following advantages...</th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ clear managerial responsibilities</td>
<td>... a single individual is accountable to members for the service</td>
</tr>
<tr>
<td>◆ well-defined performance standards</td>
<td>... those delivering the service understand what is required of them</td>
</tr>
<tr>
<td>◆ good communication with claimants, landlords and managing agents</td>
<td>... quality of service will improve and more people will do what the authority wishes at the first request. It also makes it more difficult for people who attempt or commit fraud to argue that they made an honest mistake</td>
</tr>
<tr>
<td>◆ effective quality control and monitoring of achievement</td>
<td>... the required service will be delivered or, where this is not happening, problems will be identified and remedied speedily</td>
</tr>
<tr>
<td>◆ organised and delivered the service in such a way as to support effective administration</td>
<td>... the authority avoids unnecessary and disruptive reorganisations, the difficulties created when responsibilities are split between several service providers and the problems that can arise when administration is devolved to local offices</td>
</tr>
<tr>
<td>◆ appropriate job descriptions, supported by procedural guidance and training, allowing the authority to make the best use of its staff</td>
<td>... the council uses resources where they are most needed to prevent backlogs and delays and to meet quality requirements</td>
</tr>
<tr>
<td>◆ no backlogs</td>
<td>... records are up to date and payments are based on the latest available information</td>
</tr>
</tbody>
</table>
2.1 Anti-fraud measures should be an integral part of general benefits administration. Some councils that generate large amounts of Weekly Benefit Savings (WBS) have particularly poor administration. They will continue to suffer major losses from fraud (and report WBS figures that suggest wrongly that they are dealing effectively with fraud) until they remedy these deficiencies. Most councils already recognise the importance of sound administration. Some, such as the London Borough of Camden, have received the Charter Mark award and ISO 9002 accreditation. Camden has also received Investors in People recognition.

2.2 Clear responsibilities are an essential prerequisite for effective management. An identified officer should be responsible for, and report to members on, all aspects of the service. Where the work has been outsourced or is delivered by a Direct Service Organisation (DSO), this will normally be a separate, client-side, manager. But one individual should be accountable even where work continues to be delivered by a traditional in-house workforce without market testing.

2.3 Irrespective of whether work has been, or is to be, exposed to competition, all councils should agree standards for benefits processing. These should cover adherence to key procedures and should include, once they are known, the requirements of the national verification and benefits administration framework. They should also include other counter-fraud procedures, the criteria to use when selecting cases for quality control checking, minimum acceptable accuracy levels, speed of processing and the times taken to respond to letters, telephone calls, personal callers and appeals against the authority’s decisions. Wherever possible, requirements should be quantifiable and measurable.

2.4 Payments to contractors and DSOs should provide them with incentives to meet and exceed targets. Councils should apply default point systems to, and where appropriate seek liquidated damages for, failures to perform to the agreed standard. They should further ensure that they can terminate contracts for persistent failure to perform to requirement. Incentives should seek an appropriate balance between verification of entitlement and speed of processing and should not encourage service providers to skimp on the former.
2.5 Councils should ensure that their standards and targets, though demanding, reflect real requirements rather than unattainable ideals. They should also model the effects of proposed incentives and default point systems before going to the market. This will ensure that arrangements truly reflect the authority’s requirements. Contracts will not then be terminated, or suppliers suffer severe losses of income, for trivial failures to perform. Conversely, significant failures will have commensurate financial consequences for the supplier. Modelling should also check that the council will be able to terminate the contract early for persistent, significant failures to meet requirements but that it will not be able to do so for trivial failures.

2.6 Customer care is particularly important in benefits administration, which is one of the major contact points between local authorities and many of the vulnerable and less well-off people in their areas. Authority-wide Audit Commission performance indicators cover some of the issues discussed in this chapter.

2.7 Clear, easy-to-understand forms, letters and other documents are not simply a courtesy. People are more likely to do what the council asks of them if they understand the request. This will make it easier to identify frauds and attempted frauds and make it more difficult for someone to argue that he or she made an honest mistake. It is particularly important to set out people’s obligations to report changes in circumstances clearly.

2.8 The regulations help to determine the content of application forms. They also constrain the content of notices of determination. In many instances, software limitations prevent major changes to the design and wording of computer-generated documents. Nevertheless, good layout and design can greatly improve the clarity of documents. The Department of Social Security (DSS) has issued guidance (Refs. 13 and 14) that councils can draw on when reviewing designs. The key issue is not whether benefits staff understand documents but whether other people can follow them. The ‘fog index’ (Box 2A) is one measure of clarity. Councils should aim for a similar value to popular newspapers, about 12. Writing in plain English also helps. A number of councils – for example, Croydon, Middlesbrough, Stroud, Brent and Wandsworth (Exhibit 2.1, overleaf) – have received the Plain English Campaign’s Crystal Mark award for their application forms.
The ‘fog index’ measures clarity

Councils should aim for a similar value to popular newspapers, of about 12.

To apply the fog index:

1. Select several 100-word samples of text.
2. Divide the number of words by the number of sentences (ignoring incomplete sentences). This gives the average sentence length.
3. Count the number of words containing three or more syllables. Divide this by the number of 100-word samples of text. Do not include words which are:
   - combinations of short easy words, for example ‘fly-paper’;
   - capitalised; and/or
   - verbs made into three syllables by adding ‘-ed’ or ‘-es’, for example ‘invited’.
   This gives the percentage of long words.
4. Add the percentage of long words to the average sentence length and multiply the sum by 0.4.

2.9 Many wordprocessing packages can calculate the fog index, or other measures of reading ease, average sentence length and the proportion of sentences with passive verbs. Many also test for grammatical and other errors. Box 2B (overleaf) is a good practice checklist on document design.

2.10 Different, colour-coded forms for different types of claimant (rent allowance, rent rebate, owner-occupier council tax benefit claims, people receiving or claiming income support or income-based jobseeker’s allowance, etc) can help to target questions. This device can reduce the difficulties that lengthy forms, containing many irrelevant questions, can cause to claimants. Wherever possible, councils should ask ‘Yes/No’ questions. The answers to these can trigger requests for further information – for example, ‘Are you getting income support? Yes/No. If you answered ‘yes’, when did you make your claim? Please give your National Insurance Number.’

2.11 Local authorities have paid increasing attention to document design in the last few years. Many councils now send letters that meet the above criteria. However, some councils, whose documents meet these criteria, can still improve the clarity of their forms and letters. The fault can lie in a particular sentence (for example, ‘you have not been awarded benefit because you have not been awarded benefit’). Alternatively, documents are clear, sentence by sentence, but make no sense as a whole. This can be because they have been constructed using standard sentences or paragraphs and have not been read through afterwards to check that they deliver a coherent message.
Exhibit 2.1
The ‘Crystal Mark’

The London Borough of Wandsworth’s application form has received the Crystal Mark.

Source: London Borough of Wandsworth
Box 2B
Document Design

This good practice checklist will help to show whether documents need to be improved.

<table>
<thead>
<tr>
<th>Do our documents meet our needs? Do:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ our application forms ask for all the information we require?</td>
<td></td>
</tr>
<tr>
<td>◆ our notices of determination contain all the information stipulated in the regulations?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Are they clear? Do we:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ use plain English?</td>
<td></td>
</tr>
<tr>
<td>◆ have a similar ‘fog index’ in our documents to popular newspapers, of about 12?</td>
<td></td>
</tr>
<tr>
<td>◆ use short sentences (with an average of fifteen to twenty words a sentence)?</td>
<td></td>
</tr>
<tr>
<td>◆ favour active verbs; for example, ‘we will write to you’, not ‘you will be written to by the council’? In a clear document, at least 70 per cent of the verbs are active.</td>
<td></td>
</tr>
<tr>
<td>◆ prefer words with Anglo-Saxon, rather than Latin or French, roots (for example, ‘tell’ not ‘communicate’)?</td>
<td></td>
</tr>
<tr>
<td>◆ use closed questions on forms, wherever possible. For example, ‘Does anyone else live in your home? Yes/No. If you answered yes, please give details’ (followed, on the form, by the appropriate boxes).</td>
<td></td>
</tr>
<tr>
<td>◆ use words not codes?</td>
<td></td>
</tr>
<tr>
<td>◆ avoid ‘fillers’ and flowery language? (For example, ‘I should be grateful if you would ....’ means ‘Please ...’; and ‘at this moment in time’ means ‘now’.)</td>
<td></td>
</tr>
<tr>
<td>◆ use concrete rather than abstract words and sentences? (For example, ‘If you are paid weekly, we want to see your last five pay slips’ is clearer than ‘We must have documentary evidence of your most recent earned income’.)</td>
<td></td>
</tr>
<tr>
<td>◆ place explanatory notes next to questions on the application form, not at the foot of the page, at the end or on a separate piece of paper.</td>
<td></td>
</tr>
<tr>
<td>◆ use numbers or bullet points when listing information we require or explaining one of our decisions?</td>
<td></td>
</tr>
<tr>
<td>◆ address the reader as ‘you’ not as ‘the claimant’ or ‘the landlord’?</td>
<td></td>
</tr>
<tr>
<td>◆ normally print in lower case? (WHOLE SENTENCES OR PARAGRAPHS WRITTEN IN CAPITALS GIVE AN UNFRIENDLY IMPRESSION AND ARE DIFFICULT TO READ!)</td>
<td></td>
</tr>
<tr>
<td>◆ print only six to twelve words to a line? (Most people’s eyesight deteriorates as they age). This handbook has ten to twelve words a line.</td>
<td></td>
</tr>
<tr>
<td>◆ employ a sufficiently large type (12 point or larger)? (Again, because people’s eyesight deteriorates as they age.)</td>
<td></td>
</tr>
<tr>
<td>◆ use <strong>bold</strong> rather than <em>italics</em> to make words stand out?</td>
<td></td>
</tr>
<tr>
<td>◆ use a high-contrast print, to help with legibility?</td>
<td></td>
</tr>
</tbody>
</table>

(For example, avoid matrix-printing documents or using black type on grey paper.)
2.12 To help develop good designs, authorities can set up customer panels to comment on draft documents. Panels can also advise on other aspects of customer care. Councils that use the same software can co-operate to share the cost of improving the documents that they generate and to develop common forms. Councils should also consider the needs of people who do not understand written English. Where appropriate, they can provide short notes in other languages explaining the purpose of a document and whom to contact for further assistance. This contact point might be someone in the authority or, for example, voluntary bodies that can translate or interpret for the claimant.

2.13 Though most councils use standard letters or provide their staff with a menu of standard paragraphs and sentences, some cases require individually drafted letters. Authorities should, therefore, provide letter-writing training for staff who deal with such correspondence as well as for those who draw up standard letters and paragraphs.

2.14 Speedy and helpful responses when people contact the council also help to prevent delay, mistakes and errors. Authorities thus need standards, and good arrangements, for:

- responding to letters (Box 2C);
- answering telephone queries (Box 2D, overleaf). At present, assessment staff usually deal with telephone queries. Some councils are, however, interested in a ‘call centre’ approach. Dedicated or specialised staff would then deal with most telephone queries. They could look up cases on computer terminals and record information received from, and advice given to, callers. They would pass calls on to assessors only if, for example, responding to the enquiry required access to all the case papers or detailed knowledge of the regulations; and
- dealing with personal callers (Box 2E, overleaf).

2.15 They should also ensure that staff receive appropriate training in telephone techniques; in interviewing and listening skills; and in dealing with personal or telephone callers who are upset or agitated.
Box 2C

**Answering correspondence**

This good practice checklist will help to show whether arrangements are satisfactory.

<table>
<thead>
<tr>
<th>Do we deal promptly with correspondence? Do we:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ pass all mail to the benefits unit on the day it arrives?</td>
<td>☐</td>
</tr>
<tr>
<td>♦ open incoming mail, and log it, as soon as it arrives in the unit?</td>
<td>☐</td>
</tr>
<tr>
<td>♦ record, for each member of staff, either:</td>
<td>☐</td>
</tr>
<tr>
<td>– the details (names, addresses or case numbers) of cases referred to him or her; or</td>
<td>☐</td>
</tr>
<tr>
<td>– the numbers of cases referred to him or her together with the date of referral?</td>
<td>☐</td>
</tr>
<tr>
<td>♦ set targets for answering letters (average time and maximum permitted time for an individual case)?</td>
<td>☐</td>
</tr>
<tr>
<td>♦ monitor achievement against these targets for each team and for individual members of staff, at least weekly?</td>
<td>☐</td>
</tr>
<tr>
<td>♦ send an acknowledgement, if we cannot answer an enquiry quickly, explaining that there will be a delay and give:</td>
<td>☐</td>
</tr>
<tr>
<td>– the date by which we will send a full reply; and</td>
<td>☐</td>
</tr>
<tr>
<td>– the name and telephone number of the person to ring if the full reply does not arrive by then?</td>
<td>☐</td>
</tr>
</tbody>
</table>
Box 2D
Telephone enquiries

This good practice checklist will help to show whether arrangements need to be improved.

<table>
<thead>
<tr>
<th>Do we respond well to telephone enquiries? Do we:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• provide a freephone enquiry number on correspondence sent to claimants?</td>
<td></td>
</tr>
<tr>
<td>• have enough telephone lines? (Each assessor should have his or her own telephone. Switchboards should be able to cope with the expected number of calls.)</td>
<td></td>
</tr>
<tr>
<td>• give contact telephone numbers (direct lines) or extensions on all outgoing correspondence (requests for supporting information, notices of determination, answers to letters, etc)?</td>
<td></td>
</tr>
<tr>
<td>• also state when – days of the week, times of day – telephone calls will be answered?</td>
<td></td>
</tr>
<tr>
<td>• answer calls throughout the working day, including lunch-times? (Transferring calls between staff or using ‘hunt group’ facilities automatically to route calls to a free extension can help.)</td>
<td></td>
</tr>
<tr>
<td>• open telephone lines in the evening or at weekends if there are likely to be large numbers of enquiries (for example, after a major change to legislation or if a large number of claims are to be renewed in a short period)?</td>
<td></td>
</tr>
<tr>
<td>• warn switchboards well in advance when we expect to receive particularly large numbers of enquiries (for example, following a major change to regulations)?</td>
<td></td>
</tr>
<tr>
<td>• staff switchboards when lines are to be open in the evenings or at weekends?</td>
<td></td>
</tr>
<tr>
<td>• set standards for the time (number of rings) taken to answer the telephone?</td>
<td></td>
</tr>
<tr>
<td>• monitor achievement against these standards?</td>
<td></td>
</tr>
<tr>
<td>• note the substance of telephone calls on the case records?</td>
<td></td>
</tr>
<tr>
<td>• write to callers to confirm what was said, in appropriate cases (for example, where the caller had asked for advice)?</td>
<td></td>
</tr>
</tbody>
</table>
This good practice checklist will help to show whether arrangements need to be improved.

### Do we provide a good service to personal callers? Do we:

<table>
<thead>
<tr>
<th>Do we provide a good service to personal callers? Do we:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ publicise contact points on application forms and when sending letters, notices of determination, etc? Do we give locations and opening times?</td>
<td></td>
</tr>
<tr>
<td>◆ open contact points at times that callers will find convenient? For example, do they stay open during lunch hours?</td>
<td></td>
</tr>
<tr>
<td>◆ try to ensure ease of access? (For example, it is easier to visit offices which are close to where claimants live, which are served by good public transport or which have car parking nearby.)</td>
<td></td>
</tr>
<tr>
<td>◆ clearly signpost desks, counters, etc?</td>
<td></td>
</tr>
<tr>
<td>◆ try to avoid lengthy queues? Do we therefore:</td>
<td></td>
</tr>
<tr>
<td>- set targets for waiting times and monitor achievement against these;</td>
<td></td>
</tr>
<tr>
<td>- warn counter staff if we think that the number of callers is likely to increase (for example, because of major changes to legislation or a peak in the number of claims being renewed); and</td>
<td></td>
</tr>
<tr>
<td>- staff flexibly, removing people from other work to meet peaks and opening extra counters or desks if queues become too long?</td>
<td></td>
</tr>
<tr>
<td>◆ keep waiting and interview areas clean and provide enough chairs?</td>
<td></td>
</tr>
<tr>
<td>◆ safeguard our staff – for example, by providing panic buttons and, where appropriate, screened interview areas? (Some councils prefer to use unscreened interview areas, wherever possible. They believe that this aids customer care and communication with the claimant. However, such authorities normally use screened interview rooms if, for example, they believe that the person being interviewed is potentially violent.)</td>
<td></td>
</tr>
<tr>
<td>◆ ensure privacy? (People dislike discussing their personal affairs in public, particularly if they have to shout through a glass partition.)</td>
<td></td>
</tr>
<tr>
<td>◆ provide computer terminals at enquiry desks or in interview rooms so that staff interviewing personal callers can immediately access case records?</td>
<td></td>
</tr>
<tr>
<td>◆ try to deal with queries when people make them? If counter staff cannot deal with a case, does an assessor, or someone else with the necessary knowledge or expertise, talk to the caller?</td>
<td></td>
</tr>
<tr>
<td>◆ if we cannot deal with an enquiry at the counter, give the caller:</td>
<td></td>
</tr>
<tr>
<td>- the date by which he or she should receive a letter; and</td>
<td></td>
</tr>
<tr>
<td>- the name and telephone number of the person to ring if the letter does not arrive by then?</td>
<td></td>
</tr>
<tr>
<td>◆ record queries and the action agreed with, or advice given to, the caller?</td>
<td></td>
</tr>
<tr>
<td>◆ give a copy of this record to the caller and either pass another copy to assessors or add it to the case records?</td>
<td></td>
</tr>
<tr>
<td>◆ provide wheelchair access and induction loops?</td>
<td></td>
</tr>
<tr>
<td>◆ have adequate interpretation arrangements (if we deal with significant numbers of people who do not understand English)?</td>
<td></td>
</tr>
</tbody>
</table>
Over 80 per cent of the rent allowance awarded to housing association tenants is paid directly to their landlords. In addition, over half of the rent allowance awarded in the rest of the private sector goes directly to landlords or managing agents. Overpayments, particularly overpayments for tenants who have ‘gone away’, and overpayment recovery, cause friction between some authorities and landlords and agents. ‘Gone aways’ also feature prominently in many councils’ investigations into housing benefit fraud.

Councils should be watchful for fraud and should not become too close to landlords or agents. However, good communication with them is also important. For example, many landlords help their tenants to complete housing benefit application forms. Early notification from landlords, when tenants leave, helps to reduce overpayments. Mutual understanding can also help reduce friction about overpayment recovery. Here, too, effective communication will help to avoid error, delay and confusion. This, in turn, will help to reduce overpayments and enquiries from claimants and their landlords. The good document design and effective arrangements for dealing with correspondence and with personal and telephone callers, discussed above, will contribute to good communication.

Many councils have service level agreements (SLAs) with housing associations, often based on the national model SLA agreed by the local authority associations and the National Housing Federation. Agreements usually cover the exchange of information, other procedures, and liaison and contact arrangements. Many councils also brief associations on changes to regulations that will either affect the benefit paid to their tenants or force them to alter procedures.

Increasing numbers of councils are also seeking to improve their liaison with other private sector landlords and with managing agents. For example, some authorities now brief landlords and agents about significant changes in regulations. Councils such as the London Boroughs of Croydon and Haringey and Thanet District Council have produced briefing packs for commercial landlords (Case Study 2.1) and for housing associations. Middlesbrough Borough Council has issued landlord newsletters (Exhibit 2.2, overleaf). They, and other councils (for example, the London Borough of Southwark) also hold public meetings with landlords.
Landlord forums also allow councils to obtain landlords’ and agents’ views about how to improve the service that they receive. Meetings are often of most use if they deal with specific issues. For example, briefings on the payment in arrears of new claims, introduced in October 1996, helped to reduce confusion and the number of enquiries about individual claims. Otherwise, landlords’ queries about particular claims (which officers cannot, of course, discuss in public) can dominate meetings. Alternatively, successive meetings can go over the same ground again and again to no effect, or arrangements can peter out through lack of interest.

Quality control involves the detailed, ongoing checking of individual cases as work on them is completed. Checking allows supervisors to decide whether assessment is to standard and, if it is not, allows staff to correct errors. However, checking by line managers should normally be supplemented by other checks. This helps to guard against collusive internal fraud. It also helps to ensure that staff in different sections or offices interpret the legislation, and follow procedures, correctly and consistently. Quality control also permits managers to identify the need for, and provide, guidance and training. If problems persist, managers should take other appropriate action including (in rare instances and if other remedies fail) redeployment of ineffective staff to other work, regrading or dismissal. The sampling criteria should always be clear and should always include random testing of cases processed by each member of staff. Typical regimes examine at least 10 per cent of cases, but the sampling rate should be higher for new staff and for people whose work has been falling below standard.
Exhibit 2.2

Landlord newsletter

Middlesbrough Borough Council has produced a newsletter for landlords.

Source: Middlesbrough Borough Council
Authorities adopt a variety of approaches to sampling, including checks by line managers, checks by managers from other sections and dedicated quality control teams. As quality control provides an important defence against internal fraud, councils should record what has been checked, when this was done and by whom. They should also separate duties and rotate quality control work. This practice, too, helps guard against collusive internal fraud. Internal and external auditors should review quality control regimes regularly and provide assurance that systems are in place and working effectively.

Where work has been put out to contract, the contractor or DSO should quality control its own work to a regime specified by the client. The client should monitor and sample check that these requirements are being met and, again, should draw upon work by auditors for further assurance. The law requires that council staff, rather than an external contractor, make benefits determinations. Contractors’ staff thus verify claims and assemble papers but then pass them to the client for determination. Some authorities using contractors have rejected surprisingly high proportions of the cases passed to them for determination. In effect, they have quality controlled work for their contractors and may even have been giving on-the-job training to contractors’ staff. Councils should not accept such poor performance from their contractors.

Line managers should also monitor the performance of teams and individuals (for example, error rates, workloads, work throughputs and outstanding caseloads) at least weekly. Regular monitoring will allow them to identify both temporary and permanent changes in workloads and to allocate work accordingly. It will also help them to spot and respond quickly to backlogs as they emerge. It will also reveal whether time-based standards and targets (for example, the time taken to process claims or answer correspondence) are being met.

Where the work has been put out to contract, client-side managers will also require such information for the operation as a whole, to help monitor compliance with the specification and to prepare reports for members. Managers should assure themselves, with appropriate help from auditors, that the data they receive is reliable.
2.26 New technology can help with quality control and performance monitoring (Case Study 2.2). Increasing numbers of councils (for example, Eastbourne and Stroud) and their contractors (for example, the companies administering benefits for Croydon and Brent) use document image processing (DIP) systems. Their staff normally work from images displayed on computer terminals rather than from paper. DIP has several advantages. It saves filing space and, as long as images are indexed properly when they are created, it is virtually impossible to lose documents. Since staff work from electronically stored images, supervisors and managers can readily monitor throughput and outstanding work. Councils will, however, need to ensure that staff examine original documents where the national verification and benefits administration framework requires that they do so. They should also ensure that staff working from images meet verification requirements. For example, managers should have assurance that staff cross-check information on the image of a current claim form against what that person may have reported on a previous claim.

Case Study 2.2
Document image processing (DIP)

In 1995 Stroud District Council introduced a document image processing system into its housing benefit section. The Council initially used the system for case processing and assessment but later extended it to investigators’ work. Images relating to documents more than a year old are usually archived on to disc, but the system holds the full case records for all other claims. The Council does not, therefore, use paper records when processing cases. Incoming documents are scanned to create images and case records are then assigned to, and passed between, staff electronically as digital images. Originals are stored in batches on site in case they are needed for court. Outgoing correspondence is scanned before it is sent. Staff keep their case notes on the system. Once records have been scanned and indexed it is virtually impossible to misplace them. Assessors can display an entire casefile on screen. They can simultaneously view and use the benefits system on an adjacent window. Anyone working on a case knows that he or she can access all the relevant records. The system also allows multi-accessing; that is, different people can work simultaneously from images of the same document.

The system records a workflow for each case, giving details of action taken. This allows managers readily to monitor the caseloads of different members of staff, the amount of work they have cleared, the speed with which they have done so and the ages of outstanding cases. Managers can thus identify and monitor backlogs, redistribute work where necessary and ensure that workloads are even. When cases are first scanned, a sample is selected for later quality control checking. When assessors close one of these cases (that is, it has been assessed and, if the claim has succeeded, is in payment) the record automatically passes to the senior assessor for checking. Assessors do not know which cases have been chosen.

Source: Fieldwork/Stroud District Council
Many councils, rightly, wish to ensure that people can easily visit their offices to make enquiries about, or to provide supporting evidence for, their claims for benefit. Some, therefore, favour decentralised administration. However, centralised arrangements can provide flexibility and economies of scale that help to reduce administration costs and the risk of backlogs and which bring other advantages. Members and officers can have strong views about which approach to take. They can also have strong views about whether the service should be part of their authorities’ finance or housing functions. As a result, some councils have a history of repeated reorganisation of their arrangements – switching from centralised to decentralised processing and back again, and transferring responsibility between departments. This toing and froing has contributed to administrative problems in some councils, particularly where it has been a substitute for addressing management weaknesses within the benefits unit.

However, sharing benefits work between departments (for example, housing benefit in housing and council tax benefit in finance) is always undesirable. It is then more difficult to redeploy resources as workloads alter. It can also confuse claimants. Centralised benefits administration, which deals with housing benefit as well as council tax benefit, is often preferable and can enhance customer care. Its greater flexibility and ability to avoid or respond to backlogs means that cases can be processed more speedily, reducing claimants’ need to contact the council. Some authorities, such as South Holland District Council, co-locate their benefits and council tax teams to encourage co-operation and exchange of information. Elsewhere, as at the London Borough of Croydon, a unified team processes benefit claims and, where appropriate, uses information from them to amend council tax records and generate new bills.

Centralised processing can be supplemented by contact points in area offices where suitably trained staff receive claims and answer enquiries. This is more effective when enquiry staff can access computer records; the increasing use of DIP may allow local enquiry staff to read complete case records rather than computer summaries. Other approaches are also possible. For example, Stroud District Council has provided assessment staff in its main offices with a video link to its ‘one-stop’ shop in a town about 20 miles away. This allows them to discuss their cases with visitors to the ‘shop’. Whatever technology is used, councils require sound procedures that update case records with, and inform assessors of, information received at local contact points.

In contrast, decentralisation to local (for example, housing) offices brings benefits staff closer to customers and allows ready liaison with rents staff. However, decentralised offices can each contain few benefits staff; sickness, holidays and resignations may then have a disastrous local impact. It can also be more difficult to redeploy resources as workloads at different
offices change. Decentralisation can also mean that benefits assessment does not receive adequate supervision and quality control while low staff numbers make it more difficult to separate duties, increasing vulnerability to internal fraud. Furthermore, local offices’ working practices and the ways in which staff interpret regulations can diverge and it is often impracticable to devolve fraud investigation to local offices. In addition, formulae used to identify staffing needs may produce figures for each office which are then rounded up to whole numbers, increasing costs.

2.31 These possible disadvantages are not insurmountable. Appendix 4 lists measures that authorities can take; Bristol City Council uses many of them (Case Study 2.3). However, authorities considering decentralisation should not alter their arrangements simply to fit a preconceived ‘best’ approach but base decisions on a rational, costed evaluation of options. They should thus satisfy themselves that they will overcome the potential disadvantages of decentralisation and that the advantages will justify any extra costs. To help identify such costs, they can emulate the London Borough of Southwark and, if market testing, obtain prices for both the centralised and decentralised approaches.

Case Study 2.3
Decentralisation

Bristol City Council has decentralised housing benefit assessment to 15 area offices. To encourage consistency of approach:

- a central Benefit Policy Unit (BPU) manages the overall approach to benefits throughout the city;
- the authority has a single, central housing benefit fraud investigation unit;
- all the area offices work from the same procedures manual. This covers all aspects of benefit assessment, including referral to investigators;
- the BPU carries out six-monthly, day-long audits at each area office to check compliance with procedures. Staff from the investigations unit also visit each area office annually, to test compliance;
- liaison with landlords, including direct payment of benefits, is dealt with by a central team. In this way, the council co-ordinates its contacts with landlords and managing agents, who may have properties across the city. Area offices thus refer cases where benefit is to be paid directly to a landlord or agent to the team once they have decided the amount of benefit to award. The separate central investigations team deals with recovery of overpayments from landlords and agents;
- senior assessors from each office meet staff from the investigation unit and the BPU monthly to discuss issues of concern and agree a common approach. Training is often undertaken during these meetings. Investigators also monitor referrals from individual offices and follow up any problems – low numbers of referrals; poor quality referrals – with the offices;
- all national benefit circulars are sent to the BPU and are then distributed to area offices, often with a covering policy note. Checks are subsequently carried out to ensure that legislation and changes are correctly implemented;
- the BPU deals with all exceptional hardship cases and requests for review boards;
- the BPU co-ordinates benefits training, although area supervisors often deliver it; and
- job descriptions allow the authority to deploy staff anywhere in the city. In practice, staff normally move only at their own request. However, work is rotated within offices, reducing the opportunity for internal abuse.

Source: Fieldwork/Bristol City Council
Quality control and performance monitoring help councils to use staff effectively (Exhibit 2.3). Local authorities should also aim for other good practices and:

---

**Exhibit 2.3**

**Effective use of staff**

Performance monitoring is essential.

---

Source: Audit Commission
• **train staff** (Exhibit 2.4, and provide them with appropriate written procedural guidance (Exhibit 2.5);

• **agree flexible job descriptions** that allow people to move between tasks and to ‘act down’ when juniors are absent. Councils should also fill supervisory or managerial posts quickly during absences, such as long-term sickness or while staff are on maternity leave;

• **monitor sickness absences** and ensure that there is no abuse by firmly, but fairly, applying the council’s absence procedures;

• **set targets for teams and individuals and reward achievement**; and

• **avoid unnecessarily lengthy chains of command and over-complex managerial hierarchies**. Clear policies and procedures, well-trained staff, performance monitoring and quality control allow managers readily to identify and to focus on problems. Flatter managerial structures also reduce costs.

2.33 Detailed technical knowledge of procedures and regulations do not necessarily prove that someone will make a good manager. Councils should appoint people who possess managerial skills to senior posts. Alternatively, they can select people who have the potential to develop those skills given appropriate training and support. Where existing managerial appointments have emphasised technical knowledge, councils should consider providing managerial training.

2.34 The best way of dealing with backlogs is to ensure that they do not appear. The unexpected – for example, a sudden increase in claims following major redundancies in the area – can create short-term problems, but good management makes it easier to respond to the unexpected. Councils need to act quickly if backlogs do appear. Virement within the benefits administration budget may help to fund such work but, in some cases, the authority may need to draw on contingency funds.
Exhibit 2.4
Training

Training helps to ensure that staff have the necessary skills and expertise.

Source: Audit Commission

Exhibit 2.5
Procedural guidance

Written guidance complements training.

Source: Audit Commission
2.35 Exhibit 2.6 illustrates one approach. ‘Ring-fencing’ the backlog and then processing new claims as soon as they are received stops the backlog from growing. Staff morale and productivity may then improve. Opening all outstanding post and bringing all the papers relating to a particular case together before starting to process cases from the backlog guards against duplication of effort. Decisions are then based on the full picture, reducing the need for later adjustments.

Exhibit 2.6
Clearing backlogs

‘Ring-fencing’ can help when clearing backlogs.

Prepare a plan

Managerial responsibilities
Timetable
Budget
Resources
Targets

Open all outstanding post. Link it to existing records or create new files, as appropriate

‘Ring-fence’ the backlog

Link to papers in the backlog

Clear systematically

Correspondence relating to cases in the backlog

Open all incoming post as soon as it is received

Other correspondence

Options

Existing staff
Temporary staff
Specialist contractors

Specially created team
Staff rotated from other duties
Controlled and monitored overtime

Process immediately

Source: Audit Commission
Temporary increases in resources may be needed to clear the backlog. This can involve:

- **temporary staff.** These can be trained relatively quickly to do some simpler work, allowing more experienced staff to concentrate on the backlog;

- **employing contractors.** Some commercial organisations offer a backlog clearance service. (However, local authority staff are the only ones who can make determinations or refer cases to the rent officer.) Contracts need to be clear, well monitored and to have a performance-related element and cover any necessary verification of the references and bona fides of contractors’ staff;

- **releasing in-house resources** by identifying any parts of the future work programme which can safely be deferred. For example, workloads should be borne in mind when the authority sets end-dates for benefit. Longer benefit periods – up to the 60-week maximum – may be appropriate if backlogs are developing or workload increases are predicted. Decisions will need to take account of the requirements of the national verification and benefits administration framework. They should also take account of the risk that extending the periods of awards may increase losses to fraud and the possibility that backlogs might reappear when deferred work is later addressed; and

- **overtime.** This should not become institutionalised, creating a perverse incentive to avoid clearing the backlog.
## Checklist for action

### Responsibilities

- one officer has overall responsibility for assessment, payment, claim renewal and all related correspondence and appeals
- that officer is on the client side (where all or part of the service has been outsourced or exposed to voluntary or compulsory competitive tendering)
- that officer reports regularly to committee, at least quarterly

### Standards

- the committee has set or agreed standards for the service
- these cover:
  - the time taken to process claims. (The regulations set legal requirements)
  - the time taken to put claims into payment. (Here, too, the regulations set legal requirements)
  - the verification of claims
  - criteria to follow when selecting benefit periods
  - accuracy
  - quality control
  - responding to letters
  - answering telephone calls
  - dealing with personal callers
  - completing internal (officer) reviews. (Another area where the regulations set legal requirements)
  - holding review boards. (The regulations specify requirements)
  - recovering overpayments
- where work has been outsourced, or exposed to competition:
  - the standards appear in the specification
  - the supplier suffers financially if it does not meet the standards
  - the incentives do not over-emphasise speed to the detriment of verification
  - the contract or arrangement can be terminated early if the supplier’s performance repeatedly, or significantly, falls below standard
- standards are demanding but represent real requirements, not unattainable ideals
- the authority has modelled its incentive and contract termination arrangements before letting its contract, to check that they do not over-penalise contractors for minor failures but that they will allow the council to act effectively if there are persistent or significant failures to perform
the authority has implemented a client-contractor split and piloted its contract monitoring arrangements, before putting work out to competition

Effective communication

- the council uses clear, well-designed forms, letters and other documents which meet the criteria in Box 2B
- the council has different, and colour-coded, application forms for council tenants, tenants in the private sector and council tax benefit claims made by owner occupiers
- tenants claim housing benefit and council tax benefit on the one application form
- the application form tells people who have problems completing it, how to contact the council for advice (that is, says where to visit for help, and when those offices will be open; and gives a contact telephone number and says when it will be answered). Other documents contain similar advice and details
- where the council’s clients include significant numbers of people unfamiliar with written English, the form gives advice, in other languages, on how to get help (for example, from voluntary bodies) to complete it
- notices of determination and other documents comply with the regulations
- written correspondence is processed promptly, in line with the good practices in Box 2C
- the authority responds well to telephone enquiries, and uses the good practices in Box 2D
- the council provides a good service to personal callers, using the good practices described in Box 2E
- staff are protected from attack and injury during interviews
- notes of telephone contacts and personal calls are included in case records and/or are passed to assessors
- there are service level agreements with housing associations
- there are briefing packs and newsletters for, and liaison meetings with, housing associations and other landlords

Quality control and performance monitoring

- there are regular, daily, quality control checks on assessment and other work
- the council has clear criteria for the types and numbers and proportions of cases to examine and for how to select samples
- the cases that are checked include a random sample of at least 10 per cent of assessments
- A higher proportion of cases is sampled in appropriate instances (for example, new staff; staff undertaking new duties; people whose work has had a high error rate)

- Duties are separated during quality control

- Quality control duties are rotated

- Quality control ensures that staff in different sections, or in different offices, are following the same procedures and are applying the regulations consistently and correctly

- The results of checks are recorded:
  - On individual files (when checked; by whom; the result)
  - In a consolidated central summary (total numbers tested; overall results with breakdowns by teams and members of staff)

- Internal audit reviews and tests these quality control procedures annually

- The line manager responsible for the service monitors throughput, outstanding workloads and performance against the authority’s targets at least weekly

- The client-side officer responsible for the service monitors performance against the authority’s targets, at least weekly

- The client-side officer responsible for the service also monitors performance against the authority’s standards

- Internal audit reviews and tests the reliability of this data as part of its annual programme

- Members receive regular reports that compare performance against standards and targets, at least quarterly

### Service delivery

- Client-side responsibilities lie with a single department. (Fraud investigation may be managed separately)

- The service is delivered by a single supplier. (Fraud investigation may be delivered separately)

- Benefits assessment is not fragmented across an excessive number of separate sites (though decentralised offices accept claim forms and provide enquiry and contact points for personal callers)
◆ if benefits administration has been decentralised:
  – the council has identified any extra costs that this creates and is satisfied that they are justified by the advantages that decentralisation also provides
  – a single officer still manages, and has responsibility for, the service
  and the authority has arrangements to:
  – overcome the particularly disruptive effects which sickness, vacancies and other absences can create in small offices
  – respond to peaks and troughs in the workloads of different offices
  – apply regulations consistently and correctly in different locations
  – provide effective supervision and quality control
  – guard against the increased vulnerability to internal fraud of small offices
  – avoid delay and loss when papers are being distributed or moved between offices

<table>
<thead>
<tr>
<th>Getting the best from staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ staff have appropriate written guidance on legislation, software and procedures</td>
</tr>
<tr>
<td>◆ this is updated speedily when regulations and procedures alter</td>
</tr>
<tr>
<td>◆ staff receive appropriate training</td>
</tr>
<tr>
<td>◆ training records are accurate and up to date</td>
</tr>
<tr>
<td>◆ quality control feeds back into procedural guidance and training</td>
</tr>
<tr>
<td>◆ absence through sickness is low and is not hindering effective performance</td>
</tr>
<tr>
<td>◆ staff turnover is low and does not hinder effective performance</td>
</tr>
<tr>
<td>◆ caseloads, and work throughput, are monitored at least weekly (preferably daily)</td>
</tr>
<tr>
<td>◆ work is reallocated, or staff redeployed, speedily in response to such information</td>
</tr>
<tr>
<td>◆ cases are allocated by workload to the least busy, most suitable member of staff</td>
</tr>
<tr>
<td>◆ job descriptions permit such flexibility</td>
</tr>
</tbody>
</table>
## Backlogs

- there are no significant backlogs
- all new and repeat claims are processed within the time standards set by the regulations
- all notifications that entitlement to income support or income-based jobseeker’s allowance has ended are acted on within one working day of receipt, as is other information which shows that entitlement has ended or that payment should be suspended
- all other correspondence is acted on within one week of receipt
- good management information and performance monitoring allows managers to identify and respond to backlogs as they appear
- any backlogs are being cleared:
  - the council has a plan which identifies:
    - responsibilities
    - timetables
    - the budget
    - the other resources required
    - targets
    - the council opens outstanding post and either links it to existing records or, where the correspondence relates to new cases, creates new records
    - the authority ring-fences the backlog
    - the council opens all new post as it is received. If it relates to cases in the backlog, it is linked to those papers. Otherwise, the authority processes it immediately
    - the council systematically clears the backlog
    - the authority monitors progress against targets
    - if contractors are employed to help with the work, payment is linked to performance
    - if contractors are used, they do not make determinations or refer cases to the rent officer. Local authority staff do this
    - contracts also cover any necessary verification of the references and bona fides of contractors’ staff
    - the council does not allow staff overtime, worked to help to clear the backlog, to become institutionalised
To prevent benefit fraud, councils should:

◆ take account of the risks of, and possible losses to, fraud when setting administrative budgets;
◆ have sound defences against internal fraud;
◆ prepare to implement the Department of Social Security’s (DSS’s) national verification and benefits administration framework;
◆ provide fraud awareness training to assessors and other staff;
◆ verify information provided when people claim benefit, and verify continued entitlement to benefit, to at least the standard set out in the framework;
◆ co-operate effectively with the Benefits Agency and others;
◆ act quickly when they receive information about changes in circumstances; and
◆ guard against theft and false encashment of cheques and other abuses involving instruments of payment.
The verification of new claims is a key part of a council’s counter-fraud strategy. The proper verification of information that is provided when people renew their claims further reduces the risk of fraud. Checks to verify continued entitlement, made while benefit is being paid, are also important.

The DSS is developing a national verification and benefits administration framework which is expected to set standards in these areas and to be available from the autumn of 1997. Subsidy rules are likely to encourage councils to work to the framework from 1998/99. Many councils may need to alter their administrative arrangements in order to implement the framework.

At present, visits to claimants, such as those likely to be required by the framework, are normally carried out by investigative staff. They are, therefore, discussed in detail in chapters 4 and 5 of this handbook.

This chapter focuses on the initial processing of claims, verification of continued entitlement and claim renewal. It also deals with some other issues that the framework may not cover – defences against internal fraud; effective co-operation and exchanges of information with the Benefits Agency and others; and defences against theft and other abuses involving instruments of payment. The chapter thus recommends that:

- councils should…
- as this…

- adequately resource benefits administration… is an essential prerequisite for effective prevention of fraud
- have satisfactory internal controls… guards against internal fraud
- implement the national verification and benefits administration framework… will allow them to work to standards set by the DSS
- provide fraud awareness training… encourages assessment staff to examine evidence critically
- verify information provided with, and to support, claims for benefit… allows assessment staff to identify misrepresentation
- cross-check with information on earlier claims and with other records… helps assessment staff to identify discrepancies and inconsistencies
- perform appropriate checks into continued entitlement while claims are in payment… reduces losses when claimants, or their landlords, do not report changes in circumstances promptly
- verify information thoroughly when claims are renewed… helps identify misrepresentation
- co-operate effectively with the Benefits Agency and others outside and within the authority… makes it easier for assessment staff to check whether claimants are receiving income support, income-based jobseeker’s allowance or other benefits and whether other information is reliable
- act quickly when it appears that circumstances have changed and that entitlement has, or may have, ended… helps to prevent or reduce the amount of any overpayment or loss
- guard against theft and false encashment of cheques and other abuses involving instruments of payment… helps to save public money

The DSS is developing a national verification and benefits administration framework which is expected to set standards in these areas and to be available from the autumn of 1997. Subsidy rules are likely to encourage councils to work to the framework from 1998/99. Many councils may need to alter their administrative arrangements in order to implement the framework.

At present, visits to claimants, such as those likely to be required by the framework, are normally carried out by investigative staff. They are, therefore, discussed in detail in chapters 4 and 5 of this handbook.

This chapter focuses on the initial processing of claims, verification of continued entitlement and claim renewal. It also deals with some other issues that the framework may not cover – defences against internal fraud; effective co-operation and exchanges of information with the Benefits Agency and others; and defences against theft and other abuses involving instruments of payment. The chapter thus recommends that:

- councils should…
- as this…

- adequately resource benefits administration… is an essential prerequisite for effective prevention of fraud
- have satisfactory internal controls… guards against internal fraud
- implement the national verification and benefits administration framework… will allow them to work to standards set by the DSS
- provide fraud awareness training… encourages assessment staff to examine evidence critically
- verify information provided with, and to support, claims for benefit… allows assessment staff to identify misrepresentation
- cross-check with information on earlier claims and with other records… helps assessment staff to identify discrepancies and inconsistencies
- perform appropriate checks into continued entitlement while claims are in payment… reduces losses when claimants, or their landlords, do not report changes in circumstances promptly
- verify information thoroughly when claims are renewed… helps identify misrepresentation
- co-operate effectively with the Benefits Agency and others outside and within the authority… makes it easier for assessment staff to check whether claimants are receiving income support, income-based jobseeker’s allowance or other benefits and whether other information is reliable
- act quickly when it appears that circumstances have changed and that entitlement has, or may have, ended… helps to prevent or reduce the amount of any overpayment or loss
- guard against theft and false encashment of cheques and other abuses involving instruments of payment… helps to save public money
3.1 The administration grant which the DSS provides to councils typically covers about one-third of their administrative costs. On average, Revenue Support Grant meets another third of administrative expenditure. A council’s general fund thus bears the entire marginal cost if the authority increases expenditure to improve defences against fraud. Conversely, the general fund meets comparatively little of the cost of successful fraud. This is because subsidy from the DSS covers up to 95 per cent of the cost of rent allowance and council tax benefit awards. In addition, the cost of most rent rebates is ring-fenced within the council’s housing revenue account. It is thus met by other tenants or by subsidy from the Department of the Environment, Transport and the Regions (DETR) or Welsh Office. Councils have sometimes, therefore, been reluctant to introduce measures that would raise their administrative expenditure but which, by preventing fraud, would produce a net reduction in public expenditure. This is because the Government, rather than authorities, would receive most of that saving.

3.2 Authorities should avoid administrative waste and use resources efficiently while meeting the time standards set by the Regulations. They should also use new technologies, business process re-engineering and other approaches whenever these can improve administrative efficiency. However, they should not reduce or contain administrative expenditure when this so weakens defences against fraud that consequential losses to the public purse cost more than the administrative saving.

3.3 Measures to prevent fraud should thus feature in authorities’ counter-fraud strategies and be considered when setting administrative budgets. Most councils will, however, need to revise their strategies, and review their administrative budgets, to take account of the requirements in the national verification and benefits administration framework.

3.4 Internal fraud normally involves the creation of fictitious claimants and tenancies or collusion with landlords and claimants to put false claims into payment. Such abuses are found only infrequently and thus appear to be relatively rare. However, when they do occur they can be very costly (Case Study 3.1).

**Case Study 3.1**

**Internal fraud**

In a London borough, an assessment officer set up a network of fictitious landlords, agents and claimants on the housing benefit system over the period of a year. During that time, he obtained £110,000 fraudulently.

The fraud was eventually discovered when a manager noticed that two landlords were receiving unusually large payments. On investigation, it was found that the ‘tenants’ were not registered for council tax, their National Insurance Numbers were false and that the claims had not been referred to the rent officer.
3.5 The sound recruitment procedures, described in Chapter 1, form the first line of defence. Systems that identify internal abuse are also essential in case dishonest people deceive the council and because previously honest ones may succumb to temptation after they join a benefits unit. As is also discussed in Chapter 1, internal auditors should regularly examine and test benefits systems in sufficient detail to provide assurance that they are sound and robust or to identify weaknesses. Authorities should act promptly if auditors recommend changes.

3.6 The guidance in this handbook thus supplements, rather than replaces, the advice that internal and external auditors provide when they examine systems. However, defences should normally include:
- effective internal controls, including password control over access to computer systems, time-out controls that automatically log off terminals that are not being used, exception reports and sound audit trails;
- separation and rotation of duties;
- random in-depth reviews of cases by people who have had no previous involvement with those cases;
- efficient, prompt and independent investigation of allegations of internal fraud;
- analytical reviews of the incidence of benefit fraud to pick up anomalous patterns; and
- following up signals that may indicate employee fraud, for example:
  - an expensive lifestyle which appears difficult to fund solely from the employee’s salary;
  - reluctance to accept promotion;
  - reluctance to take leave;
  - excessive early or late working;
  - reluctance to accept changes in duties; or
  - unauthorised ‘meddling’ outside the employee’s area of responsibility.

3.7 The DSS gave local authorities preliminary information about the national verification and benefits administration framework early in 1997, in its Circular F4/97. The framework is expected to be available from the autumn of 1997. The Department is also expected to alter subsidy arrangements to encourage authorities to adopt the framework.

3.8 The framework is expected to:
- specify checks to perform before claims enter payment. It is likely that the framework will:
agree that the Benefits Agency has already verified some information – for example, the claimant’s identity, income and capital – when a housing benefit claimant is receiving income support or jobseeker’s allowance. It is also expected to specify other checks that councils should perform in such cases – for example, to verify residency and liability for rent;

specify a wider range of checks – including ones to verify identity, income and capital – when councils process claims from people who are not receiving income support or income-based jobseeker’s allowance;

include requirements to examine, and keep copies of, original documents provided by claimants – for example, when they offer evidence of identity; and

cover comparisons (cross-checks) between information provided on a claim form, or to support a claim, and information on other records;

specify annual renewal of benefits claims; and

include requirements to:

re-examine cases in detail when people renew their claims (submit repeat claims) at the end of an award. This is likely to involve repeating many of the tests carried out when the claim was first received;

classify cases as having a low, medium or high risk that circumstances may change during the period of an award; and

re-examine key facts during the period of an award if a case is medium or high risk. Thus a council may award benefit for 60 weeks to someone with a high risk that circumstances will change. However, it should verify core information and continued entitlement once every three months.

This regime is expected to include requirements that council staff visit claimants to verify residency (in other words, that the address for which benefit has been claimed or awarded is the claimant’s sole or main residence). This kind of check should be made both before awards are made and again while benefit is in payment. Visits to and interviews with claimants are also expected to be used to help to verify other information. Many councils will, therefore, need to expand their visiting programmes and to ensure good liaison between assessment staff and those making visits. Visits and interviews can also be used to improve customer care. For example, visiting or interview staff can check that people are receiving all the benefit to which they are entitled. They can also try to answer queries that people may have about their claims. Chapters 4 and 5 discuss visiting programmes in more detail.

Many councils will also need to modify their administrative procedures. For example, administrative changes may be necessary if the framework requires that councils:
3.11 Implementing the framework may have other administrative implications. For example, people may prefer to deliver documents by hand, where this is convenient, rather than send them through the post. This may increase the number of personal callers. Councils will need either to verify documents at enquiry points or devise secure systems for passing them to benefits staff and subsequently returning them to claimants. They will also need secure systems for handling and returning documents that are submitted by post. Those using document image processing (or microfilm) systems may need other modifications to their procedures. Staff will have to examine original documents, not images, when carrying out some checks.

3.12 Councils should compare their current arrangements with those set out in the framework as soon as the DSS issues the document. They should identify necessary changes, and related training needs, and devise costed, timetabled plans for implementing the framework.

Fraud awareness

Do we encourage assessment and other staff to be ‘fraud aware’?

3.13 Though the verification and benefits administration framework will specify core checks, assessment staff should be constantly alert for possible deception. In many councils, for example Middlesbrough, investigators provide training to help increase assessors’ fraud awareness and to encourage them to refer suspicious claims for investigation.

3.14 South Holland District Council gives copies of the Benefits Agency’s Fraud in Focus booklet to all its assessors. The document, which is now out of print, was prepared in the early 1990s. Parts of it have been overtaken by changes in legislation and by the development of the national verification and benefits administration framework. However, much is still relevant and it includes practical examples of how to identify possible frauds (Case Study 3.2). Some of these indicators appear obvious and are easily avoided by a determined fraudster. However, some frauds are poorly planned and involve no more than lying on the application form. Many of these can readily be prevented by alert assessment staff.
**Case Study 3.2**

*Fraud in Focus*

**3.15** Councils should provide clear guidance on what action to take when suspicions are aroused. This should indicate when assessors should make their own, desk-based, enquiries (telephone calls, letters, etc); when to pass cases to supervisors; and when, and how, to pass them to investigators. The London Borough of Tower Hamlets has, for example, developed a formal points assessment system to help assessors decide whether to refer cases to investigators. In future, under the national verification and benefits administration framework, assessors may simply draw discrepancies to the attention of investigative or other staff who are already due to interview or visit the claimant.

**3.16** Indicators can only suggest that something might be wrong; they do not prove it. Assessors require further evidence before they can decide whether to refuse an award. Whoever follows up discrepancies should avoid being over-officious and behave fairly and courteously; most claimants are honest and many indicators will have innocent explanations.

---

**Practical advice in *Fraud in Focus* on how to recognise possible frauds include:**

<table>
<thead>
<tr>
<th>False tenancies</th>
<th>Forged rent book</th>
<th>‘Working and claiming’</th>
<th>Under-reporting earnings</th>
<th>Undeclared capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘landlord’ has same name or initials as claimant</td>
<td>the rent book looks too new</td>
<td>claimant’s partner invariably contacts the office; claimant is rarely seen or heard from</td>
<td>earnings appear low for the number of hours worked/type of job</td>
<td>regular payments or transfers into bank or building society accounts</td>
</tr>
<tr>
<td>claimant alleges he or she does not know the landlord’s address</td>
<td>all entries are made in the same ink</td>
<td></td>
<td>(Wage slip forged? Collusion with employer to produce a false figure?)</td>
<td>frequent or large withdrawals from accounts (to reduce the sums that they hold)</td>
</tr>
</tbody>
</table>

---

1 Regulation 35(5) (b) provides a powerful tool in these circumstances. Authorities are obliged to treat a claimant as possessing such earnings as are reasonable for his or her employment.
Fraud awareness training, and guidance to staff, should not focus solely on claim forms and the information provided to support them. For example, returned correspondence may indicate fraud (‘gone aways’). ‘Friends’ who telephone or visit the council on behalf of a claimant who is allegedly living alone may be undeclared partners or non-dependent members of a household.

Nor can formal instructions cover every eventuality. South Holland District Council covers a rural area where people know each other. Its staff have uncovered many frauds by using their local knowledge. For example, staff have reported seeing people whom they know are receiving housing benefit at work, or claimants, who were allegedly living alone, shopping at the supermarket with a partner. Follow-up work has confirmed that these claimants were acting fraudulently.

Councils should monitor the numbers of referrals to investigators and their outcomes, to identify teams or individuals who either generate unusually low numbers of referrals or many groundless referrals. They should draw on these results when identifying training needs and when providing or modifying guidance. Line managers, and investigators, can encourage referral by thanking staff who have identified abuses or provided good referrals.

Councils should monitor the numbers of referrals to investigators and their outcomes, to identify teams or individuals who either generate unusually low numbers of referrals or many groundless referrals. They should draw on these results when identifying training needs and when providing or modifying guidance. Line managers, and investigators, can encourage referral by thanking staff who have identified abuses or provided good referrals.

As the DSS is preparing to issue the national verification and benefits administration framework, this handbook does not discuss verification in detail. Checking information provided when people claim benefit, to verify that it is accurate and truthful, should already be a central part of claim assessment (Case Study 3.3). All councils should already have detailed local procedures. Councils should already, therefore:

- ask for original documents, rather than photocopies, when people provide information to support claims;
- verify information against other council records and with third parties; and
- be alert to the danger that documents may be forged. For example, cheap desk-top publishing and image scanners make it comparatively easy to prepare superficially impressive false documents. The small-ad columns of some publications include advertisements from people who will provide copy pay slips.

In future, authorities should supplement the national framework with appropriate local tests if experience has shown that these significantly help to prevent or reduce fraud.
3.21 Application forms need, therefore, to capture all the information required in support of a claim. The declaration on the form should authorise the council to carry out checks and comparisons with other information in order to verify entitlement. It should also allow the council to prosecute for making a false declaration or for providing false evidence. The declaration should also mention the requirement to report changes in circumstances and that the Fraud Act makes failure to report changes an offence.

3.22 Many councils currently use different application forms for different types of claim. For example, some authorities have different forms for council tenants and for people claiming rent allowance (as they need more information about the tenancy, the landlord or managing agent, the premises and the rent in the latter case). Some have different forms for people who are receiving income support or income-based jobseeker’s allowance (as they do not need information about income or capital from these claimants). These approaches can help claimants by providing better targeted and thus less confusing forms. It is expected that the national verification and benefits administration framework will allow this differentiation to continue. Authorities may, however, need to redesign forms to comply with the framework.

**Case Study 3.3**

**Verification**

**Better verification might have helped to prevent this fraud...**

- One authority paid £2,015 in benefit over nine months to a woman who stated that she was a single mother paying rent to a landlord. She was living with the ‘landlord’, who was the father of her child and who owned the property. A more thorough check on the original claim form would have led to an earlier investigation; the ‘landlord’ had the same last name as her child.

**... but verification helped to identify these frauds and attempted frauds.**

- At one authority, a male applicant supplied false landlord and rent details, without the knowledge of his partner, who was paying the rent and who did not benefit from the claim.

- When the couple separated, he made a further false claim, by creating a false landlord for a property which was for sale and for which he had obtained the keys. His former partner, in the meantime, made a genuine claim for benefit. When assessors checked details of this claim with her, they enquired about the claim for benefit made in her name at her previous address. She explained that she had not made this claim. Assessors then examined the claim made by her ex-partner and found it to be false. The authority passed the case to the police; the man was arrested, prosecuted and imprisoned for this and other offences.

- Another authority has identified attempted frauds by comparing applications with the electoral roll. For example, assessors passed one case to investigators because the claimant stated that he was living alone but the electoral roll showed his wife as living at the address. He admitted, when interviewed, that they were still living together and that his wife was working; he withdrew his claim.

**Source:** Fraud returns received by the Audit Commission
3.23 Authorities are, normally, obliged to pay housing benefit directly to the landlord (or managing agent) if the Benefits Agency is making deductions from income support or income-based jobseeker's allowance to meet rent arrears. They are also obliged to pay the landlord or agent directly if the claimant has eight or more weeks’ rent arrears. (However, in this case, the authority can decide not to pay directly if it considers this to be in the overriding interests of the claimant. It has to pay directly only until the claimant is no longer eight or more weeks in arrears.)

3.24 In addition, authorities may pay directly if the claimant requests or agrees to this. An authority may also pay directly if it considers that this is in the best interests of the claimant or his or her family. And it may do so if benefit is owed to a claimant who has left a dwelling and has rent arrears for that accommodation. Many private sector landlords and agents will not let accommodation to benefits claimants unless those claimants agree that the benefit can be paid directly to the landlord or agent. Many councils’ claim forms ask whether rent allowance should be paid to the claimant or the landlord.

3.25 In practice, over half of rent allowance is paid to the landlord or a managing agent. This provides opportunities for landlords or agents to create fictitious claimants or to continue to receive payments for people who are no longer resident. When benefit is paid to the claimant, corrupt landlords or agents can still cash cheques sent to claimants who have left or create fictitious claimants. Fraud by landlords and agents is a significant problem in some parts of London and elsewhere.

3.26 The national verification and benefits administration framework is likely to require that councils obtain full details of the landlord – name and address and details of any relationship between the landlord and the claimant – before making any awards of rent allowance. This is expected to apply irrespective of whether payment is to be made to a landlord or agent or to the claimant.

3.27 This should do no more than reinforce existing good practice. Councils should not pay rent allowance when they do not know the identity or address of the landlord or managing agent and should not accept box numbers or other obvious accommodation addresses. They should also, in appropriate instances, verify landlords’ and agents’ identities and addresses. They can use the electoral roll, council tax, national non-domestic rates and other records, including trade directories, commercial databases and, if necessary, information from other local authorities. Councils might also, on occasion, ask agents for proof that they are acting for the landlord. They may also sometimes wish to check the ownership of properties. People may, for example, generate false claims for unoccupied or derelict properties which they do not own or manage.
3.28 Part VI of the Landlord and Tenant Act 1987 is relevant here. By section 48(1) of this Act, tenants must be provided with an address in England and Wales at which the tenant may serve notices on the landlord. Section 48(2) provides that a failure to comply with this means that no rent is due. If there is no requirement to pay rent there is no eligibility, under housing benefit regulations, for rent allowance. Though some people who are liable for rent, and eligible for housing benefit, may not be tenants (for example, licensees), this legislation does strengthen councils’ position in their dealings with landlords.

3.29 Cross-checking information on claim forms with other data is an essential part of verification. The national verification and benefits administration framework is expected to include core requirements. However, all councils should already have detailed local procedures. They should supplement the framework by appropriate local tests if experience shows that these significantly help to prevent or reduce fraud. Assessors should always critically compare claims with as many records held by the council as is practicable; for example, the electoral roll, council tax and national non-domestic rates records. Many frauds are poorly planned and such simple checks often uncover attempts at deception. Councils should ensure that they comply fully with data protection requirements when carrying out cross-checks.

3.30 One key defence against fraud is to check whether the claimant is already receiving benefit for another address and, if so, to cancel that old award. Unfortunately, this does not always happen. The joint National Audit Office (NAO)/Audit Commission team has found some rare instances where an authority has simultaneously paid benefit for the one individual to two different landlords. Assessors should always search for an existing award before creating a new one. They can use the claimant’s National Insurance Number and/or surname, maiden or other previous names, the partner’s National Insurance Number and name or names and the National Insurance Numbers (if known) and names of any other members of the household.

1 This legislation does not, however, apply to premises held under tenancies to which Part II of the Landlord and Tenant Act 1954 applies; that is, to ones where ‘the property comprised in the tenancy is or includes premises which are occupied by the tenant and are so occupied for the purposes of a business carried on by him or for those and other purposes’. This is unlikely to apply to most tenancies for which housing benefit is claimed.

II Case law (Dallhold Estates (UK) Ltd v Lindsay Trading Properties [1994] 1 EGLR 93) suggests that failure to serve such a notice does not destroy for all time a landlord’s right to the rent accrued. Liability for past arrears is activated once a notice is served.
3.31 To help to identify claimants who are already receiving housing benefit, application forms should ask the claimant for his or her previous address, when he or she moved and if he or she was receiving housing benefit at the previous address. If this shows that a claimant was previously receiving housing benefit from another authority, assessors should, as a matter of good practice, inform that council, so that it can, if necessary, cancel the award.

3.32 A second key check is whether someone else is receiving benefit for the same address. Assessors need, however, to allow for cases where joint tenants claim separately and for subtenancies where both the tenant and the subtenant are claiming housing benefit. In the latter case, they should check whether the tenant has declared the income from the subtenancy. Application forms should seek unambiguously to identify the accommodation for which people are claiming benefit. This is particularly important in houses in multiple occupation, bed and breakfast accommodation and in conversion flats. It also helps council officers who are visiting the premises to verify residency or other information. However, some authorities currently make awards when claimants have not provided this information.

3.33 Some councils’ computer systems use unique property identifiers to help identify premises unambiguously. These often employ the council tax reference number for rent allowance cases and the council rent reference for rent rebate claims. However, such authorities face difficulties with hotels and houses in multiple occupation. The landlord is usually liable for the council tax. Revenues systems usually, therefore, use one reference for the entire property and do not identify individual rooms.

3.34 A few authorities, such as Middlesbrough Borough Council, possess detailed records of the numbers of flats and rooms in the properties for which they award benefit. These councils cannot therefore pay benefit to more people than the property can contain. Other authorities are developing such databases, sometimes verifying other information at the same time (Case Study 3.4). Landlords’ involvement in such schemes is voluntary but councils may choose to re-appraise whether it is appropriate to make direct payments to a landlord who is unwilling to co-operate. Any decisions should be based on the circumstances of individual cases. Preparing such records should be easier in future. The Housing Act 1996 introduces a registration scheme for most, but not all, houses in multiple occupation. Councils’ environmental health officers thus possess or are collecting much useful information.
Cross-checks with previous claims, and evidence provided to support earlier claims, help to guard against opportunistic and poorly planned frauds. For example, people may invent bogus children who did not appear on the last claim. They may also ‘forget’ the names or dates of birth they gave previously for their non-existent offspring. People who have several bank or building society accounts and who declare only some of their savings sometimes forget which ones they showed on an earlier claim.

Councils require well-organised filing systems that allow them readily to locate records. They should not weed paper or computer records over-zealously and should agree weeding policies with their auditors. Those that hold records on microfilm or document image processing (DIP) systems should ensure that records are legible and easily accessible and that they can retrieve originals when necessary. One authority visited during the NAO/Audit Commission study relied almost entirely on microfilm. Many of the images were illegible. In other instances, documents had not been centred properly before they were photographed, so only part of the page appeared on the film.
3.37 Councils using DIP should also have, or be developing, systems that check that staff have accessed all relevant documents, including previous claims, when assessing a claim. Assessors might not do this if systems are slow or if they find that images are difficult to read and compare. Large screens (17in or greater) and Windows-style adjacent display of different documents can help to overcome the latter problem. However, staff in some councils have found it so difficult to assess from images that they work from the original claim form. They subsequently scan the document to create a secure record. This reduces filing costs but loses some of the other, workflow monitoring, advantages of DIP.

3.38 The regulations require that councils award benefit for a maximum of 60 weeks. Authorities must also contact people, inviting them to submit repeat claims, before their current ones expire. Currently, many councils routinely award benefit either for 60 weeks or, to fit in with their annual work cycle, for 52 weeks (though some use shorter periods when claimants’ circumstances appear particularly likely to change). The national verification and benefits administration framework is expected to specify annual renewals. It is expected to supplement this with a requirement for in-year checks on continued entitlement where there is a ‘high’ or a ‘medium’ risk of a change in circumstances.

3.39 Councils can supplement this approach with local initiatives. For example, private sector assured shorthold tenancy agreements are often for only six months. The London Borough of Southwark contacts claimants with such tenancies just before the tenancies expire for proof that they have been renewed or extended.

---

**Do we require renewal claims and carry out appropriate checks?**

3.38 The regulations require that councils award benefit for a maximum of 60 weeks. Authorities must also contact people, inviting them to submit repeat claims, before their current ones expire. Currently, many councils routinely award benefit either for 60 weeks or, to fit in with their annual work cycle, for 52 weeks (though some use shorter periods when claimants’ circumstances appear particularly likely to change). The national verification and benefits administration framework is expected to specify annual renewals. It is expected to supplement this with a requirement for in-year checks on continued entitlement where there is a ‘high’ or a ‘medium’ risk of a change in circumstances.

**Do we verify information properly when people renew their claims?**

3.40 It is expected that authorities will not be required to obtain or check details of income or capital where people, who are renewing claims, report that they are still receiving income support or income-based jobseeker’s allowance. However, it is likely that councils will require proof, from either the claimant or the Agency, that income support or income-based jobseeker’s allowance is still being paid.
3.41 It is likely that the national verification and benefits administration framework will allow councils to use different types of renewal form for different types of claimant. For example, they could use different forms for people who are or are not receiving income support or income-based jobseeker’s allowance; and for council tenants and people claiming rent allowance. Shorter renewal forms may be appropriate for some people who are receiving income support; for example, people who have retired, or people with disabilities or who have learning difficulties or mental health problems. But it may be more appropriate to use longer forms, which ask for details of income and capital, in other instances. This may reveal changes that have occurred since someone last claimed income support or income-based jobseeker’s allowance from the Benefits Agency.

3.42 It is also expected that the framework will allow councils to use shorter documents in the intermediate three- and six-monthly checks on ‘high’ and ‘medium’ risk cases. These will ask only for key information about circumstances that are particularly likely to have changed.

3.43 Irrespective of whether they use long or shorter more targeted forms when renewing claims and verifying continued entitlement, councils should always ask claimants to answer questions and to provide information. They should not simply enquire whether anything has changed or send a copy of the information they already hold and ask if it is still accurate. Both approaches make it easier to lie. The former may also increase the number of genuine errors.

3.44 Two-thirds of people receiving housing benefit also receive income support or income-based jobseeker’s allowance. Co-operation between Benefits Agency local offices and councils thus has a key role in combating fraud and in providing a timely and accurate service to millions of honest claimants. The DSS has encouraged councils to enter into service level agreements with Benefits Agency local offices and has circulated model agreements. (Chapter 4 discusses co-operation and exchanges of information between the Benefits Agency and local authority fraud investigators.) Most councils now have formal agreements with the Benefits Agency offices which cover their areas. Unfortunately, these have often proved ineffective. Many authorities are critical of the support they receive from the Agency. For example, many benefits managers are dissatisfied with the speed with which the Agency provides information and answers queries (Exhibit 3.1, overleaf). However, some councils and Benefits Agency offices do work well together; for example, at Eastbourne (Case Study 3.5, overleaf).
Many benefits managers are dissatisfied with the speed with which the Benefits Agency provides information and answers queries.

Source: Responses to the National Audit Office/Audit Commission questionnaire

Case Study 3.5
Liaison with the Benefits Agency

Eastbourne Borough Council:
- uses a dedicated courier service to transfer papers between its offices and the local Benefits Agency office;
- exchanges up-to-date lists of contact names and telephone numbers with the Benefits Agency;
- exchanges some information by telephone with the Agency, using regularly changed, agreed, passwords as a further security measure to verify callers’ identities; and
- seeks to identify and solve problems as soon as they occur through day-to-day contact rather than store them up for formal liaison meetings. The Benefits Agency takes a similar approach.

Source: Fieldwork/Eastbourne Borough Council

Problems often arise because the two sides fail to understand each other’s problems and requirements and because they use formal liaison meetings and exchanges of letters to try to resolve difficulties. They should instead aim for frequent, less formal contact and to solve problems as they arise. Formal meetings and correspondence are best used for planning and agreeing significant changes to procedures, such as those required when introducing income-based jobseeker’s allowance late in 1996.
Exchanges of staff can help to improve understanding. For example, one authority visited during the NAO/Audit Commission study has shared a member of staff with its local Benefits Agency office. The Agency employed her but the council helped meet her costs. She spent two days a week at the authority’s offices, answering requests for information from the Benefits Agency; while at the Agency’s offices she dealt with requests from the council. She provided a 24-hour turnaround at both sites.

A few authorities – for example, The London Borough of Southwark (Case Study 3.6) – have used Remote Access Terminals (RATs) which allow them direct read-only access to Benefits Agency records. Until the coming into force of section 3 of the Fraud Act on 1 July 1997, the law required that the terminals be operated by Benefits Agency staff. Some Benefits Agency local offices declined to provide operators, on cost, resource and other grounds, when councils asked for a RAT. Councils should seek terminals, or continue to press their cases, wherever their costings show that this will save public money.

Benefits units should also build links with the Employment Service and other agencies that can provide help, including the Rent Officer Service. Here, too, the DSS has provided model service level agreements. Benefits staff should also liaise with other units within their authority which may have information that can be used in cross-checks. Examples include council tax, national non-domestic rates, housing, environmental health, electoral registration, trading standards and licensing. Housing contacts should include those responsible for ‘right to buy’ sales (who may have information about, for example, whether someone who claims to be renting in the private sector owns the property). Local authority mortgage applications can provide similar information.

Case Study 3.6
Remote Access Terminals (RATs)

The London Borough of Southwark uses a Remote Access Terminal located on its premises but operated by a member of Benefits Agency staff.

The authority has found that this gives assurance that it is basing decisions on comprehensive and up-to-date information about housing benefit claimants’ entitlement to income support or other benefits. The terminal has also significantly reduced bureaucracy and delay, improved the reliability of decision-making and helped to speed up fraud investigation.

Staff in the Benefits Agency office which had dealt with the authority before the terminal was installed also reported that it had brought significant improvements. It had reduced paperwork and improved working relations between the council and the Benefits Agency.
Changes in circumstances

Do we act quickly when we become aware of changes in circumstances?

3.49 Councils should respond quickly whenever they are notified of changes in circumstances that affect, or might affect, entitlement. Whenever they write to claimants or landlords, they should mention the obligation to report relevant changes. The phrase ‘change in circumstances’ may mean little to many people. It is preferable also to mention the types of change to report. For example, South Holland District Council includes a leaflet which lists the types of change to report, whenever it writes to a claimant.

3.50 An authority may suspect or know that someone’s circumstances have changed in ways that are likely to end entitlement to income support or income-based jobseeker’s allowance. It should check that the evidence has not already been considered by the Benefits Agency. If the Agency has not, the council has the discretion to withhold payment of housing benefit in part or in full from the date that the Agency confirms that it has not previously considered the evidence. If the authority decides to withhold payment, it should inform the claimant (and the landlord or agent, if benefit is paid direct). The authority can then cancel housing benefit, or resume payment, once the Agency has examined the information and decided whether to withdraw income support or income-based jobseeker’s allowance.

Do we act promptly when the Benefits Agency notifies us of changes in address or of withdrawal of income support or income-based jobseeker’s allowance?

3.51 Authorities often do not become aware of changes in circumstances until the Benefits Agency notifies them that someone has moved or that it has withdrawn income support or income-based jobseeker’s allowance. Delays in receiving, or the apparent non-receipt of, such information currently bedevil the working relationships between the Agency and local authorities.

3.52 These notifications often act as instructions to withdraw housing benefit. Their accidental loss can have a significant financial impact. In addition, internal fraudsters might deliberately destroy them in order to continue payments which should have ceased. Unfortunately, arrangements for handling the forms and recording their use are sometimes poor. For example, the Benefits Agency may send them through the ordinary post. They may then be distributed within authorities without first being logged and without subsequent checks being made to ensure that assessors have received and acted on them.
Authorities should always have sound systems for handling these documents that their internal auditors examine regularly. If internal auditors suspect that there are weaknesses or that there might be internal abuse, they should contact the Benefits Agency. They should request a list of the forms that the Agency has sent to the authority which they can then use in their tests.

Few councils now pay claimants by giro or uncrossed cheque. Those which still do so should abandon this insecure and costly practice. The widespread switch to crossed cheques during the 1990s has had relatively few problems. ‘Cheque shops’ have sometimes charged claimants relatively high fees for cashing cheques. However, many authorities have persuaded banks and building societies to provide claimants with appropriate facilities and have found secure ways of themselves cashing cheques for the small numbers of people who cannot obtain accounts. For example, Bristol City Council provides a laminated plastic card carrying the claimant’s signature and an expiry date. The claimant presents this when encashing cheques at certain named branches of the authority’s bank. Most councils now pay landlords or agents by BACS; knowing the account that received payment can be helpful when investigating landlord fraud.

Another abuse can occur when people who have left an address, or who have never lived there, arrange for cheques to be forwarded to them or visit to collect them. Some councils print ‘Do not forward’ on cheque envelopes. Section 20 of the Fraud Act will, when implemented, place the Post Office under a duty to obey such a request. Section 21 of the Act will enable the authority to require the Royal Mail to supply information relating to arrangements for redirecting mail.

Councils still need to have appropriate defences against cheque abuse. One council has, for example, recently identified two cheques that had been altered (from £108.80 to £908.80 each) and two forged cheques worth £908. They also require satisfactory reconciliation procedures and should act quickly if their auditors identify any weaknesses in their arrangements.

Analyses of presentation patterns can help to identify possible frauds that can be referred for investigation. For example, consistently lengthy delays in presenting cheques sent to a claimant may indicate that he or she is working or has other undeclared income. Consistent presentation on a Saturday may also mean that someone is claiming and working. Councils should also identify when cheques sent to claimants are presented at banks, building societies, etc, a long way from the address for which benefit has been awarded. This might indicate that the person is working or is not resident and has arranged for cheques to be forwarded. When authorities become aware that claimants, to whom benefit was paid directly, are not
resident, they should examine the most recently cashed cheques for any evidence that these have been:

- intercepted and presented by the landlord or managing agent;
- intercepted and cashed by someone else; or
- forwarded to the claimant.
## Checklist for action

### Administrative budgets
- the council takes account of the risks of, and the likelihood of losses to, fraud when setting administrative budgets
- the council thus seeks to minimise the total cost to the public purse, rather than administrative expenditure alone, when it sets administrative budgets

### Preventing internal fraud
- internal auditors regularly examine and test defences
- auditors are satisfied with defences against internal fraud
- the authority has implemented any recommendations made by auditors
- the authority has not suffered from internal fraud
- if there have been any internal frauds, the council has reviewed and strengthened defences to guard against a repetition

### The national verification and benefit administration framework
- the council will implement the national verification and benefits administration framework
- when the DSS issues the framework, the council will therefore prepare an implementation plan which covers:
  - reviewing and amending office procedures
  - reviewing and identifying any necessary changes to filing arrangements
  - identifying the resource implications and adjusting budgets accordingly
  - reviewing, redesigning, printing and issuing application forms
  - identifying and implementing any necessary changes to computer systems
  - preparing revised procedural guidance
  - recruiting any additional staff
  - training new and existing staff
  and which:
    - identifies managerial responsibilities for implementation; and
    - includes a timetable for action
### Fraud awareness

- Assessment staff receive fraud awareness training:
  - on recruitment
  - regularly thereafter – brief half-hour to hourly sessions two or three times a year

- The council has a standard, documented procedure for referring cases for investigation

- This includes a standard referral form

- Assessors record referrals and chase up any that have been with investigators for more than a fortnight, with any further progress-chasing at least weekly

- Assessors, and other council staff, pass anonymous, or other, tip-offs to investigators

- Senior benefits staff and investigators have a view about the expected level of referrals but do not set formal targets

- The authority nevertheless monitors the numbers of fraud referrals by different teams and individuals

- It also monitors the proportion of referrals that are ‘hits’ (that is, that are found to involve fraud) both overall and for different teams and individuals

- The authority provides assessors with further training and guidance where the number of referrals is low or where referrals generate few hits

- Investigators provide assessors with feedback on investigations referred to them

### Verification

- The authority will work to the national verification and benefits administration framework

- The authority regularly reviews fraud investigations to identify improvements to verification that would help to prevent fraud

- The application form captures all the information required from a claimant

- The form tells the claimant what supporting evidence he or she must provide

- The form and supporting notes are in plain English and have the other good practice features discussed in Chapter 2

- The council verifies information on supporting documents and checks originals for any indication of forgery

- The form advises the claimant against sending savings books, passports and other valuable documents, which are required in support of the claim, through the post
it thus tells people where to visit, to hand deliver such documents, and when those offices will be open

the application form used by people who have earned incomes includes a certificate of earnings which a claimant who cannot provide a wage slip can ask his or her employer to complete

the rent allowance form asks whether the claimant has just moved to an address

the rent allowance form also asks people who have just moved whether the claimant (or his or her partner) was receiving housing benefit for the previous address

the rent allowance form also asks people who have just moved, and who were receiving housing benefit for the previous address, to give their earlier address

the council notifies other authorities when claimants, who were receiving housing benefit for their previous addresses, have just moved from the neighbours’ areas

the rent allowance application form asks for full details of the landlord or managing agent – name and full postal address – and makes it clear that the authority may not award benefit if it does not receive this information

the council does not normally award rent allowance without:
- the landlord’s (and any managing agent’s) full address
- a full contact address in England and Wales if the landlord’s or agent’s address is elsewhere
- verifying this information in appropriate cases

the rent allowance application form asks for the full address of the property, including the flat number or, in houses in multiple occupation and hotels, the room number

the form states clearly that the council might not process the claim until it has received this information and that the claim may lapse after 28 days if the claimant does not provide information that the council reasonably requires

the council also verifies properties’ ownership and agents’ authorisation to act for landlords, in appropriate cases, before paying rent allowance

the rent allowance application form also asks whether the claimant would like to receive the benefit or whether he or she wants it paid direct to the landlord or managing agent

the declaration on the application form allows the council to:
- verify the claim
- share information with others who are paying out public funds
- prosecute anyone who makes a false declaration

the form also includes a clear statement that the claimant understands that he or she may be prosecuted if he or she does not tell the council about a relevant change in circumstances without good reason

the authority has secure procedures for handling and returning original documents that are provided to support claims
- these include secure procedures for handling and returning original documents received through the post
- internal audit covers these document-handling procedures in its reviews and testing of systems
- the council records who verified each piece of information, how the data was verified and the date when this was done
- councils using DIP or microfilm systems nevertheless check original documents, to try to identify forgeries, and record that they have done so
- the council encourages people who are claiming rent allowance to provide rent books or copies of tenancy agreements rather than letters from their landlords
- it also recognises that people may be liable to pay rent, and eligible for housing benefit, but are unable to provide a rent book. It has procedures – for example, interviews with claimants; Land Registry checks to establish who owns the property – for such cases
- the council can identify claims that require a particularly high level of verification, including ones where:
  - the claimant or his or her partner is currently under investigation for suspected fraud on another claim (by the council or the Benefits Agency)
  - there is a history of attempted or successful frauds by this claimant or his or her partner or the landlord
  - investigators have asked that any claims from this person be referred to them; for example, because they suspected, but could not prove, that a previous claim was fraudulent
- assessment staff compare newly received claims with records of previous ones from the same person to identify any discrepancies
- they follow up discrepancies by either:
  - making further enquiries
  - passing cases for desk checks by fraud staff
  - passing cases to other investigators
- the identifiers used in computer-based housing benefit records help with cross-checking:
  - each claimant, and partner, has a unique person identifier which is used for all claims from that person, irrespective of the address to which the claim relates
  - each property for which housing benefit or council tax benefit is awarded also has a unique identifier:
    - for council housing, this is the property reference number used on the council’s rent records
    - the council tax reference number is used for other property, where the tenant is receiving council tax benefit as well as housing benefit (that is, the tenant is liable for council tax); but
    - the council also has unique references for other rented accommodation (for example, rooms in houses in multiple occupation; rooms rented from a resident landlord where the landlord is liable for council tax)
assessment staff cross-check with other of the authority's records including:

- other housing benefit records, to check whether:
  - someone else is already receiving housing benefit for the address. If the claim form or other information does not explain why (for example, a joint tenancy, a subtenancy or a boarder) the council can then suspend payment and make enquiries
  - the claimant or his or her partner is already receiving housing benefit from the council for another address but has not declared this. The council can then close the other claim
  - check whether the total number of awards for an address would be too high (for example, six claims are already being paid for a house in multiple occupation with only six rooms)
  - electoral roll (for example, to identify any other adults who may live in the accommodation but who are not shown on the claim)
  - council housing records (for example, to verify that rent rebate claimants are tenants of the property for which they are claiming)
  - council tax records:
    - to check whether a rent allowance claimant is liable for council tax or whether the landlord is liable (house in multiple occupation; hotel)
    - where the landlord is liable, to identify any differences between the landlord details on the claim and on council tax records
    - because records of liability may need to be updated before council tax benefit can be awarded
    - to identify any other discrepancies (for example, no partner shown on a claim from someone who has been paying council tax but who did not claim the single person discount)
  - national non-domestic rates records (to check details of commercial landlords and managing agents).
  This is supplemented by checks in commercial databases, trade directories, etc, where firms' addresses are outside the council's area

the council's records permit comparisons between current and previous claims:

- the authority has a formal weeding policy
- internal and external auditors have agreed this policy
- internal auditors annually check compliance with the policy
- the most recent, full claim form and copies of all relevant supporting documents are retained, together with details of their verification
- documents are never weeded until external auditors have completed their audit of the grant claim, and all their other benefits-related work, for the financial year(s) to which the documents relate
- paper files can always be found. For example, when a file is removed from the filing area, whoever took it replaces it with a card giving his or her name and the date on which it was taken; or updates a computer-based file booking-out system
- staff use consistent, and documented, codes and abbreviations on computer notepad pages and on paper records
- computer notepad pages do not automatically overwrite earlier entries
- councils which microfilm documents have good quality control programmes that test images for legibility at the end of each microfilming session or working day
- councils using DIP have similar quality assurance programmes
- internal auditors examine these quality assurance systems annually and sample test images for legibility
councils using microfilm and document image processing retain original claim forms and other documents (when these do not need to be returned to claimants or landlords); originals may be required if the authority prosecutes for fraud or takes civil action to recover overpayments. Originals can be kept in batches, in date order, in remote stores, to help to reduce costs

the authority liaises with:
- landlords
- environmental health officers
- the Rent Officer Service
- landlords
to identify the number of rooms in houses in multiple occupation and hotels and to assign an agreed room number to each room

the authority complies with data protection legislation when comparing benefits data with other information which it holds and with information held by other bodies

**Verifying continued entitlement to benefit**

- the council will work to the national verification and benefits administration framework
- the authority never awards benefit for more than the maximum period permitted by Regulations: 60 weeks plus, in some circumstances, another four weeks (Regulation 66(4))
- repeat claims are verified thoroughly
- the authority carries out in-year checks to verify continued entitlement, where it is particularly likely that a claimant’s circumstances may change
- the authority also verifies continued entitlement at key dates (for example, notes the expiry dates of assured shorthold tenancies and checks that they have been renewed or extended)
- uses renewal forms that ask claimants to provide information and not ones that ask the person to confirm that nothing has changed or which give the information already held by the council and ask if it has altered

**Co-operation with the Benefits Agency and others**

- the council has a service level agreement with the Benefits Agency local office(s) which serves its area
- the council and Benefits Agency review and update this annually
- the council has a service level agreement with the Employment Service office(s) which serve(s) its area
- the council and Employment Service review and update this annually
- the authority’s staff have an up-to-date list of contacts (names and telephone numbers) at the Benefits Agency and Employment Service
the council provides the Benefits Agency and Employment Service with similar lists

there is frequent working contact with the Benefits Agency and Employment Service

there are joint training and briefing sessions

seconds and exchanges of staff between the authority and the Benefits Agency help to increase understanding of each other’s requirements and systems

the council monitors performance against the targets in the service level agreements but problems are addressed informally at working level and as soon as they appear. They are not saved up for formal liaison meetings

the council and Benefits Agency and Employment Service exchange information speedily. For example:

— by telephone. (Agreed passwords, which are changed monthly, can help to verify that callers are ‘phoning from the authority, Benefits Agency or Employment Service. Alternatively, whoever receives a telephoned query calls back with the answer. Before doing so, he or she can check that the person making the enquiry, and that person’s number, appear on the contacts list)
— by fax
— by courier
— hand delivery by liaison staff
— using a Remote Access Terminal (RAT) to read Benefits Agency computer records

councils which do not have RATs have examined their use, in discussion with the Benefits Agency, and are seeking to introduce them where to do so would provide savings to the public purse

assessment staff liaise with other appropriate outside organisations – the Rent Officer Service, neighbouring councils, housing associations, etc

the authority has a service level agreement with the Rent Officer Service

the council and Rent Officer Service monitor achievement and review and update the service level agreement annually

assessment staff also have effective liaison with colleagues within the council – council tax, national non-domestic rates, housing, environmental health, electoral registration, etc – supported by up-to-date contact lists and mutual training and briefing sessions

Changes in circumstances

every form and letter that the council sends to a claimant includes, or is accompanied by, a reminder that he or she must report changes to the council

these reminders list or give examples of the sorts of change to report

forms and letters that the council sends to landlords and managing agents, who are receiving rent allowance directly from the council, include similar reminders
- the council stops payment as soon as it finds out that entitlement to housing benefit has ended
- the authority notifies the Benefits Agency whenever it has reason to believe that a claimant is no longer entitled to income support or income-based jobseeker’s allowance
- it suspends payment of housing benefit until the Agency has decided whether to withdraw income support or income-based jobseeker’s allowance
- it notifies people, as required by regulations, when it suspends payments
- the authority’s management systems include tests that assessors receive and promptly act on information passed to the council by the Benefits Agency
- internal auditors test and check these management controls and that systems for handling the information are sound

**Instruments of payment**

- the council does not use giros or uncrossed cheques
- where, exceptionally, claimants do not have bank accounts the council provides secure, alternative ways of encashing cheques
- the council makes direct payments to landlords and managing agents through BACS, wherever possible
- cheques are secure against alteration
- reconciliation arrangements satisfy auditors
- envelopes are marked ‘Do not forward’ when cheques are sent to claimants, landlords or managing agents
- the authority follows up any cases where it finds or suspects that cheques are being forwarded
- the authority analyses the presentation patterns of cheques sent to claimants to identify indicators of possible fraud to refer for investigation
- the authority examines the last few cashed cheques, for indications of possible fraud, whenever it becomes aware that a claimant, to whom it was paying benefit by cheque, is not resident at the address for which it awarded the benefit
Councils should:

- have a properly constituted investigations section which has clear terms of reference, responsibilities, standards and targets and whose performance is monitored;
- have a specific code of conduct for investigators;
- employ sufficient numbers of people, equipped with the necessary skills;
- outline the types and quality of evidence that assessors require from investigators;
- have sound, well-defined procedures and adequate administrative support;
- liaise effectively with the Benefits Agency;
- seek to ensure investigators’ safety;
- quality control investigators’ work; and
- have defences against malpractice by investigators.
Many councils had no dedicated benefit fraud staff before the introduction of Weekly Benefit Savings (WBS) in April 1993. The numbers of investigators still varies markedly from council to council. However, some now have more than 20 people in their benefit fraud units. In total, local government now employs well over one thousand investigative staff.

Management systems have tended, understandably, to develop piecemeal as staff numbers have risen. Councils should therefore reappraise how they manage investigations. This chapter will help them to do this. It recommends that:

<table>
<thead>
<tr>
<th>authorities should ...</th>
<th>This will ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ have a properly constituted investigations section</td>
<td>... provide terms of reference, define responsibilities, set standards and allow monitoring of performance</td>
</tr>
<tr>
<td>♦ have a specific code of conduct for investigators</td>
<td>... help to ensure that members of the public are treated courteously and fairly</td>
</tr>
<tr>
<td>♦ employ sufficient numbers of people who possess appropriate expertise</td>
<td>... provide the necessary skills base</td>
</tr>
<tr>
<td>♦ ensure that investigators understand the types and quality of evidence to present to assessors</td>
<td>... mean that assessors’ decisions to refuse benefit or to cancel or reduce awards are based on sound, well-presented evidence</td>
</tr>
<tr>
<td>♦ have well-defined procedures and adequate administrative support</td>
<td>... ensure that investigations are carried out professionally and are documented properly. It will also help to make the best use of investigators’ skills and time. Computer-based management support systems can help managers to monitor the effectiveness and progress of investigations and to organise the work of visiting officers</td>
</tr>
<tr>
<td>♦ liaise effectively with the Benefits Agency</td>
<td>... help to avoid duplication of effort, encourage joint investigations and initiatives and assist the Benefits Agency to act speedily when the authority obtains evidence of fraud involving income support or income-based jobseeker’s allowance</td>
</tr>
<tr>
<td>♦ have adequate safety arrangements</td>
<td>... help to prevent attacks on, or injury to, staff and malicious damage to their property</td>
</tr>
<tr>
<td>♦ quality control investigative work</td>
<td>... ensure that investigators’ work meets the council’s standards and that claims for WBS are justified and accurate.</td>
</tr>
<tr>
<td>♦ have defences against malpractice by investigative staff</td>
<td>... guard against collusion with landlords or claimants (for example, the danger that staff might report that they have made visits and enquiries when they have not done so) and other abuses</td>
</tr>
</tbody>
</table>
Overall framework

Does our investigations unit have clear terms of reference?

4.1 Benefits investigations units differ considerably in size, from one or two staff to 20 or more. In some councils the unit deals only with benefit fraud but in others – for example, Southwark – a corporate anti-fraud unit investigates all types of fraud and corruption. In some authorities – for example, Reading and Stroud – the investigations unit also recovers overpaid benefit. Reporting lines also differ from authority to authority but investigators usually report either to the head of benefits or are part of internal audit. The best approach will vary with local circumstances. Whatever the structure, the unit should be properly constituted. It should work to terms of reference that members have set or agreed (Box 4A, overleaf).

4.2 Terms of reference should cover investigators’ relationship with assessors. Department of Social Security (DSS) circulars envisage that investigators will collect evidence to present to assessors. Assessors should draw on this when deciding whether to award benefit; and whether to suspend payment, end an award or reduce the amount awarded. To maintain this separation of roles, it is good practice for assessment staff, or their managers, to deal with any follow-up enquiries about, and appeals against, assessors’ decisions. Any further work on a case by the investigations unit should normally be at the assessors’ request. Eastbourne Borough Council uses a service level agreement between its investigators (who are part of internal audit) and its benefits unit to help to separate these responsibilities formally at working level. As discussed in Chapter 3, investigators can provide or help to provide fraud awareness training for assessors. This also helps to build links and mutual understanding between investigators and assessors.

Do we set standards and targets and monitor achievement?

4.3 Members should set standards and targets and receive annual, and preferably quarterly, reports on performance against these standards and targets. This exercise should form part of the authority’s normal corporate planning, budget monitoring and budget-setting cycle. Councils should thus review standards and targets annually. Specifications and contracts should reflect these requirements where work is outsourced or exposed to competitive tendering.
### Box 4A
**Terms of reference**

<table>
<thead>
<tr>
<th>Do our investigation unit’s terms of reference cover:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>✦ managerial responsibilities and reporting lines, including the committee or subcommittee which oversees the unit’s work?</td>
<td></td>
</tr>
<tr>
<td>✦ the types of frauds that the unit is to investigate? This should normally include all types of externally perpetrated benefit fraud. The terms of reference should specifically indicate which, if any, other types of fraud the unit is to investigate and any other work it is to undertake.</td>
<td></td>
</tr>
<tr>
<td>✦ its relationship with the benefits unit (or, if it is part of that unit, with the rest of the unit)?</td>
<td></td>
</tr>
<tr>
<td>✦ its relationship with internal audit (or, if it is part of internal audit, with the rest of internal audit) and with any other investigations units working for the council (for example, a tenancy fraud unit)?</td>
<td></td>
</tr>
<tr>
<td>✦ how to treat cases involving:</td>
<td></td>
</tr>
<tr>
<td>– elected members;</td>
<td></td>
</tr>
<tr>
<td>– staff in the internal audit, benefits or investigations unit;</td>
<td></td>
</tr>
<tr>
<td>– other council staff;</td>
<td></td>
</tr>
<tr>
<td>including specifically when and how to involve:</td>
<td></td>
</tr>
<tr>
<td>– internal audit or, if the investigations unit is part of internal audit, the s151 officer (that is, the officer responsible for the proper administration of financial affairs) or head of internal audit; or</td>
<td></td>
</tr>
<tr>
<td>– the council’s personnel or human resources unit?</td>
<td></td>
</tr>
</tbody>
</table>

**4.4** Standards and targets should cover procedures, the time taken to complete investigations, quality assurance requirements, caseloads and WBS, the identification of overpayments and the costs and financial benefits of investigations. One council’s unit produces an annual report for members (Case Study 4.1) which demonstrates that investigations provide more than WBS subsidy. They also generate savings to the general fund and, by identifying recoverable overpayments, help to generate income for the council.
The authority should set, and monitor achievement against, quality standards. These should include standards for the maximum proportion of cases where the quality of the evidence offered by investigators does not satisfy the council’s assessors or Benefits Agency adjudication officers. Assessors who, or benefits units which, reject investigators’ evidence should not be pressurised to revise their standards. Assessors’ independent evaluation of evidence is essential if the authority is to apply benefits regulations fairly and impartially. It is also a key part of the quality control of investigators’ work. Members should respect and support this independence. Conversely, investigations managers should identify any investigators whose evidence is consistently unsatisfactory and provide advice and any necessary training. They should apply their authorities’ normal procedures for dealing with unsatisfactory staff if an investigator then continues to perform below standard.

Targets should also cover the time allowed for answering correspondence and for dealing with telephone queries and personal callers. (Although assessment staff should deal with queries received once an investigation is complete, people also try, or are asked, to contact investigators while they are examining cases.) The discussion of these points in Chapter 2 is also, therefore, relevant to investigators. Councils should also provide guidance on when to prosecute. Chapter 8 discusses this area further.

An annual plan should set out standards and targets (Case Study 4.2, overleaf). The plan can either be specific to the investigations unit or be part of the benefits unit or internal audit plan. It should aim clearly to:

- set and prioritise objectives;
- define standards;

One council’s benefits enquiry unit’s annual report includes:
- WBS compared to the authority’s threshold;
- WBS subsidy received;
- associated savings to the council. Subsidy from the DSS meets at most only 95 per cent of the value of rent allowance awards (and awards of council tax benefit) made by councils. Authorities’ general funds meet the other 5 per cent or more of the cost. The report thus treats the authority’s general fund as having saved 5 per cent of the rent allowance WBS and 5 per cent of the council tax benefit WBS achieved by the unit;
- the value of fraudulent overpayments identified by the unit. The investigation unit does not deal with recovery. However, the report also gives the value of the fraudulent overpayments recovered by the authority, as the council would not have been able to take action but for the unit’s work; and
- the cost of the unit.

The annual report therefore provides a breakdown of costs and financial benefits.

Source: Fieldwork
4.8 Even in smaller authorities, many managers now draw on targets in the annual plan to set annual and monthly WBS targets for individual investigators. These are often weighted to reflect the complexity and types of investigations assigned to different people. Such targets can motivate investigators but may also tempt them to cut corners. The quality control systems discussed later in this chapter are essential to guard against this eventuality. However, targets should not focus solely on WBS. Investigators should also be expected to help to identify the losses caused by fraud; for example, by establishing a start date for a fraud, or a latest date by which it had started. This will allow their authority to generate, and then to recover, the overpayment.

4.9 Managers should monitor overall performance and the achievement of different parts of the investigations unit and of individuals. Many authorities, including Haringey and Eastbourne, use computer packages to help with monitoring, as do Solihull and Middlesbrough (Case Study 4.3). Other approaches are also possible. For example, at Stroud District Council, managers use the workflow monitoring facilities of the authority’s document image processing (DIP) system to examine investigators’ workloads and work throughputs and to monitor outstanding investigations.
Case Study 4.3
Monitoring performance using IT

Solihull Metropolitan District Council and Middlesbrough Borough Council use computer packages to record the progress and results of their investigations. The system records details of each investigation, including:

- personal details (name, address, date of birth and National Insurance Number);
- type of tenancy;
- status of the case (open or closed);
- investigator;
- type of fraud (for example, working, living together);
- date investigation opened and closed;
- date of housing benefit claim and first payment;
- value of housing benefit payment;
- value and type of other benefits;
- allegation details and conclusion; and
- process of the investigation (what was done, when and with what results).

The heads of the investigations units can monitor:

- the numbers and types of case referred to their unit;
- the numbers and types of other cases – for example, proactive investigations;
- the numbers of ‘live’ enquiries with each investigator, by type of enquiry;
- how long each case has been under investigation;
- the numbers and types of case closed by each investigator;
- the proportions of those cases generating WBS; and
- the value of that WBS.

The system generates statistics, used in reports for committee, to help to monitor the work of investigators and to produce WBS records and claims. It also produces a standard report when an investigation is closed. Assessors receive one copy; investigators keep another on their investigation file. Managers can analyse the results of closed cases, for example, to help to identify the most effective types of investigation and investigative methods.

Source: Fieldwork/councils concerned

Do our investigators understand how to behave when they are acting for the council?

4.10 Members should agree a specific code of conduct for investigators. This should draw on the advice on interviewing suspects and other relevant parts of the Local Authority Benefit Fraud Investigators Manual (Ref. 15). The Local Government Ombudsman may view failure to follow DSS advice as maladministration (Case Study 4.4, overleaf). The authority’s code should explain how investigators are to behave and present themselves when dealing with claimants, landlords and others. The Fraud Act gives investigators new powers to enter ‘business’ premises and then to obtain information, while the national verification and benefits administration
Case Study 4.4
Investigators’ behaviour

Source: Report on an investigation into complaint number 94/A/227 (Ref. 15)

One Ombudsman’s report states:

I am satisfied that Officer A’s interviews ... were not conducted in accordance with the guidance issued by the Department of Social Security and on some occasions his conduct was aggressive and intimidating. I consider that this was maladministration.

framework is likely to increase the number of visits to and interviews with claimants. However, the great majority of people receiving housing benefit and council tax benefit are honest. Many are elderly or are in poor health or are otherwise vulnerable. Some are unfamiliar with English. Some are refugees, whose experiences in their home countries may have created understandable fears about the behaviour of public officials. Investigators’ behaviour should reflect this. Aggressive and inappropriate behaviour can cause distress and may lead to unfavourable publicity for the council or complaints to the Local Government Ombudsman. It might also mean that evidence is unacceptable to the courts and thus hinders prosecutions.

4.11 Voluntary bodies such as the National Association of Citizens Advice Bureaux report that investigators sometimes appear heavy-handed or even to harass claimants. The study team met many competent and professional investigators. However, a small minority of investigators described practices that the courts might not accept and which society does not tolerate from the police. For example, investigations into whether a claimant is living with someone as husband and wife require particular sensitivity. One investigator said that he preferred to interview women on their own, rather than in the presence of the alleged partner or friend or third party, because he normally obtained a ‘confession’ once a woman was in tears.

4.12 The good practice checklist at the end of this chapter includes suggestions for issues to cover in a specific code of conduct for investigators. For example, a code might cover the times during which to make unannounced visits. It could also cover the conduct of visits to women who are living alone; the treatment of, and conduct towards, elderly people; people with learning difficulties and people who have mental health problems; and the conduct of investigations into allegations that people are living together as husband and wife. Alleged or apparent breaches of the code should be investigated and, if proven, lead to disciplinary action.
Local authority officers have sharply differing views about who should work on investigations. Some prefer to employ former police officers, possibly supplemented by former Benefits Agency or Employment Service investigators, bailiffs or others experienced in outdoor enquiry work. Other officers believe that former police officers can be over-officious or, if retired on full pension, under-motivated and that they do not understand benefits legislation. Officers with these views often prefer to employ former assessors.

To work effectively, investigators need to understand benefit regulations, other aspects of civil law (including the Fraud Act) and – for some types of investigation – data protection legislation and criminal law. They must also possess good interviewing and interpersonal skills. They need to deal fairly with people who may be elderly, poorly educated or vulnerable as well as with ones who may be defensive, hostile or aggressive. Few people are likely to come to housing benefit investigations with all this expertise. Councils should recruit against a person specification that covers these requirements. They should ask their personnel or human resources units to help them to specify their requirements properly and assess candidates fully and fairly. They should then appoint the best candidates and provide them with appropriate training to cover gaps in their knowledge. Larger units may choose to employ investigators from a mix of backgrounds to take advantage of different skills that complement each other.

As with benefits administration (Exhibit 2.4), training should be linked to job descriptions and equip investigators with any necessary skills that they currently lack. Councils should ensure that people investigating topics such as allegations of living together understand fully how they should approach the work. Councils should also provide refresher training and cover any relevant changes to procedures and legislation. Supervisors and managers should receive training in managerial skills. Line managers should draw on quality control results when identifying training needs. They should also prepare annual training plans, possess adequate training budgets and maintain training logs or other records. Who delivers the training will vary with local requirements. Councils may need to use a mix of in-house courses, Benefits Agency courses (where these are available), courses provided by academic institutions (some of which now offer specialist counter-fraud training), by professional bodies and by commercial suppliers. Some councils have arranged for their investigators to attend police courses.
4.16 The number of investigators employed by councils has risen since the DSS’s introduction of WBS subsidy and Challenge funding. Some councils are reluctant to increase the resources devoted to investigation because of uncertainty about future funding. They are unsure about whether WBS subsidy and Challenge funding will continue. In addition, WBS subsidy rules and thresholds can change from year to year and thus alter the subsidy received by an authority. However, councils should consider increasing resources whenever they can afford to do so, and the benefits to the public purse clearly outweigh the costs.

4.17 The WBS subsidy received by councils often, but not always, covers the cost of employing investigators. It sometimes provides a ‘surplus’ which can help to fund other administrative costs. The Savings reported by individual authorities increase with the number of fraud staff employed; on average, by about £200,000 per investigator (Exhibit 4.1). The average Savings recorded per investigator may fall as councils improve their quality control of claims for Savings in the ways discussed later in this chapter. Nonetheless, increased effort will often save money for the public purse and continue to generate sufficient extra subsidy to cover the cost of employing more investigators.

4.18 Authorities should thus review the costs and benefits of fraud investigation annually during their budget setting and corporate planning cycles and consider whether to increase staffing. In doing so, they should take account of current caseloads, the times taken to complete investigations and whether there are any backlogs of uncleared investigations. ‘Fraud stock’ surveys, in which investigators examine a random sample of claims to identify any which are fraudulent, can also help.

---

Exhibit 4.1
Numbers of investigators and Weekly Benefit Savings

On average, each full-time equivalent investigator generates just over £200,000 in WBS.

Source: Audit Commission analysis of data for 1995/96 provided by the DSS
The council can scale-up results to estimate the maximum number of frauds it could investigate successfully. These reviews should also consider how the investigative programme is evolving. This will help to identify the skills and aptitudes required from new staff and whether, and how, to alter supervisory, managerial and administrative arrangements as staff numbers rise.

### On what terms should we employ people?

4.19 Investigators’ terms and conditions should always recognise that they may need to work outside core office hours and away from the office. Some councils rely heavily on contract staff, because of the uncertainty about the future income that they will receive from WBS subsidy and Challenge funding. But, wherever possible, investigators should either be established employees or have contracts which are for two or more years. This is:

- to provide continuity and core expertise;
- to provide a return to the authority for the training costs it incurs when creating a professional investigative service;
- because councils should check the bona fides of investigators. These checks should be at least as thorough as those into the references, experience and backgrounds of other staff working on benefits. However, this level of scrutiny is difficult if people are taken on at short notice and for short periods; and
- because people on very short contracts may be particularly tempted to abuse their position. For example, they may claim to have made visits when they did not, in the belief that the council will not find out until after their contract has ended.

4.20 Managers, particularly those in smaller authorities, can also explore whether they can share investigators with other units within the council. Other possibilities to examine include part-funding posts in collaboration with neighbouring authorities or arranging secondments from the Benefits Agency. All may provide flexibility when future funding is uncertain.

### What managerial arrangements should we use?

4.21 In small authorities, which employ only a few investigators, all staff can report directly to the head of the unit. A more developed structure is usually required as the number of investigators increases. Councils need to guard against both excessive numbers of managers and too flat a structure that over-extends line managers. The best arrangement will vary with local circumstances but arrangements often work best when managers directly supervise four to eight people. Managers of larger units should, however, monitor and compare the effectiveness and workloads of different teams and move resources or re-allocate cases between teams as necessary. They should also encourage teams to share experiences and best working practices.
An error, when deciding that someone is not entitled to benefit or to suspend, cancel or reduce an award, could cause considerable distress or hardship to the claimant. It might even, in some circumstances, lead to a person losing his or her home. Claimants or landlords may challenge an assessor’s decisions by asking first for an internal (officer) review and, if still dissatisfied, for elected members to consider the case at a review board. In rare cases, decisions may be examined by the courts, in judicial reviews, or feature in complaints to the Ombudsman. Assessors thus require clear evidence about the circumstances of a case in order to establish the facts and to arrive at a correct decision.

Evidence tends logically to show the existence or non-existence of facts relevant to the issues to be determined. Within that constraint, the assessment officer may consider any evidence, direct or circumstantial, first or second hand (hearsay), which is either directly or indirectly relevant to the question for determination. Where a fact is in doubt or dispute, it must be established on the balance of probabilities. The assessment officer does not have to be absolutely certain but should be able to say that the weight of evidence supports one view of the facts rather than another. The key question – that of what weight should be attached to different pieces of evidence – has to be a matter of judgement of the individual assessment officer. Clearly, however, direct evidence (for example, a signed statement from an employer) is preferable to hearsay (for example, the investigator reporting that ‘the employer told me that …’). More councils should follow the practices of authorities such as Croydon, where investigators provide assessment staff with clear summaries of the work that they have carried out. This should be accompanied by all the available evidence.

The evidence that someone has ‘gone away’ is clear if another tenant is living in the accommodation or if the investigator can obtain other evidence that the claimant has moved. However, ‘gone aways’ present particular problems when premises appear unoccupied and investigators can obtain no other information about the claimant’s whereabouts. There is no requirement that a claimant be at home during the day. Claimants may also be visiting family or friends or taking holidays. (Though eligibility for housing benefit is means tested, people can easily have enough savings to fund a holiday without breaching the capital thresholds.)
4.25 Councils differ in the number of visits that their investigators make when examining possible ‘gone aways’. They also differ in the number of days across which to spread visits. Most authorities follow the good practice of leaving a card or letter following a final, unsuccessful visit. This sets a deadline by which the claimant should contact the investigator. The investigator passes the evidence to assessors if the claimant does not respond. However, some councils announce second or third visits (that is, leave a card or letter following an abortive call, saying that the investigator will call again at a stated day and time) while others do not. Where authorities use such letters or cards, these usually ask that the claimant either be in for a visit at a given date and time slot or telephone to arrange an alternative appointment.

4.26 As a matter of good practice, investigators should usually carry out at least two unsuccessful visits, spread over a fortnight, before passing evidence to assessors. They should make three visits if none of them was announced. They should also allow at least a week, from a final visit, before presenting their evidence to assessors. If investigators have collected no other evidence, the council will normally have no reason to cancel entitlement from an effective date before that of the first visit. Most new rent allowance claims are paid four weeks in arrears. This timescale will not, therefore, increase overpayments or losses to fraud, providing assessors act promptly once investigators pass evidence to them. Where an investigator meets a claimant during an announced or arranged visit, the officer should seek to inspect the accommodation for evidence that the claimant is actually resident. Investigators have no right to demand entry but should include any refusal to permit access in the evidence that they provide to assessors.

4.27 A professional investigative service works to clearly defined procedures that record the progress of investigations and the evidence collected during them. Most councils draw upon the DSS’s Local Authority Benefit Fraud Investigators Manual (Ref. 15) when designing forms such as witness statements. Systems should also include standard referral forms, for cases passed to investigators by assessors and others, and standard cover sheets for summarising evidence presented to assessors by investigators.
Councils also require procedures for exchanging information between assessors and investigators once an investigation has begun. For example, they should have protocols on the action to take if assessors receive further information on a case after they have referred it to investigators. In some authorities visited during the joint NAO/Audit Commission study, assessors acted on new information (such as notification from the Benefits Agency that the claimant had moved or that it had withdrawn entitlement to income support or income-based jobseeker’s allowance) and cancelled housing benefit while the investigation continued. They did not inform the investigators, who wasted effort obtaining separate evidence of the same changes. Investigators should, however, continue working on such cases where it is appropriate to do so – for example, to identify an overpayment or support a prosecution.

Investigators will rarely need to notify assessors of programmed visits (for example, to check continued residency). However, authorities need clear procedures for deciding whether and when to inform assessors that investigators are examining other cases (for example, because of a third party referral or as part of a proactive programme). This can be done by flagging computer records or by transferring the main case records to the investigators. However, some investigations (for example, into suspected internal fraud) may best be carried out without assessors’ knowledge.

Do our investigators have adequate administrative systems and sufficient administrative support?

Investigators should have office-based administrative and clerical support (for example, to maintain records). This allows them to work more productively. Many authorities now provide this, including some with relatively few investigators. For example, Eastbourne provides clerical support for its three investigators. Many councils, including some smaller authorities, also provide the computer support described at Case Study 4.3. Investigators should also have read-only access to housing benefit and council tax benefit computer records including, in councils using the technology, document images. They should also be able to read council tax, council housing, sundry debtors, national non-domestic rates and other council records. This is common. Authorities should register such use of systems and otherwise comply with data protection requirements. However, most authorities, rightly, do not provide their investigators with direct access to personnel and payroll systems.
Investigators should exchange information with their counterparts in the Benefits Agency to help to co-ordinate work and avoid overlapping investigations. Most authorities have service level agreements with the Benefits Agency sector fraud units that cover their areas. Unfortunately, as with agreements between assessment staff and Benefits Agency local offices, these have often proved to be ineffective. Here, too, problems can arise because the two sides fail to understand each other’s problems and requirements. However, joint training, staff exchanges and secondments can help build understanding, as can regular meetings and telephone contact. Some council and Benefits Agency investigators have built good working relationships (Case Study 4.5). Investigators at other councils, such as Middlesbrough and Eastbourne, also exchange information effectively with their Benefits Agency counterparts. For example, the two sides comply with the national service level agreement and regularly exchange brief details of current investigations to avoid duplication of effort. Investigators at Pendle include in their annual plan target times for sending information to the Agency.

Case Study 4.5
Liaison with Benefits Agency fraud officers

Solihull Metropolitan Borough Council’s investigation team consists entirely of former Benefits Agency investigators, who have maintained good links with their former colleagues. To cement relations, the Benefits Agency seconded one of its staff to Solihull as cover while one of the Council’s investigators was on maternity leave. On returning to the Benefits Agency, the secondee was made responsible for fraud liaison with the authority.

Thus, because of their background, Solihull’s investigators understand Benefits Agency requirements and procedures; the local Benefits Agency fraud team now has similar direct experience of the local authority’s needs and systems. Unlike many other authorities, Solihull finds that SLA3\(^1\) procedures work smoothly.

At South Holland District Council, the authority’s investigator has helped with Benefits Agency investigations into fraud by seasonal agricultural workers. Such workers usually come from outside the authority’s area. Any housing benefit fraud they are committing is against other councils. However, by participating in the Agency’s visits to factories and farms, the investigator has helped to cement working relationships.

---

1. The SLA3 form is the official means by which the Benefits Agency allows a WBS to be claimed by an authority on a DSS benefit.
**Do we notify the Benefits Agency promptly when we identify income support or income-based jobseeker’s allowance fraud?**

**4.32** Councils have discretion to suspend housing benefit where they have doubts about the claimant’s income or capital and the claimant is receiving income support or income-based jobseeker’s allowance. They cannot, however, cancel housing benefit in these circumstances until the Benefits Agency notifies them that it has withdrawn income support or income-based jobseeker’s allowance. Local authority investigators who identify apparent income support or income-based jobseeker’s allowance fraud should thus pass the evidence to the Benefits Agency. Its adjudication officers can then decide whether to withdraw entitlement. Investigators cannot record income support or income-based jobseeker’s allowance WBS until the Agency confirms that their evidence led it to withdraw (or reduce) entitlement. The national model fraud service level agreement and DSS circulars set out the procedures to follow.

**4.33** Income support accounts for about 11 per cent of the total WBS reported by authorities. However, individual councils’ income support and income-based jobseeker’s allowance savings vary markedly, and many authorities record none or very little (Exhibit 4.2). This is sometimes because their investigations focus almost entirely on rent allowance ‘gone aways’. However, some investigators complain about delays by the Benefits Agency and about Benefits Agency refusals to withdraw entitlement or to do so retrospectively. Some councils are, nonetheless, obtaining significant amounts of income support WBS. These authorities are willing to investigate housing benefit frauds linked to eligibility for income support and income-based jobseeker’s allowance. They have also developed good links with the Benefits Agency. At Solihull, for example, income support provided over 40 per cent of the council’s WBS in 1996/97.

**Do we provide the Agency with the information that it requires?**

**4.34** There are problems in co-operating effectively with some Benefits Agency offices and sector fraud units. However, local authorities should ensure that their own houses are in order before complaining about the Agency. For example, some authorities refer cases to the Agency on locally developed forms that they have not agreed with the Agency and which do not comply with the requirements in the national service level agreement. Some pass cases to the Agency without providing National Insurance.

---

1 In other circumstances, councils can, however, terminate or reduce housing benefit that is awarded to people receiving income support or income-based jobseeker’s allowance, without first referring the case to the Agency. For example, they can terminate an award of housing benefit if the claimant is not using the accommodation, for which the council awarded housing benefit, as his or her sole or main residence.
Exhibit 4.2
Income support Weekly Benefit Savings claimed by councils

Many councils record little or no income support WBS.

Source: Audit Commission analysis of (unaudited) DSS data for 1996/97. Each vertical bar represents one authority. Data are for all authorities in England and Wales administering housing benefit.

Numbers (or, if there are unavoidable problems in obtaining these, without giving dates of birth). Some delay passing cases to the Benefits Agency – one Benefits Agency office visited during the joint NAO/Audit Commission study had received 300 SLA3 forms from an authority in a single parcel! By the time some councils contact the Agency, it has sometimes obtained the information from other sources. It will, rightly, not then allow the authority to claim income support or income-based jobseeker’s allowance WBS.

4.35 In addition, Benefits Agency adjudication officers can be dissatisfied with the quality of the evidence presented to them by local authority investigators. This is because investigators sometimes fail to distinguish between the evidence about the circumstances of a case required to justify a decision to refuse, withdraw or reduce an award of benefit and the evidence about intention and reason required to claim WBS. Councils should aim to discuss any such problems with the Agency and amend procedures and issue improved guidance to their investigators if necessary.

Safety

Are we doing enough to safeguard our investigators from attack and injury and to prevent malicious damage to their property?

4.36 Although most claimants are honest and much fraud is opportunistic, investigators’ work may bring them into contact with people who are career criminals or who are aggressive or violent. For example, at some authorities, investigators report that they have been threatened or that their vehicles have been damaged. One authority has rehoused a relative of a member of staff because of damage to her property, apparently inflicted because neighbours suspected her of providing the council with information...
about them. Another relative of the same employee has been struck over the head with a bottle by someone whom the council was investigating for fraud, again apparently because he was suspected of giving information to the council. The victim was too frightened to report the attack to the police.

4.37 Other investigators have visited properties and found that they were apparently being used for drug dealing. In another authority, the investigators’ contacts in the local police advised them to stop the visits they were making to some addresses; occupants were suspected of committing serious criminal offences and were under police surveillance.

4.38 Effective safety procedures are therefore essential. They often include visiting in pairs, either as a matter of routine or to people or addresses presenting particular dangers. Many councils also provide mobile telephones. Before making visits, staff enter the addresses in diaries or location sheets kept in their office, together with an expected return or phone-in time. Office staff act if the investigator does not come back or ring in when expected. For example, they ring the investigator on his or her mobile telephone; use coded phrases in any subsequent conversation to enquire about, and report, problems, and alert the police if the investigator is in difficulty or cannot be contacted. The *Local Authority Benefit Fraud Investigators Manual* (Ref. 15) covers many of these issues and also suggests that authorities can provide investigators with rape alarms and dog dazers (electronic dog repellents). The Manual also covers using the vehicle protection scheme to prevent people from finding out an investigator’s name or address from a vehicle registration number.

4.39 Records of potentially violent claimants (based on investigators’ own experience and exchanges of information with other council departments and the Benefits Agency) are another safeguard. Investigators can then take added precautions where appropriate. For example, some authorities do not visit potentially violent claimants but instead ask them to visit council offices for interview. Most councils provide secure interview areas – glass screens, panic buttons or an escape route that the interviewer can lock behind him or her once he or she has left the room, etc.

### Quality control

**Do we carry out sufficient quality control checks on investigators’ work?**

4.40 Authorities should quality control investigators’ work to ensure that they have followed the correct procedures. Quality control should also check that investigators have behaved properly and that the evidence they are collecting satisfies assessors (and, on income support and income-based jobseeker’s allowance cases, Benefits Agency adjudication officers). Review by line managers within the investigations unit is a key control. Assessors should also contribute to quality control. They should not accept investigators’ evidence uncritically but should form their own view and, on
appropriate occasions, ask investigators to carry out more work or reject their advice. In a well-managed operation, as at Middlesbrough (Case Study 4.6), this will be rare and will be followed by discussions between the investigators and assessors to clarify investigators’ understanding of requirements. But occasional differences of opinion are to be expected if assessors are taking a sufficiently independent view. Authorities, particularly larger authorities, where this never occurs may have too cosy a relationship between assessors and investigators.

4.41 Most authorities assume that they must have a well-managed investigations unit if they record high or increasing WBS and if these compare favourably with the authority’s threshold. However, the joint study by the Audit Commission and the NAO revealed that both under- and over-recording of WBS is common. The latter is much more prevalent: councils and their investigators often over-report their achievement sometimes by 25 per cent or more. Errors are sometimes caused by poor systems. For example, in some authorities investigators do not always withdraw claims for Savings when assessors do not refuse to make, or cancel or reduce, an award following investigators’ work. Investigators similarly sometimes do not withdraw WBS when people later appeal successfully against an assessor’s decision. However, in a minority of councils, investigators appear to be manipulating the system or even ignoring regulations and circulars in order to maximise Savings. This is unacceptable. Councils should adopt the good practices of authorities such as Rhondda-Cynon-Taff and claim Savings only when assessors provide written confirmation that they have acted on investigators’ findings. Alternatively, assessors rather than investigators might record WBS for the council.

<table>
<thead>
<tr>
<th>Case Study 4.6</th>
<th>Quality control of investigators’ work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Fieldwork/Middlesbrough Borough Council</td>
<td></td>
</tr>
</tbody>
</table>

Middlesbrough Borough Council’s investigations manager examines the papers on all investigations where the unit believes it has identified a fraud before files are passed to assessors. These cases are dealt with by assessment team leaders who return them to investigators if they require more evidence. They also discuss these cases, and any where they decide not to refuse, reduce or terminate an award, with the investigations unit.
Performance against threshold varies markedly (Exhibit 4.3). Councils with very high performance should assure themselves that this represents real achievement rather than quality control failures. Conversely, authorities reporting little WBS will often find that they could do more to investigate fraud. However, all councils must ensure that WBS claims are reliable. Systematic overclaiming and abuse may call into question the integrity of investigators and authorities’ fitness to investigate fraud. Box 4B summarises the requirements for a successful claim for housing benefit or council tax benefit WBS. Councils should never claim WBS for income support, income-based jobseeker’s allowance or other benefits administered by the Benefits Agency without written confirmation from the Agency, on form SLA3 or a locally agreed equivalent, that it may record a stated amount.

Tenants in houses in multiple occupation, hotels and hostels are not normally liable to pay council tax but most other tenants are liable. Many people who attempt or commit housing benefit fraud are, therefore, simultaneously defrauding, or attempting to defraud, the council of council tax benefit. However, investigators sometimes forget to claim council tax benefit WBS when they could do so.

Exhibit 4.3
Weekly Benefit Savings as a percentage of threshold

Reported performance varies markedly.

Source: Audit Commission analysis of (unaudited) DSS data for 1996/97. Each vertical bar represents one authority. Data are for all authorities in England and Wales administering housing benefit.
### Box 4B

**Claiming Weekly Benefit Savings**

<table>
<thead>
<tr>
<th>The council must have ...</th>
<th>This means that the authority ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>... refused, reduced or ended an award</td>
<td>◆ has evidence that this has happened. Where claims were already in payment, this might be ‘before’ and ‘after’ copies of the computer records for the case ◆ needs procedures which take account of successful appeals against decisions to refuse, reduce or end entitlement ◆ should not claim housing benefit or council tax benefit Weekly Benefit Savings, where the housing benefit or council tax benefit fraud arises because of an income support or income-based jobseeker’s allowance fraud, without confirmation from the Benefits Agency that it has withdrawn entitlement to income support or income-based jobseeker’s allowance. The authority cannot cancel an award until the Benefits Agency has done this. It should, of course, consider exercising its discretion to <strong>suspend</strong> awards until it receives the Benefits Agency’s decision. It should also monitor replies and follow up outstanding ones, rather than allow cases to remain suspended indefinitely</td>
</tr>
<tr>
<td>... done so because of investigators’ work</td>
<td>◆ should not claim WBS without good reason. For example, it should not normally claim WBS if: – the claimant reports a change to the authority, before he or she has been contacted by the investigators. It is unlikely that the investigation prompted him or her to contact the council – the Benefits Agency notifies the council of a change of address or that it has withdrawn entitlement to income support or income based jobseeker’s allowance</td>
</tr>
<tr>
<td>... calculated the Weekly Benefit Savings amount correctly</td>
<td>◆ should base its WBS on assessors’ calculation of the amount that they would have awarded had the fraud succeeded, when claiming for a case which is not already in payment</td>
</tr>
<tr>
<td>... claimed Weekly Benefit Savings only if the case involved fraud or attempted fraud</td>
<td>◆ claim the reduction in the award in other cases. For example, if someone has an underlying, albeit lower, entitlement for the benefit week in question then the WBS is the difference between the old and revised entitlement. It is <strong>not</strong> the full value of the earlier claim ◆ requires evidence, and should have reasons, for making a balance of probabilities decision that a fraudulent overpayment would have continued or, would have occurred had a payment not yet been made</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
Investigative work creates opportunities for fraud, corruption and other malpractice. For example, investigators might collude with claimants or landlords to suppress their findings or to delay reporting that someone had ‘gone away’ in return for a share of the proceeds. They might also collude with landlords to cancel or suspend benefit in order to create rent arrears. These arrears might then allow landlords to evict people whose tenancies were created before the private rented sector was deregulated and whose rents are thus below the current market rate. The recruitment procedures described in Chapter 1 are a first line of defence. Investigators’ credentials should always be verified carefully. The time needed for this is a major reason why authorities should avoid employing people on short-term contracts at short notice. Checks carried out by a number of councils in London have revealed that some applicants for investigative posts may have criminal records, been dismissed by previous employers or be under investigation for suspected fraud. As discussed in Chapter 1, investigative staff should also declare any interest they may have when they, or members of their households, are landlords or claimants. The internal controls discussed in Chapter 3 also help guard against abuse, as do the investigative procedures and quality control arrangements discussed earlier in this chapter.

Investigators face other temptations. They spend much time unsupervised away from the office, often alone. One authority dismissed an officer before the end of his probationary period: observations by internal audit found that he was making social visits at times when his diary showed him out of the office on official business. Another recently dismissed a visiting officer who had misreported his whereabouts (Case Study 4.7). Councils thus need systems to verify that investigators are carrying out the visits and other work shown in their logs, diaries and case records. A third authority has identified a number of abuses by a single investigator (Case Study 4.8, overleaf). This case illustrates the need to check references properly, the possibility of collusion between investigators and those whom they investigate and the misuse by investigators of council resources. At a fourth authority, a female fraud officer was living with a man who fraudulently claimed housing benefit by pretending that he was a subtenant in her rented home.

Do we have sound defences against fraud, corruption or other malpractice by investigative staff?

4.44 Investigative work creates opportunities for fraud, corruption and other malpractice. For example, investigators might collude with claimants or landlords to suppress their findings or to delay reporting that someone had ‘gone away’ in return for a share of the proceeds. They might also collude with landlords to cancel or suspend benefit in order to create rent arrears. These arrears might then allow landlords to evict people whose tenancies were created before the private rented sector was deregulated and whose rents are thus below the current market rate. The recruitment procedures described in Chapter 1 are a first line of defence. Investigators’ credentials should always be verified carefully. The time needed for this is a major reason why authorities should avoid employing people on short-term contracts at short notice. Checks carried out by a number of councils in London have revealed that some applicants for investigative posts may have criminal records, been dismissed by previous employers or be under investigation for suspected fraud. As discussed in Chapter 1, investigative staff should also declare any interest they may have when they, or members of their households, are landlords or claimants. The internal controls discussed in Chapter 3 also help guard against abuse, as do the investigative procedures and quality control arrangements discussed earlier in this chapter.

4.45 Investigators face other temptations. They spend much time unsupervised away from the office, often alone. One authority dismissed an officer before the end of his probationary period: observations by internal audit found that he was making social visits at times when his diary showed him out of the office on official business. Another recently dismissed a visiting officer who had misreported his whereabouts (Case Study 4.7). Councils thus need systems to verify that investigators are carrying out the visits and other work shown in their logs, diaries and case records. A third authority has identified a number of abuses by a single investigator (Case Study 4.8, overleaf). This case illustrates the need to check references properly, the possibility of collusion between investigators and those whom they investigate and the misuse by investigators of council resources. At a fourth authority, a female fraud officer was living with a man who fraudulently claimed housing benefit by pretending that he was a subtenant in her rented home.
An authority employed an officer, on a short-term contract, to visit all new rent allowance claimants. After some initial training, it allowed him to draw up his own visiting programme. He appeared busy and reported large amounts of Weekly Benefit Savings.

However, to help ensure their safety, all investigators leave copies of their visiting lists in the office. These give the locations and approximate times of all planned visits. Investigators telephone the office when they finish each visit. The officer’s manager became suspicious. He noticed that some claimants who telephoned the unit after the officer had visited them did so well before he had called in to say that he had just left the address. The manager placed the officer under observation and found that he was often relaxing in his car at times when he reported that he was visiting claimants.

The council dismissed the visiting officer. The manager reviewed all the officer’s WBS claims and found that many were not valid. In particular, the officer’s liaison with assessors was poor and they had not cancelled or adjusted many of the cases where he had identified frauds and claimed WBS. As a result the authority had paid or continued to pay benefit when one of its staff, employed for the purpose, had identified frauds. These overpayments are official errors for which the council should receive reduced subsidy.
Case Study 4.8
A second cautionary tale

An authority employed a temporary clerical assistant on a short-term contract in its benefits fraud investigation unit. It did so on the recommendation of a senior benefit fraud investigator and without first checking her references or background.

She was later found to:
- have provided a false name and National Insurance Number;
- be claiming housing benefit from the council with her husband under another name;
- be doing so fraudulently;
- be bankrupt (with her husband); and
- be working as a private investigator.

The senior investigator who had recommended her for the post had previously examined her case for fraud and had reported that he had found nothing wrong with the claim. The council suspected but could not prove collusion. However, he:
- had recommended that the council employ her under the false identity; and
- was found to have used his position with the council to obtain private information, and to carry out enquiries on behalf of the woman (to help with her work as a private investigator).

The investigator was dismissed.

Source: Fraud returns collected by the Audit Commission
## Checklist for action

### Overall framework

- elected members have set or agreed terms of reference for the unit
- these cover all the issues at Box 4A
- investigators work to standards and targets set or agreed by elected members
- these include:
  - procedures to follow
  - the maximum proportion of cases which is allowed to fail quality assurance tests
  - the maximum proportion of cases where the evidence provided by investigators does not meet assessors’ or Benefits Agency adjudication officers’ quality criteria
  - the maximum proportion of cases where assessors accept investigators’ evidence but their decision is reversed on appeal
  - the time taken to complete investigations. (There may be separate targets for referrals and other types of investigation. Investigations should not, for example, unduly delay the processing of new claims)
  - the numbers of investigations to complete
  - the amount of WBS to claim
  - the value of fraudulent overpayments identified by investigators
  - answering correspondence
  - answering the telephone
  - dealing with personal callers
  - investigators’ conduct (see below)
  - criteria for prosecution (see Chapter 8)
- targets for individuals or teams take account of the relative difficulty of different types of investigation; they are demanding but realistic
- managers monitor achievement against targets
- managers regularly review progress on outstanding cases, which investigators have not cleared within time targets. For example, each week managers discuss with their staff all cases that are more than four weeks old
- members agree a, possibly smaller, set of key targets. Officers report to members on achievement against these, at least once a quarter (see Chapter 2)
Code of conduct

- the council has a specific code of conduct for investigators
- this draws upon the DSS’s Local Authority Benefit Fraud Investigators Manual
- breaches of the code are disciplinary offences

- the code covers:
  - the times of the day, or night, during which investigators can make unannounced visits
  - investigations into suspicions or allegations that people are living together as husband and wife
  - contact with people who do not speak English or who are not fluent in English
  - visits to women who are living alone. For example, whether these should be by female investigators or whether a male investigator should be accompanied by a female colleague
  - the treatment of, and conduct towards, elderly people, people with learning difficulties or who have mental health problems and other vulnerable groups
  - dealing with people who are aggressive or distressed
  - requirements that managers authorise interviews with people who are known or believed to be vulnerable
  - requirements that a third party, for example, a friend, should attend interviews with people known or believed to be vulnerable
- when investigators interview people who are vulnerable, aggressive or distressed, they record this and report on the interview to their managers
- the council identifies and follows up any complaints it receives about investigators’ behaviour
- the authority logs all complaints and records details of action and decisions
- follow-up work on complaints is monitored and reviewed independently from the investigations unit (for example, by the head of internal audit)
- people dissatisfied by the council’s response to a complaint are given the chance to appeal (for example, to a senior officer or elected members)
- the Local Government Ombudsman has not commented unfavourably on investigators’ behaviour

Staffing

- the council regularly reviews staffing as part of its annual planning and budgeting cycle
- it considers increasing numbers if this would clearly produce savings for the public purse
these decisions take account of whether:
- investigators are overburdened (for example, they have a backlog of unprocessed referrals or are not accepting some referrals);
- WBS per investigator is satisfactory but the council’s performance against threshold is poor
- the council lacks the resources to investigate some types of fraud
- ‘fraud stock’ surveys suggest the potential to make further savings

it continues to increase numbers as long as this produces clear savings for the overall public purse

the council seeks Challenge funding from the DSS to help it to expand its range of investigations

the authority has a core of investigators who are either established employees or whose contracts are for two or more years. This helps ensure continuity and commitment to the authority’s counter-fraud work

the council does not employ investigators on contracts of less than six months

the council rigorously checks the references, qualifications, past experience, disciplinary records and bona fides of all investigative staff, including ones employed on fixed-term and rolling contracts

internal audit tests adherence to these recruitment procedures

investigators’ contracts and terms of employment allow for work outside normal office hours

contracts and terms of employment also expect investigators, who do not receive council vehicles as part of their remuneration package, to use their own vehicles on council business

investigators possess relevant experience and expertise. People from a variety of backgrounds (for example, former assessment staff, police officers, Benefits Agency investigators, rent collectors or other housing staff or council bailiffs) may provide a good mix of skills

investigators have received appropriate training

training includes:
- refresher training
- courses and sessions when:
  - the legislation alters
  - the council amends its procedures
  - it introduces new techniques
  - the authority begins to investigate types of fraud which it has not previously examined
  - training in management skills for the head of the investigations unit and any of his or her staff who supervise others
- the housing benefit (and relevant income support and income-based jobseeker’s allowance) regulations. If investigators do not understand the rules governing entitlement, they are poorly placed to identify fraud
- ways of investigating fraud
- collecting, assessing and recording evidence
- interviewing, including interviewing under caution
- investigations into living together as husband and wife
- health and safety
- procedures for recording details of investigations, including unsuccessful ones
- the authority’s code of conduct for investigators

- the council maintains an up-to-date training log
- the council also provides written, up-to-date guidance on all these issues
- training and guidance take full account of the requirements of the legislation, of the DSS’s circulars and of the Guidance Manual and Local Authority Benefit Fraud Investigators Manual
- managers typically have direct responsibility for four to eight people. (These people may, in turn, manage others)
- managers monitor workload and throughput and move resources or re-allocate work as necessary

**Evidence**

- investigators have clear guidance on the evidence required:
  - by an assessor so that he or she can establish the facts of a case and make the appropriate determinations
  - by a Benefits Agency adjudication officer to allow him or her to establish the facts and make the appropriate decisions regarding income support or income-based jobseeker’s allowance entitlement
  - to claim WBS
  - to allow assessors, or the Benefits Agency, to identify when a fraud began. Otherwise, the council will not be able to raise an overpayment

- the guidance covers:
  - statements by investigators
  - witness statements
  - statements by claimants and landlords
  - physical evidence (pay slips; certificates of earnings; letters from employers; videos and photographs; proof that gas and electricity was not being used at a property, etc)
  - and specifically covers:
    - living together as husband and wife
– undeclared earnings
– evidence relating to non-occupancy and, where that consists of unsuccessful visits, identifying:
  – the minimum number of unannounced and announced visits (preferably three if all are unannounced and at least two if one is announced)
  – the time intervals between these (preferably spread across at least 14 days)
  – whether to leave a card or letter after an unsuccessful visit and, if one is left, its content
  – whether (as is preferable) to leave a letter or to write to the claimant following a final unsuccessful visit asking him or her to contact the council
  – how long to wait, after such a letter, before passing the evidence to assessors (preferably seven days)

◆ the guidance also covers interviewing under caution and whether and how to offer, and record, immunity from prosecution in return for an admission of fraud
◆ interviews under caution comply with the Police and Criminal Evidence Act 1984
◆ the council normally interviews under caution only where it expects to prosecute or use the administrative penalty introduced by the Fraud Act
◆ authorities which frequently interview under caution, tape record interviews rather than use contemporaneous notes
◆ the council makes appropriate use of other evidence. For example, Polaroid photographs, signed, dated and timed on the back by the investigator, can demonstrate that a derelict property is unoccupied
◆ the council does not collect excessive evidence. For example, video surveillance of someone with unreported earnings adds little to a statement from the employer
◆ the council uses standard statement and other forms based, wherever possible, on those in the DSS’s Local Authority Benefit Fraud Investigators Manual

Procedures and administrative support
◆ investigators work to well-defined procedures and use standard interview, referral and case record forms
◆ these are based upon the advice in the Local Authority Benefit Fraud Investigators Manual wherever possible
◆ procedures cover arrangements for interchanges of information between assessors and investigators once an investigation has begun
◆ investigators have administrative and clerical support; for example, to maintain records and to monitor their calls in or returns to the office as part of safety procedures
◆ investigators have their own computer systems
◆ their managers use these to:
  – record details of investigations and their outcomes
– record the WBS and the value of fraudulent overpayments identified by investigators

– monitor workloads and work throughput

– analyse the outcomes of investigations; for example, to identify which types of investigation generate most WBS or to identify the majority of fraudulent overpayments

– monitor the numbers and quality of the referrals from different assessment teams and assessors

– cross-refer current and previous investigations

– record potentially violent claimants, landlords and others

– record potentially dangerous addresses

– generate visiting lists which are pre-sorted by house number and street

– investigators have read-only access to housing benefit and council tax benefit computer records, including, in councils using the technology, document images

– they can similarly read council tax, council housing, sundry debtors, national non-domestic rates and other council records

– the council complies with data protection requirements

**Links with the Benefits Agency**

– the council has a service level agreement with the Benefits Agency sector fraud team which covers its area

– the council and Benefits Agency review and update this annually

– the authority’s staff have an up-to-date list of contacts (names and telephone numbers) at the Benefits Agency fraud unit

– the council provides the Benefits Agency with similar lists

– there is frequent working contact with the Benefits Agency fraud unit

– there are cross training and briefing sessions

– the council monitors performance against the targets in the service level agreement but problems are addressed informally at working level and as soon as they appear. They are not saved up for formal liaison meetings

– the council and Benefits Agency exchange information speedily. For example:

  – by telephone. Agreed passwords, which are changed regularly, can help to verify callers’ identities. Alternatively, people taking calls can telephone back. Before doing so, they can check that the person making the enquiry and that person’s number appear on the contact list. But if liaison is good, people will have met, will speak frequently by telephone and will know each other’s voices

  – by fax
- the authority and the Benefits Agency notify each other of investigations they have begun, to avoid duplication of effort

- the authority and the Benefits Agency co-operate on fraud investigations; for example, by making joint visits to businesses to check whether employees are fraudulently receiving benefits

- the council passes appropriate cases to the Benefits Agency for prosecution; for example, when it identifies a significant income support or income-based jobseeker’s allowance fraud

- the council responds speedily when the Benefits Agency requests statements or other evidence to support a prosecution

- the authority’s investigators speedily notify the Benefits Agency, and provide it with evidence, when they believe that they have identified an income support or income-based jobseeker’s allowance fraud, or a fraud involving any other state benefit

- they do so using form SLA3 from the national model service level agreement or a locally agreed variant of this form

- when passing information to the Benefits Agency, the authority includes the claimant’s National Insurance Number. If it does not know the National Insurance Number, it gives the date of birth

- the council considers exercising its discretion to suspend housing benefit and council tax benefit awards, linked to cases passed to the Benefits Agency, until it receives the Benefits Agency’s decision

- it monitors the return of SLA3s from the Benefits Agency and receipt of related housing benefit forms

- it follows up any delays and does not leave cases suspended indefinitely or for unreasonably long periods

- if the Benefits Agency consistently declines to cancel income support or income-based jobseeker’s allowance when the council passes SLA3s to it, the authority discusses the reasons with the Agency. If necessary, it then amends its procedures and advice to investigators on the quality and presentation of evidence

### Safety

- the authority has prepared written health and safety guidance for investigators

- it also trains investigators; for example, in interviewing skills, reading body language and tension diffusion

- investigators have mobile telephones or, where this is a more effective use of resources, radios

- investigators leave a diary of planned visits in the office together with the time by which they expect to return to, or telephone or radio, the office

- investigators who expect to be out of the office for all, or most, of the day arrange to telephone or radio in at several agreed times. Offices are staffed or covering arrangements are made if investigators make early morning, evening or weekend visits
- Investigators and office staff have agreed short codes or standard phrases which can be used to ask for help (and to check whether help is needed) over the telephone or radio.

- Office staff try to contact investigators who do not telephone or radio in, or return to the office, at the expected time. If they do not succeed, they contact the police.

- The council has clear rules about whether investigators should visit alone or in pairs.

- Investigators check whether a claimant, landlord or agent, or address presents particular dangers before they visit or interview.

- Investigators thus:
  - Draw on address- and name-based indices, or other records, of attacks, threats or other potentially dangerous incidents.
  - Check whether the Benefits Agency records the claimant as ‘potentially violent’.
  - Liaise with colleagues elsewhere in the council; for example, housing or environmental health.
  - Liaise with their contacts in the local police force.

- Where there are particular dangers, investigators either:
  - Visit in pairs.
  - Write or telephone to ask the claimant or landlord to visit council offices; or
  - Pass the case to the police.

- Investigators have, or have access to, secure interview areas fitted with screens and panic buttons.

- Other interview areas are safe - staff have panic buttons and can leave easily and quickly if threatened. Someone who is threatened or in danger can lock the door once he or she has left the room.

- The authority advises investigators to consider whether to live outside the area in which they work. Alternatively, it does not ask people to investigate cases involving addresses close to their homes.

- The council removes details of investigators’ cars from commercially available vehicle ownership databases (so that claimants and others cannot use vehicle numbers to find out where investigators live).

- The council takes other safety measures; for example, providing attack alarms.

- The council reports any attacks on its staff, or damage to their property, to police.

- It also analyses any such incidents to decide whether to alter its safety procedures.

### Quality Control

- Investigators’ line managers review records of completed investigations.
these include cases where:
- no fraud has been found
- evidence of fraud is to be passed to assessors or the Benefits Agency

quality control reviews cover visits, referrals, proactive exercises and the data matching work discussed in Chapters 5 and 6

the council records the results of quality control reviews:
- on individual files (who performed the review, date, result)
- in summary statistical form

managers examine cases where investigators have identified, or tried to identify, fraudulent overpayments, where benefit is no longer in payment, as well as investigations into ongoing frauds

managers seek to examine all closed cases

if this is not possible, they randomly sample a set percentage of cases where fraud has been found, a set percentage of overpayment-only cases and a set percentage of other closed cases

they always examine all the work of new staff until satisfied that it meets quality requirements

they also examine all cases where the council intends to prosecute or ask the Benefits Agency or police to prosecute or formally to caution or to use the administrative penalty

quality control reviews cover adherence to the council’s requirements and procedures for:
- recording details of investigations
- statements by investigators
- statements by third parties
- interviews, including, where appropriate, interviewing under caution
- statements by claimants
- providing evidence of ‘gone aways’/non-residency
- physical evidence
- identifying cases to prosecute or where to apply an administrative penalty

managers use reviews to help to identify training needs and where written guidance, forms or procedures require improvement or clarification

the council complies with the former Para. 9.89, Chapter C9, of the DSS’s *Guidance Manual* (now found at paragraph 1209 of the *Local Authority Benefit Fraud Investigators Manual*). Investigators pass evidence to assessors who use it to help them to decide whether to refuse, cancel or reduce benefit and to decide whether to raise, and how to classify, overpayments
assessors critically examine the evidence provided to them by investigators. They do not accept it without question and are prepared to establish facts that are different from those perceived by investigators or to ask them to carry out more work.

the quality assurance checks by investigators’ line managers are carried out with the aim of ensuring that assessors only rarely reject evidence or ask for more work.

when assessors reject evidence or ask for more work, investigators’ managers:

- examine the case papers to check that they meet current quality standards
- discuss such cases with assessors
- amend or clarify procedures, forms or instructions, where this is necessary
- identify any training requirements

if a claimant or landlord appeals against a determination that was based on evidence provided by investigators:

- the case is examined by a different assessor from the one who made the original decision
- if that assessor decides that investigators should provide further evidence:
  - investigators’ managers review the papers
  - wherever possible, a different investigator carries out that extra work

and, if the appeal succeeds:

- investigators’ managers reappraise quality assurance standards, procedures, forms and training for investigators

the council uses similar procedures if a claimant or landlord subsequently requests that a case be considered by a review board.

the council either:

- has sound procedures to identify and withdraw, or amend, claims for housing benefit and council tax benefit WBS when appeals succeed
- generates a claim for housing benefit or council tax benefit WBS at least six weeks after assessors have sent the relevant notice(s) and then does so only if no one has appealed
- generates remaining housing benefit or council tax benefit WBS claims more than four weeks after it has rejected an appeal and then does so only if no one has requested a review board hearing
- generates remaining housing benefit or council tax benefit WBS claims only if a board has found in its favour

when the council claims WBS, it:

- has proof of the benefit in payment when investigators passed their evidence to assessors; or,
- (for cases that had not entered payment) has an estimate from assessors of the amount that would have been paid had the fraud succeeded, together with a summary of how they obtained that figure.
- can demonstrate that assessors refused, reduced or cancelled benefit because of the evidence they received from investigators
- can prove that it has calculated WBS correctly and that it has taken into account any lesser amount that was properly payable for the benefit week in question

- the authority has systems to identify and claim all the council tax benefit WBS to which it is entitled
- the council claims WBS for income support, jobseeker’s allowance and other state benefits only when it has received an SLA3, or locally agreed written equivalent, from the Benefits Agency
- line managers regularly review samples of WBS claims to check that they meet the DSS’s requirements for a valid claim
- internal audit examines investigation and WBS systems and sample checks investigation records and WBS claims annually
- internal audit also examines whether quality control arrangements for WBS are satisfactory

### Preventing malpractice

- wherever possible, investigators’ duties are rotated, so that one person does not always work the same ‘patch’ or deal with the same landlords
- two people do not regularly visit or interview together (in authorities where staff normally visit in pairs)
- investigators do not hand-deliver cheques
- managers draw on quality assurance work to identify possible malpractice
- managers monitor appeals by claimants or landlords against decisions to refuse, withdraw or reduce benefit. A manager, or another investigator, interviews the claimant or landlord if he or she challenges an investigator’s statements. For example, managers should follow up allegations that a claimant was at home when an investigator says he or she called but found no one in
- managers occasionally add non-existent addresses or dummy claims to visiting lists or lists of referrals. Investigators who claim to have dealt with these cases are lying
- managers occasionally call at or telephone addresses that investigators report that they visited
- managers tell internal audit if there are serious doubts about an investigator’s integrity
- internal audit investigates further, possibly with the co-operation of the investigator’s managers. For example, they place under surveillance any investigator who is suspected of recording visits that he or she has not made
- the council normally takes disciplinary action when it finds malpractice
- the authority normally prosecutes or passes the case to the police when, and if, it has evidence that an investigator has committed an offence
Investigation should cover rent allowance and rent rebate fraud, including cases involving eligibility for income support or income-based jobseeker’s allowance.

The work includes:

◆ visits to claimants, whether by investigators or other staff;
◆ reactive investigations; and
◆ proactive exercises;

but:

◆ should not focus solely on Weekly Benefit Savings (WBS). Where this is a good use of resources, investigators should also seek to establish when a fraud started, so that the full amount of any overpayment can be established. As part of this they may occasionally examine cases where payment has already ceased. Where appropriate, investigators should also obtain sufficient evidence to support a prosecution or use of the new administrative penalty.
Investigators in many authorities, particularly in urban areas, pay special attention to non-residency by tenants in the deregulated private sector. This is a good area in which to begin investigative work. However, councils that have also investigated other types of abuse have made important savings. The mix of cases investigated by a particular council will, nevertheless, depend on local circumstances. Despite such differences in emphasis, all councils should, at least occasionally, examine the full range of possible frauds. Focusing on only certain types of fraud makes it impossible to detect other types of abuse. This, in turn, means that authorities cannot deter some abuses by recovering overpayments and, in appropriate instances, using the administrative penalty or prosecuting.

Investigation requires a range of interviewing and other skills. The work should normally include a visiting programme, reactive investigations in response to referrals from assessors and others and proactive exercises initiated by investigators. The national verification and benefits administration framework, discussed in Chapter 3, is likely to increase the importance of visiting work. A fourth technique, data matching, is also important, but is discussed separately in the next chapter (Chapter 6).

Time and cost considerations will always be important when deciding the amount of effort to devote during investigations to collecting evidence about the amount overpaid. Decisions should take account of the income generated by, and deterrent effect of, subsequent recovery. They should also take account of the potential deterrent effect of the administrative penalty or prosecution. Authorities can raise overpayments even when they do not identify the fraud until after payment has ceased (and cannot, therefore, record Weekly Benefit Savings (WBS)). They can similarly prosecute or use the administrative penalty in cases where they cannot record Savings. Investigations should therefore include work on appropriate cases that are not currently in payment but where there might have been fraud.

The Fraud Act has given investigators – who have been appointed as ‘inspectors’ – powers to enter ‘business’ premises and to make enquiries about, and examine documents relating to, any person believed to be a benefit claimant or recipient. This will allow them to, for example, check employers’ records to verify who is employed and their wages, and to enter landlords’ or agents’ premises and then to check details of tenancies.

The rest of this chapter discusses... It will help authorities to...

- the types of fraud to investigate ... increase the amounts of public money which they save and the WBS subsidy which they receive
- visiting programmes ... ensure that claimants are resident, or continuing to live, at the addresses for which they are claiming, or have been awarded, benefit and that they are, or remain, entitled to the benefit
- reactive investigations, in response to referrals from assessment staff, other council employees, other contacts and members of the public ... use investigators’ time effectively, by focusing on cases that are likely to involve fraud.
- proactive exercises, initiated by investigators ... detect frauds that might not otherwise be identified
- examine appropriate cases where payment has already ceased ... allow the authority to recover the money. It will also permit use of the administrative penalty or prosecuting.
5.1 In 1995 the Department of Social Security (DSS) arranged for investigators in 52 local authorities to review a sample of nearly 5,000 housing benefit claims to identify cases that were fraudulent. Fraud was established, or strongly suspected, in 6.3 per cent of the cases examined in this Housing Benefit Review (Ref. 6). Another 1 per cent of cases were categorised as possible frauds. The DSS drew on these results, and an earlier review of income support, to estimate that housing benefit fraud costs about £900 million a year in Great Britain. This figure has a 95 per cent confidence range of +/– £400 million (that is, there was only one chance in twenty that the true cost lay outside the range of £500 million to £1,300 million).

5.2 The Review revealed that undeclared earnings, or under-reporting of earnings, was, numerically, the largest single type of fraud. Overall, non-residency was the second most prevalent type of abuse.

5.3 The Review also found that:

◆ most of the losses to housing benefit fraud are to people awarded income support. This group accounts for 74 per cent of the housing benefit expenditure lost to fraud;

◆ cases where the claimant was not receiving income support had, however, a higher relative incidence of fraud than ones linked to income support. About 8.6 per cent of claims in the former group were fraudulent compared with 5.1 per cent in the latter;

◆ pensioners were less likely to commit fraud than some other types of claimant;

and that:

◆ similar numbers of people commit rent allowance and rent rebate fraud. However, the relative risk per case is greater for the former as there are fewer rent allowance claims in payment at any time than there are rent rebate awards;

◆ the losses to rent allowance fraud are more than twice those to rent rebate fraud. (Differences in rent levels in the public and private sectors mean that, on average, a rent allowance award is worth more than a rent rebate);

◆ non-residency is the largest single cause of rent allowance fraud. (It is second overall as it is less common in council housing). The DSS estimates that this costs about £250 million a year and that up to £150 million of this loss may be due to landlord abuse. Some investigators have argued that the Department has seriously underestimated these and other losses. The Audit Commission’s joint study with the National Audit Office into housing benefit fraud confirms that there is abuse by some landlords and managing agents and severe problems in a minority of councils. However, there is currently no reliable evidence to support the view that the Department has underestimated either the overall,

---

1 The Review was carried out before the introduction of jobseeker’s allowance.
national losses to fraud or the extent of organised abuse. The London Organised Fraud Investigation Team will throw more light on the position in the capital.

**Do we investigate all types of fraud?**

5.4 Many councils have understandably and rightly paid attention to non-residency by people awarded or claiming rent allowances. They have often focused on the deregulated private sector, especially houses in multiple occupation and bed and breakfast establishments where there is a high turnover of residents. However, many councils have as yet paid comparatively little attention to other types of fraud. Thus, in most authorities, rent allowance provides all or the great bulk of the housing benefit Savings recorded by investigators (Exhibit 5.1). LSVT authorities have no opportunity to record WBS on rent rebates. But, elsewhere, the figures suggest councils may not always be paying sufficient attention to fraud by council tenants.

5.5 Authorities should pay most attention to the areas of highest risk. Rent allowance fraud, particularly in houses in multiple occupation and some other short stay accommodation, often comes into this category. However, councils should also examine other types of abuse. At present, some officers:

◆ show little commitment to examining rent rebate fraud. This is sometimes because they fear the impact on their authority’s rent collection rates and rent arrears if they identify abuses. Sometimes it is because they have not yet sought support for such work from their elected members;

---

**Exhibit 5.1**

**Housing Benefit Savings**

In most councils rent allowance provides all or most of the housing benefit Savings reported by investigators.

---

*Source: Audit Commission analysis of (unaudited) DSS data for 1996/97. Each vertical bar represents one authority. Data are for all authorities in England and Wales administering housing benefit. Data excludes Savings on council tax benefit and on income support, jobseeker’s allowance and other benefits administered by the Benefits Agency.*
 Councils should be prepared to examine all types of fraud.

- pay little attention to frauds linked to non-eligibility for income support or income-based jobseeker’s allowance. This helps explain why many councils record little income support WBS; the poor liaison and co-operation between the Benefits Agency and councils discussed in Chapter 4 also contribute. However, in some places investigators from both the Agency and the authority take the view that they have enough work to keep them busy. Councils such as Stroud and Solihull that have developed good working relationships with the Agency have reported significant income support savings.

5.6 Councils should be prepared to examine all types of fraud. As discussed in Chapter 4, they should consider continuing to increase resources, if they can afford to do so and this appears likely to deliver significant savings to the public purse. The mix of cases examined by a particular council will, nevertheless, depend on an analysis of relative risk. This should take account of local circumstances, such as the number of houses in multiple occupation and ‘DSS hotels’ and the availability of part-time, seasonal and casual work.

5.7 Some rent rebate frauds may be linked to unauthorised occupancy of council housing and other abuses. Some authorities have separate units that deal with these issues. Chapter 1 discusses the need to cover responsibilities in this area, and liaison and co-operation in the investigation unit’s terms of reference. Where there are separate housing occupancy units, councils should cancel housing benefit awards promptly when these units identify occupancy abuses. Councils can consider whether to designate the officers in the housing occupancy unit as benefit fraud officers, in order legitimately to record WBS. Where they do, much of the advice in Chapter 4 will be relevant to the management of those officers’ work.

5.8 Investigators may identify other types of fraud, or possible fraud, against the council. For example, they may find renovation grant fraud or council house key selling. Depending on their terms of reference (see Chapter 1), they should either continue the investigation, liaise with internal audit, liaise with other investigative units in the council or contact the police. They should follow the procedures in their terms of reference whenever they identify a fraud or possible fraud by an elected member. They should similarly follow their terms of reference if they identify fraud or possible fraud by a council employee or by an employee of a contractor providing a service on the council’s behalf.

5.9 Councils should not attempt to run an alternative police force. Investigators require a range of skills and techniques, including the ability to interview claimants and others and to do so under caution where this is appropriate. They also need telephone skills and, sometimes, the ability to carry out observations. However, investigations that require lengthy and labour-intensive observations or the use of expensive surveillance equipment are normally justified only if significant amounts of public money are at risk. Simpler evidence, such as Polaroid photographs of a claimant at work, supported by adequate records of who took the photograph and when, will suffice in many investigations. It will usually be better to pass major cases
to other agencies rather than to investigate them in-house. Options include the police, Benefits Agency organised fraud units and specialist units such as the London Organised Fraud Investigation Team. Investigators should be encouraged to establish good working-level liaison, and to network, with such bodies.

**Do we analyse the costs and outcomes of different approaches to select the best and to help us identify the resources we require?**

5.10 Councils should experiment with different approaches and examine different types of case from time to time. This demonstrates that there are no ‘no-go’ areas for investigation. Experimentation will also help test whether investigators are focusing on the right types of case and help to demonstrate whether it would be cost-effective to increase resources and routinely take on more work. Councils should therefore occasionally re-test approaches that they have abandoned or which have not been successful when trialled previously. This will reveal whether circumstances have changed and whether these approaches are now fruitful. It will also demonstrate that the council investigates all types of fraud. Investigators should also discuss approaches with colleagues in other authorities and in the Benefits Agency. They should adopt best practices that have proved to be successful elsewhere.

**Visiting claimants**

**Do we visit enough claimants and do we visit them frequently enough?**

5.11 Investigative work normally includes a visiting programme to ensure that claimants are resident, or continuing to live, at the addresses for which they have claimed benefit. Such programmes have often proved highly successful, particularly if targeted on houses in multiple occupation and hotels, bed and breakfast establishments and other addresses likely to have a high turnover of residents. Authorities that have not previously visited often find that 20 per cent or more of claimants are not present at such properties. Some authorities, such as Pendle, now visit all new claimants or, as at Southwark, visit all new private sector claimants. Programmed visits to people whose claims are already in payment have also proved effective, as with Manchester City Council’s visits to houses in multiple occupation.

5.12 Visiting work is often financed by Challenge funding from the DSS. Some authorities employ specialist visiting staff, who enquire only about residency and who require a narrower range of skills than other investigators. Alternatively, investigators verify other information, besides residency, when they see claimants. They can also answer claimants’ queries or pass them on to assessors. Investigators or visiting officers should normally collect a signature during a successful visit, to compare with that on the most recent claim. This can be done on return to the office. Alternatively, the investigator can bring a copy of the most recent claim
with him or her, compare the signatures on-site and immediately follow up any apparent discrepancy.

5.13. Investigators can take account of relative risk and pay more frequent visits to addresses with a high turnover of residents or where previous visits have revealed significant non-residency. They can similarly pay more frequent visits to the properties of any landlords or managing agents with a history of receiving payments for people who are not at the properties. Investigators might face allegations of harassment if they visit particular addresses with excessive frequency. Professional behaviour, in accordance with their council’s code of practice, helps guard against this accusation. And, if non-residency problems justify very frequent visits, councils should consider whether to prosecute (see Chapter 8). At present, some investigators appear content to ‘milk’ addresses that offer high WBS but to be unwilling to do anything to try to end the abuses. Hand-delivery of first or other cheques is now rare and should be avoided as it creates opportunities for internal abuse.

5.14 As at Haringey, computer listings, sorted into address and street order, can help to make the most effective use of time spent on visits. As discussed in Chapter 4, councils need clear rules and procedures for visiting, for obtaining sufficient evidence to support the conclusion that the claimant is non-resident. They also need to supervise and quality control visiting programmes.

5.15 Visiting programmes are likely further to increase in importance under the national verification and benefits administration framework. Chapter 3 discusses the framework, which is expected to be available from the autumn of 1997. The framework is expected to include visits to, or interviews with, claimants before cases enter payment. (When claimants are receiving income support or jobseeker’s allowance, authorities will not be asked to re-check information already verified by the Benefits Agency.) The framework is also expected to specify that authorities:

- seek a new claim, from people to whom they have awarded benefit, once a year;
- categorise cases as having a ‘high’, ‘medium’ or ‘low’ risk that circumstances will change during the year; and
- carry out intervening visits to, or interviews with, people in the ‘medium’ and ‘high’ risk categories to check that they remain entitled to the benefit.

Subsidy arrangements are likely to alter to encourage councils to adopt the framework.
5.16 Such visits will also provide an opportunity to improve customer care; for example, visiting staff can answer or note claimants’ queries; and obtain, or explain the need to provide, evidence to support the claim. Visiting staff can also check that people are claiming or receiving all the benefit to which they are entitled. The DSS’s Review (Ref. 6) found that 13 per cent of cases contain some sort of non-fraudulent error. Some authorities may choose to ask assessment staff rather than investigators to carry out some of this work. Many of these visits will normally involve checking more than residency. The people carrying them out need, therefore, to be aware of fraud. They require the appropriate skills, training and other support discussed in Chapter 4. They will meet many innocent and vulnerable people and should work to a code of conduct (see, again, Chapter 4).

5.17 The Benefits Agency is also extending its visiting programmes. Councils should attempt to co-ordinate action with the Agency to avoid duplication of effort. Authorities may also need to co-ordinate work internally if, for example, they have separate housing benefit fraud and housing occupancy investigations units.

---

**Do we encourage, and follow up, referrals?**

5.18 Reactive investigations in response to referrals are a second important source of savings. Effective liaison with assessors is particularly important (Case Study 5.1). Many good referrals arise because assessors have received fraud awareness training. Chapter 3 covers this and includes a discussion of criteria for referral. Investigators thus have a strong vested interest in providing fraud awareness training and in encouraging referrals; for example, by thanking assessors who have provided good leads. This liaison will be helped if, irrespective of reporting lines (for example, of whether investigators report to the head of benefits or are part of internal audit), the investigators’ office is close to the assessors’ accommodation. More cases will routinely be referred for visits as the national verification and benefits administration framework is implemented. However, assessors should still be encouraged to draw investigators’ attention to any indicators of possible fraud, and ask them to check particular points, when they refer cases. Assessors should still be encouraged to refer cases that are not covered by the framework to investigators where they suspect fraud. Investigators can also ask them routinely to refer fresh claims from people who have previously defrauded or attempted to defraud the council.

5.19 Some follow-up work on referrals can be carried out by telephone or letter. It can be delegated to office-based staff who do not possess the full range of skills and expertise required by investigators when they work away from the office. Authorities can claim WBS in these cases, provided the office-based staff have received the necessary designation as fraud officers.
At one council, one benefits office deals with rent allowances and a second with rent rebates. The two are a 20-minute drive apart. The council’s fraud investigators work from the same office as the rent allowance team. Both assessment offices have a fraud liaison officer who examines all referrals and passes them to investigators.

The investigators return cases to the liaison officers once they have completed their enquiries. The liaison officers then assess or re-assess cases and cancel claims, raise overpayments, etc, as necessary. They thus help to quality control both the assessors’ generation of referrals and investigators’ subsequent work.

Investigators collect referrals from the two liaison officers at least once a week. The liaison officers and investigators also hold regular, formal meetings.

Bristol City Council administers benefits from 15 area offices but has a central fraud investigation unit. The benefits supervisor at each area office also acts as a liaison officer. They filter referrals, carry out preliminary, desk-based, checks and process cases returned to them once investigations are complete. They all meet regularly with investigators to discuss matters of concern.

Other council staff or staff working for the authority’s contractors can also provide useful information. Examples include staff in housing, homelessness, council tax, environmental health, public carriage licensing, renovation grants, planning, council house sales, council mortgages, trading standards, electoral registration, non-domestic rating, planning and development control. Counter staff can also generate useful referrals (Case Study 5.2). Here, too, investigators have a vested interest in providing awareness training, in keeping in touch with people and in thanking them for the help they provide. Investigators can support this by providing contact telephone numbers and with internal publicity; for example, posters in canteens and other noticeboards and articles in staff newsletters.

The London Borough of Brent’s investigators encourage a wide range of council staff, who meet claimants, to be alert for possible fraud and to refer cases to them. For example, they have given fraud awareness training to counter staff in one-stop-shops and housing offices. Indicators of possible fraud include:

- cases where a claimant and ‘landlord’ of opposite sexes visit offices together; the claimant is accompanied by a child and the child calls the ‘landlord’ ‘daddy’ (or ‘mummy’) or the ‘landlord’ and claimant seem unusually close;
- ‘unemployed’ claimants who visit offices:
  - dressed in company uniforms; or
  - driving company cars or vans.
Contacts in other organisations can also prove useful. Many effective investigators network extensively with colleagues in the Benefits Agency and neighbouring councils, with local police, with the rent officer service and other organisations. Investigators should pass to their colleagues in other councils any information about apparent frauds against those authorities. Fraud ‘hotlines’ can also generate useful referrals (Case Study 5.3). The DSS also makes extensive use of nationally advertised fraudlines and is refining its arrangements for passing appropriate cases to councils to investigate. Councils should advertise when lines will be open or use 24-hour services with answering machines.

Other tip-offs from the public are also helpful. Investigators should encourage assessors and contacts elsewhere in the council to pass to them any allegations which they receive by letter, telephone or when meeting members of the public. Tip-offs, particularly anonymous denunciations, may be sometimes malicious (or simply mistaken). This reinforces the need for investigators to examine cases professionally and to follow the authority’s code of conduct for investigators.

People answering fraud hotlines, and assessors taking denunciations over the telephone, should refer to a checklist of information to try to obtain (Case Study 5.4, overleaf). They should ask politely for the caller’s name or a telephone number. However, they should recognise that people are often reluctant to give their names and should not press for personal details. Where authorities use answering machines, their recorded messages should not be too long or over-complicated. Messages should thank people for calling. They should then ask callers to give the name and address of the person they suspect of committing fraud and for brief details of the alleged fraud. Councils which have more than one investigative unit (for example, housing benefit; housing occupancy) can consider using a single fraudline number (possibly publicised on separate housing benefit and occupancy posters). Alternatively, the different units can arrange to exchange appropriate tip-offs.

Proactive exercises initiated by investigators, possibly in co-operation with other organisations, are a third major source of fruitful investigations. They include joint exercises with the Benefits Agency; for example, visits to local employers and initiatives by the council (Case Study 5.5, overleaf). They should, as at Pendle, be covered in the investigators’ annual plan. Authorities that have not been routinely using the referral criteria described in Chapter 3 possess a stock of existing cases, which they can proactively investigate. Computer database searches can help to identify many of these cases. Examples include:

- claimants who are in work but who report suspiciously low earnings; and
Exhibit 5.3
Fraud hotlines

Bristol City Council uses this poster to help to publicise its fraud hotline.

Source: Fieldwork/Bristol City Council
Case Study 5.4
Anonymous telephone calls

Middlesbrough Borough Council used a proforma to log telephone calls. It covers:
- claimant’s name;
- claimant’s full address;
- claimant’s approximate age;
- details of the allegation;
- details of the claimant’s height, build and hair;
- name and description of any alleged partner;
- make, model, colour, registration number of car; and
- any other information, for example, place of work, time claimant allegedly leaves home for work.

Source: Fieldwork/Middlesbrough Borough Council

Case Study 5.5
Proactive investigations

The London Borough of Brent’s investigations unit has a proactive programme which uses searches of the housing benefit database to help to select cases to investigate.

In one exercise, the database generated a list of ‘single fathers’ – housing benefit claimants who had children in their households but who did not have partners. Investigators examined claim forms and other case records and identified cases where a visit appeared justified.

These included cases where:
- siblings were born less than nine months apart;
- dates of birth, or the spellings of children’s names, differed from claim to claim;
- children’s dates of birth appeared particularly easy to remember (for example, 8.8.88); and
- children had unusual, old-fashioned names.

The visits revealed that a significant number of the ‘parents’ did not have any children in their households; WBS of £77,600 and overpayments of £14,200 were identified.

These claimants had fraudulently:
- increased the amounts awarded, as the calculations included family and lone parent premiums; and
- obtained housing benefit for accommodation which was over-large for their needs and for which the council would, otherwise, have applied a

Source: Fieldwork/London Borough of Brent
cases where there are similarities between the names of the claimant (or partner), or the claimant's children, and the landlord.

5.25 The work can involve special exercises or can be ongoing. For example, at one council investigators routinely take the addresses of any apparently derelict or unoccupied residential properties which they see when out of the office on business. They then check whether benefit is in payment for the address. If benefit is being paid, they initiate an inquiry and visit the address. An alternative would be deliberately to survey selected areas, including council estates, to perform such checks. Other options include identifying local mini-cab drivers, market traders and others and checking whether they are receiving housing benefit and, if they are, whether they have declared income from their work. For example, Thanet District Council found a number of frauds when it checked the housing benefit records of people trading in a local antiques market. Its staff subsequently visited similar markets elsewhere in the county and uncovered a number of other frauds.

5.26 Section 12 of the Fraud Act came into effect on 1 July 1997. It gives local authority investigators ('inspectors' designated by the authority) powers to enter business premises and private houses (where a trade or business is believed to be carried out from that house and is not also being carried out from separate business premises). The inspector has powers to obtain information and to inspect or obtain copies of records relating to any person believed to be a benefit claimant or recipient. This should help with, for example, proactive investigations into the activities of selected landlords or managing agents. Authorities using these powers should follow any relevant advice issued by the DSS.

5.27 At other councils, investigators read local newspapers and check housing benefit records to see whether benefit is being paid to anyone at an address mentioned in the press. They can similarly check whether someone is receiving benefit for a different address from the one given in the newspaper. They follow up any discrepancy. Some investigators check whether people whose marriages have been announced in local papers are receiving benefit as single people. Investigators should, however, give claimants who have recently married a reasonable opportunity to report the change before acting.

5.28 Investigators can also usefully examine:

- mail returned undelivered from claimants' addresses. This may indicate non-residence. When Middlesbrough Council began to do this, it identified 68 cases of non-occupation, and recorded £110,000 in WBS, in the first two months. Marking envelopes ‘Do not forward’ can help ensure that undelivered mail is returned to the council. Section 20 of the Fraud Act, when implemented, will place the Post Office under a duty to obey such a request;

- information about claimants’ presentation of cheques, particularly:
– delays in presentation. This suggests that the claimant has no immediate need of the money, which might indicate that he or she has undeclared resources or is not, in fact, liable to pay rent; and

– unusual encashment patterns; for example, presentation at banks some distance from the address for which benefit has been awarded. This might indicate non-residence, or that an ostensibly unemployed claimant is cashing the cheques at a bank near a place of work.

5.29 These are, however, indicators of possible abuse, not proofs. There may be legitimate explanations, which, again, reinforces the need to examine cases professionally and in accord with the authority’s code of conduct.

5.30 Where proactive exercises are successful, authorities should consider adding the criteria that helped to identify frauds to their normal checking and verification of claims. Assessors can then routinely refer such claims to investigators as they are received. If proactive exercises suggest that there may be weaknesses in the Benefits Agency’s verification of income, capital or other information supplied to it by claimants, authorities should draw this to the Agency’s attention.

5.31 Investigations should not focus solely on maximising WBS. Authorities should also seek to identify and recover money overpaid because of fraud. Where appropriate, they should use the administrative penalty or prosecute. Chapters 7 and 8 discuss these issues in more detail.

5.32 Authorities should, therefore, establish why claimants have not returned claim renewal forms. Non-response can have innocent causes. For example, elderly or confused people may not respond. People with learning difficulties, people unfamiliar with English and people who otherwise find it difficult to deal with official letters may also fail to respond. Information from the latest claim can help to identify people in this position. Relevant data may include the claimant’s age; receipt of disability or other premiums or allowances; renting sheltered accommodation or accommodation in hostels that provide accommodation for vulnerable client groups. Many councils already employ specialist staff who visit vulnerable claimants to help them to renew their claims. Other councils ask assessors to visit or to refer non-renewal to social services or to council housing staff. If the claimant rents from a housing association, non-referral might be referred to the association. However, non-response may also indicate that the claimant is not resident or reveal other fraud (see, for example, case Study 8.3, Chapter 8). Councils should, therefore, expect investigators to follow up those non-renewals which no one else is examining.
# Checklist for action

## What to investigate

- the council uses risk analyses and fraud stock surveys to help to select the types of case on which to focus
- the council investigates rent rebate as well as rent allowance fraud
- the authority co-ordinates investigations into rent rebate fraud and any other investigations involving council housing (for example, investigations into unauthorised occupancy)
- it examines the housing benefit position whenever it identifies unauthorised occupancy or other council housing abuses
- it cancels awards promptly (and later seeks to recover overpayments, considers prosecution, etc) when this reveals rent rebate fraud
- it ensures that it can legitimately record WBS in these instances by designating appropriate officers as housing benefit fraud staff (irrespective of whether they work in the benefit fraud unit or in another of its investigative units)
- it investigates all types of benefit fraud and does not have any ‘no-go’ areas
- this includes investigating frauds that involve:
  - non-residency
  - non-disclosure of relevant information about tenancies (which, if known to the council, might lead it to conclude that the tenancies were contrived)
  - failing to declare non-dependent adults
  - obtaining income support or income-based jobseeker’s allowance to which the claimant is not entitled
  - providing other false information
  - failing to report other changes in circumstances
- it draws upon analyses of the costs of, and returns from, different types of investigation when deciding which to focus on. Analyses can include the proportion of ‘hits’; WBS; the number and value of fraudulent overpayments identified; direct savings to the authority
- the authority also uses this information to help decide whether to increase staff and other resources
- it considers increasing resources if it can afford to do so and this appears likely to deliver significant savings to the public purse
- it tries new approaches from time to time to test their effectiveness and inform these decisions
- it also experiments with approaches that have proved successful elsewhere
the council also re-tests approaches that it has abandoned or which appeared ineffective when last examined

investigators follow the procedures set out in their unit’s terms of reference (for example, notifying the authority’s chief internal auditor) immediately whenever a fraud or apparent fraud involves a council employee or an employee of a contractor providing a service on the council’s behalf

any further work on such cases is carried out in accordance with the procedures in the terms of reference (for example, by or under the supervision of internal audit)

if investigators identify other types of fraud, or possible fraud, against the council (for example, renovation grant fraud or council house key selling) they either:
- inform internal audit and then work under its supervision
- liaise with other investigative units; for example, the council’s housing occupancy team
- inform police

in accordance with their terms of reference

investigators are required to report to an appropriate senior officer whenever they find evidence of apparent fraud by an elected member, for example whenever they claim WBS because of an apparent fraud by a councillor

Visiting claimants

visits to claimants form a significant part of investigators’ work

visiting programmes take account of the requirements in the verification and benefits administration framework

the authority seeks to co-ordinate its programme with that of the Benefits Agency

the council thus either regularly uses, or has experimented with, visits made:
- before a new claim enters payment. Options include visiting all new claims or visiting certain types of claimant; for example, tenants in the deregulated private sector
- shortly after new claims enter payment. Again, this can be targeted on particular types of claim
- when claims are being renewed. These visits, too, can be targeted on selected types of claim
- to all claimants at selected higher-risk addresses
- to all claimants in a particular street or area
- to all claimants who are tenants of particular landlords

visits always check residency. Where the claimant is seen, the visit also involves a comparison, either on-site or later in the office, between a signature provided by the person interviewed and the signature on the most recent claim form

the authority also either regularly verifies other information during visits or has experimented with doing so
**visits are planned so as to maximise visiting time and minimise travelling time. Options include geographic targeting to visit all claimants in a particular area on the same day, or using computer-generated visiting lists that are sorted into a visiting order to minimise travelling time**

**the approach used to programme visiting work is varied from time to time so that fraudsters cannot easily predict visiting patterns**

**proactive visits are normally targeted on cases that experience shows are most likely to bring results (though with occasional experimentation to test new approaches, help to establish the ‘stock’ of fraud and to demonstrate that there are no ‘no-go’ areas)**

---

**Referrals**

- investigators encourage assessors to refer cases to them
- assessors receive the fraud awareness training and guidance, possess the standard referral forms and procedures and receive the feedback on referrals, discussed in Chapter 3
- managers monitor the numbers and outcomes of referrals to identify training and other needs, as discussed in Chapter 3
- investigators encourage referrals from elsewhere in the authority (and from contractors providing services on its behalf)
- they therefore provide regular fraud awareness training sessions to colleagues, including those in reception areas and in housing, homelessness, council tax, environmental health, public carriage licensing, renovation grants, planning, council house sales and elsewhere
- investigators support this by providing contact telephone numbers and with internal publicity; for example, posters in canteens and other noticeboards and articles in staff newsletters
- they thank colleagues for referrals and, where possible, give feedback on their outcomes
- investigators similarly encourage referrals from outside the authority
- liaise and network with investigators working for neighbouring councils; specialist units such as the London Organised Fraud Investigation Team and the London Team Against Fraud; the Rent Officer Service; Benefits Agency investigators; the Employment Service; local police; the public utilities; local estate agents; local employers; employment agencies and others
- the council actively seeks tip-offs by providing, or using, a fraud hotline
- it publicises the fraud hotline; for example, on posters, in local newspapers, on local radio and on leaflets sent with claim forms, council tax bills and rent cards
- answerphone is used, callers are thanked for contacting the council and asked to provide the name and address of the alleged fraudster and the nature of the fraud
- the council provides staff with a checklist of information to try to obtain when people telephone, or visit, to denounce fraudsters
investigators pass to their colleagues in neighbouring councils any tip-offs they receive about people living outside their authority’s area

the council has considered whether to have some office-based investigative staff to deal with telephone and letter-based enquiries

### Proactive investigations

investigators have a vigorous proactive programme

this includes joint exercises with the Benefits Agency; for example, visits to factories, building sites and other workplaces to identify people receiving benefits but who have not declared their earned income

investigators also identify apparently derelict or unoccupied accommodation for which the council is paying benefit. They then carry out further work to try to confirm non-occupancy

to do this, they check housing benefit records after either:
- noting the addresses of seemingly derelict or empty properties which they notice during their other work
- visiting areas specifically to find such premises

they check apparently empty and derelict council housing as well as private sector accommodation

investigators read local newspapers and check housing benefit records to see whether people named in the papers are receiving benefit or whether benefit is being paid to anyone at an address mentioned in the press. They follow up any discrepancies

this includes checks on information from announcements of births and marriages

investigators can perform, or arrange, housing benefit database searches to list cases that meet their criteria for proactive investigations

investigators feed back the results of proactive exercises to benefits units so that they can improve their initial verification of claims

the authority informs the Benefits Agency local office or offices if proactive work suggests that there may be weaknesses in the Agency’s verification of claims for income support or jobseeker’s allowance

### Investigating cases where payment has ceased

investigators also examine appropriate cases that are no longer in payment

this work allows the council to:
- identify amounts overpaid
- classify overpayments as fraudulent, for subsidy purposes
- use the fixed penalty introduced by the Fraud Act
- prosecute where this is appropriate
- identify and remedy weaknesses in systems to help to prevent fraud
- investigators thus follow up appropriate referrals to identify frauds in cases which are no longer in payment

- they also examine cases where people have not returned claim renewal forms. Non-return may indicate fraud (but may also have innocent explanations)

- this is done either:
  - routinely, for all non-returns
  - routinely for all higher-risk cases. The council complements this with separate arrangements to follow up non-returns by elderly or vulnerable people
  - occasionally, as an experiment to test, or re-test, its effectiveness
Data matching is a powerful way of finding possible fraud. However, it requires careful preparation and professionally conducted and managed investigations into the reasons for discrepancies. Each council should:

- take part in national data-matching exercises;
- meet data protection requirements;
- co-ordinate action across departments when it compares benefits data with other information it holds. It will also need to collaborate with other councils when it compares its information with data they hold;
- give serious consideration to including its own payrolls in matching exercises, and to arranging to include relevant details from the payrolls of any contractors that provide services on its behalf;
- ensure that its data is in a suitable format;
- work to agreed matching criteria; and
- manage follow-up work effectively.

6 Data Matching
Data matching – the automated comparison of records held for different purposes or by different bodies to identify discrepancies and anomalies – is a powerful way of identifying possible fraud. Authorities can compare their own benefits records with other in-house data; with housing benefit; and with other councils’ information (for example, payroll and student award data), using either local initiatives or the Audit Commission’s National Fraud Initiative. They can also use the Department of Social Security’s (DSS’s) Housing Benefit Matching Service as this is rolled out; this includes comparisons of housing benefit data held by different councils and between local authority and Benefits Agency data.

Whatever approaches authorities use, data matching requires careful preparation and management. This chapter thus recommends that:

<table>
<thead>
<tr>
<th><strong>authorities should...</strong></th>
<th><strong>This will...</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ take part in national exercises</td>
<td>… allow comparisons with data held by other councils and by the Benefits Agency</td>
</tr>
<tr>
<td>◆ meet data protection requirements. Councils should include fraud prevention and detection when they register systems, and amend housing benefit claim forms and other documents to say that the information may be used in counter-fraud data-matching exercises</td>
<td>… comply with the law and help to avoid complaints to the Data Protection Registrar or legal challenges to councils’ actions. Publicity will also increase claimants’ awareness of data matching and may encourage them voluntarily to comply with benefit legislation</td>
</tr>
<tr>
<td>◆ manage and co-ordinate action across departments and with other councils</td>
<td>… ensure that the right data is available in the right format and at the right time; that departments and councils know who will take the lead in following up discrepancies between records; and that everyone agrees on how to meet costs and share Weekly Benefit Savings (WBS)</td>
</tr>
<tr>
<td>◆ give serious consideration to including their own payrolls in the exercises. Authorities that have outsourced services should also consider whether to include appropriate parts of their contractors’ payrolls</td>
<td>… help to identify any staff (including contractors) who may be perpetrating housing benefit fraud. Councils may first need to consult staff associations. This will also help to foster a counter-fraud culture within the authority</td>
</tr>
<tr>
<td>◆ set out data in agreed formats</td>
<td>… help to ensure that technical problems during matching are minimised, that cases are married correctly and that outputs do not include spurious hits</td>
</tr>
<tr>
<td>◆ agree criteria for matching</td>
<td>… allow councils to identify exact matches (e.g., where people have the same NI Number). But fraudsters may provide false NI Numbers and other information. ‘Fuzzy’ matching, which identifies records where only some details agree, can counter this problem</td>
</tr>
<tr>
<td>◆ manage follow-up work effectively</td>
<td>… allow councils to screen outputs to select cases to investigate further, to monitor progress on these investigations, to maintain necessary case records and to identify and record WBS and fraudulent overpayments</td>
</tr>
</tbody>
</table>
Overall approach

6.1 Data matching can help to:

◆ deter fraud by making people aware that they cannot tell inconsistent stories to the authorities. The then Government offered increased deterrence as one reason for including data-matching powers in the Fraud Act. In other countries, deterrence is seen as a major advantage of data matching (Box 6A);

◆ identify frauds and possible frauds (Case Study 6.1, overleaf);

◆ contribute to a counter-fraud culture within the authority. For example, matching payroll and benefit records helps to deliver to staff the message that the council will not tolerate housing benefit fraud. Where fraud is found, it allows the council to weed out corrupt staff; and

◆ improve customer care. Discrepancies may sometimes exist because people have not claimed all the benefit to which they are entitled.

6.2 A council can compare:

◆ its records with those of other authorities. It can do this:
  – as part of a local initiative with neighbouring councils;
  – with help from the Audit Commission’s operational arm, District Audit. Local authorities, the Commission’s headquarters staff and District Audit have co-operated to set up the National Fraud Initiative (NFI);
  – as part of the Housing Benefit Matching Service (HBMS) which the DSS piloted in 1996 and is extending across the country;

◆ its records with data held by the Benefits Agency. This, too, is part of the DSS’s HBMS;

or it can:

◆ compare different records it holds; for example, its housing benefit and payroll data. The Audit Commission offers such comparisons, through District Audit, as part of the NFI. Alternatively, a council can carry out its own analyses.

---

**Box 6A**

Data matching and deterrence

Publicity for data matching can act as a deterrent to fraud. For example, the New Zealand Privacy Commissioner has, for example, argued, in his annual report for 1994/95, that:

*I observed ... that the avoidance of overpayments by educating benefit recipients and deterring them from wrong claims was a far more desirable goal than detecting overpayments once they have been made. Deterrence is one of the most significant potential benefits of information matching programmes, but this effect can only occur if there is a widespread knowledge of the existence and effectiveness of these programmes...*
Case Study 6.1
Comparing benefits and other records held by the council

One unitary council’s internal audit section compared data from housing benefit and payroll records. These comparisons can help to identify fraud.

It found a major fraud by a teacher employed by the council. The household (teacher, partner and two children) legitimately claimed income support in 1990 while the teacher was being trained. The change of circumstances was not reported when the, now qualified, teacher obtained a post with the council. The household then fraudulently submitted a number of false claims. It received community charge benefit and, later, council tax benefit and clothing and footwear grants that together were worth £2,000 over the five years of the fraud.

Internal audit referred the case to the Benefits Agency, which found that the household had also fraudulently received £35,000 in income support and family credit. During the Benefits Agency investigation, the spouse claimed to have forged the teacher’s signature on application forms without the teacher’s knowledge. The Benefits Agency thus charged the spouse with fraudulently obtaining benefits. The authority’s internal audit section suspected that the teacher was aware of the frauds, as they were bringing £7,000 a year into the household. It also suspected that the spouse was accepting responsibility to protect the teacher’s employment. It therefore arranged for comparisons between the handwriting on claim forms and the teacher’s job application form. The similarities persuaded the police to charge the teacher with fraudulently obtaining clothing and footwear grants. The teacher has been dismissed.

Source: Fraud reports submitted to the Audit Commission

The National Fraud Initiative

6.3 The Commission’s NFI is a data-matching and computer interrogation package that allows councils to compare housing benefit and other records. The work began in London in 1993 as part of the Commission’s and District Audit’s support for the London Committee for Action Against Fraud. A majority of councils now use this service. In 1996/97 the Commission supported data matching at 308 councils across England and Wales. The initiative has helped to identify many frauds: by the end of June 1997, the 1996/97 authorities participating in the exercise had recorded £15 million in WBS. Case Study 6.2 summarises the results in one part of the country.

6.4 The NFI offers a range of comparisons that cover several types of fraud. Box 6B (overleaf) summarises those involving housing benefit. Taking part is voluntary; indeed, councils cannot join the initiative unless they send the Commission a formal written invitation to match their data. Even when authorities have decided to participate, they choose for themselves what data to put forward for matching; participating councils can thus opt out of some comparisons if they wish. The Commission has written to all authorities\(^1\) in England and Wales about the 1997/98 exercise.

---

\(^1\) All councils, including those audited by private sector firms, can use the service. Authorities audited by a firm are, however, asked to notify the firm’s senior partner that they are participating.
Case Study 6.2
The Greater Manchester Fraud Initiative Group

In 1995, the treasurers of the metropolitan borough councils in Greater Manchester created a Fraud Initiative Group (GMFIG). This was the first regional task force of its kind. Its primary objective was to undertake joint initiatives across its members’ boundaries, to share information on good investigative practices and to prevent, deter and detect fraud. The Group has a permanent chair and secretary. Only nominated representatives from each authority attend the six-weekly meetings. To date, GMFIG has carried out two data-matching exercises. Together these have generated over £840,000 in WBS and identified overpayments worth nearly £500,000. The DSS has provided over £100,000 in Challenge funding to support the work.

These exercises have succeeded because of:

◆ effective liaison between all the key players – GMFIG, the Audit Commission and its operational arm, District Audit, and the Data Protection Registrar;
◆ clear direction and leadership;
◆ a realistic initial timetable for each phase of the work;
◆ a well defined specification for data matches;
◆ detailed filtering of the input data and of outputs to ensure the integrity of the matches;
◆ manageable quantities of good quality outputs;
◆ selective, manageable follow-up fraud investigations;
◆ protocols for: sharing information; complying with data protection legislation; recording savings; and other operational arrangements;
◆ their use of key contacts – fraud investigators, benefits officers, payroll staff and further education awards staff;
◆ standard pro formas for reporting results;
◆ flexible arrangements for dealing with frauds within each local authority – that is, local decisions on recovery action, disciplinary measures and formal legal action; and
◆ the confidentiality of proceedings and detailed working arrangements.

Source: National Fraud Initiative

6.5 Councils participating in the NFI receive an advice pack from the Commission on the preparations required and on how to deal with the outputs from the matching. This includes advice tailored to the needs of the initiative on data protection, management and co-ordination between different departments and councils, data formats, matching criteria and following up possible frauds identified by the matching. Most of the good practices necessary for successful involvement with the NFI can also be applied to local data matching exercises. They will also help councils to make effective use of the DSS’s Housing Benefit Matching Service.

---

1 This advice pack can be obtained from: Peter Yetzes, District Audit, 4th Floor, Millbank Tower, London SW1P 4QP.
The DSS’s Housing Benefit Matching Service

6.6 The DSS’s Housing Benefit Matching Service project began in April 1996. HBMS matches local authority housing benefit (and council tax benefit) data held by local authorities with that held by other councils and with DSS benefit data. Discrepancies which point to potentially fraudulent claims are referred to the originating local authority for further investigation. It draws on experience gained by the Benefits Agency’s Security Branch in running an analogous Generalised Matching Service for DSS-administered benefits. The DSS tracks referrals to councils and any subsequent WBS and recoverable overpayments attributable to HBMS using a computerised referral management system.

<table>
<thead>
<tr>
<th>System matches</th>
<th>Within the authority</th>
<th>Between authorities</th>
<th>Indicators of possible fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing benefit to housing benefit</td>
<td>–</td>
<td>✔</td>
<td>People apparently receiving housing benefit from two or more councils People receiving housing benefit from one council but who appear as partners or as non-dependants in another authority’s records</td>
</tr>
<tr>
<td>Housing benefit to payroll</td>
<td>✔</td>
<td>✔</td>
<td>People receiving housing benefit who seem: not to have declared or reported that they are in work have understated their earnings or have failed to report an increase in earnings to be living with a partner or non-dependant whose income is greater than that shown in the council’s housing benefit records to be living with a partner or non-dependant whose income is greater than that shown in the council’s housing benefit records</td>
</tr>
<tr>
<td>Housing benefit to further education awards</td>
<td>✔ (unitary authorities)</td>
<td>✔</td>
<td>People receiving both housing benefit and a further education award (most students are not entitled to housing benefit)</td>
</tr>
</tbody>
</table>
6.7 Under the HBMS, details of individual claims are not scrutinised individually during matching but are instead compared electronically. Only records that meet the relevant matching criteria are thus identified and subject to further investigation. The DSS states that the Data Protection Registrar is satisfied that the Department’s system thus meets the requirements of the Data Protection Act 1984. The trial developmental phase of the project involved six London authorities and was completed by the end of October 1996. The planned national roll-out will cover England, Wales and Scotland. It involves taking on 255 councils, including all London boroughs, by March 1998 and extending to take on all remaining councils by the end of 1998. By the end of May 1997, 223 authorities had sent representatives to seminars on the HBMS and 158 had agreed to participate in the exercise.

6.8 During roll-out, HBMS aims to identify:

- concurrent claims for housing benefit and/or council tax benefit from the same person either within or across local authority boundaries;
- housing benefit and/or council tax benefit claims where payment of Family Credit has not been declared; and
- cases where payment of income support has ceased but this is not reflected in the record of an associated award of housing benefit and/or council tax benefit.

The DSS, in liaison with local authorities, is also developing and evaluating other data matching rules to identify more complex frauds.

6.9 By the end of May 1997, HBMS had generated 3,538 referrals to local authorities. Councils had completed their action on 1,510 (42 per cent) of these. A third of the completed actions (501) led to a WBS and/or a recoverable overpayment. In total, the WBS came to £643,497 and the recoverable overpayments to £454,598.

6.10 Authorities must comply with data protection legislation when carrying out matching. The Fraud Act alters the position as it includes some specific provisions governing the use of housing benefit (and council tax benefit) data. Most of these are already in effect and include:

- a new section 122D to the Social Security Administration Act 1992. This allows the Secretary of State to require the provision of housing benefit and council tax benefit information from local authorities. This can be applied to information required for the HBMS which will thus be provided by councils under statute. Consequently, there is no requirement under data protection legislation to secure individuals’ consent to passing the required details to the DSS. This does not prohibit local authorities from mentioning, on their housing benefit and...
council tax benefit claim forms, that they may disclose personal data to the DSS. This may help to deter attempts at fraud;

- new sections 122E(1) and 122E(2) to the 1992 Act. These allow a local authority administering housing benefit or council tax benefit (or a person authorised to exercise any function of an authority relating to such a benefit) to supply information to another authority or person for use in the prevention, detection, investigation or prosecution of offences relating to housing benefit or council tax benefit. They similarly allow the provision of data in order to check the accuracy of information relating to housing benefit or council tax benefit and (where appropriate) amending or supplementing such information; and

- a new offence (under section 123 of the 1992 Act) of unauthorised disclosure of information by local authority members, officers and employees, by persons authorised to exercise a function of the authority.

6.11 To assist bodies involved in data matching, the Data Protection Registrar has published *A Guide to Developing Data Protection Codes of Practice on Data Matching* (Ref. 17). Councils should take due account of this advice.

**Data protection and the NFI**

6.12 The Commission has consulted the Data Protection Registrar extensively about the NFI and covers data protection in its advice pack. The Commission has also been preparing a *Code of Practice for National Fraud Initiative Data Matching Exercises* which takes account of comments from the Data Protection Registrar. The Commission has also been consulting others, including the Local Government Association and Unison. The Data Protection Registrar has welcomed this development (Box 6C) and the Commission is to include the *Code* in its advice pack. Councils taking part in the initiative, and ones carrying out their own exercises or using other types of data matching, should, however, satisfy themselves that they are behaving lawfully. They should, therefore, fully consult their Data Protection Officer and, if they have any doubts or uncertainties, seek advice from the Data Protection Registrar.

*Box 6C: The Commission’s Code of Practice for the NFI*

While the Commission was developing its Code, the Data Protection Registrar commented:

*I am encouraged that the Audit Commission wishes to establish a code of practice ... My staff are now working with the Commission to ensure that the code contains a high level of protection for the vast majority of innocent individuals whilst at the same time ensuring fraudsters are identified and brought to account.*

6.13 Councils’ positions will, however, be clearer if:

- they register fraud prevention and detection as one of the purposes of their housing benefit computer systems and of other systems which they wish, or may wish, to use in data matching;
- they also register that they are taking part in the NFI and other exercises; and
- their housing benefit and council tax benefit claim forms (see Chapter 3) and other documents include appropriate declarations and authorisations. These will also help to publicise matching and may thus help to deter fraud.

6.14 Effective data matching requires co-operation between different departments or units within an authority and between authorities. Outsourcing, and competitive and voluntary tendering, mean that authorities will often need to involve their contractors in the work. Those taking part should agree:

- the data sets to match and the information required from each participant;
- responsibilities for complying with data protection requirements;
- data formats and standards;
- the matching criteria;
- who will provide and receive data and who is to carry out the matching;
- how to budget and pay for the work. Participating councils usually bear their own costs but the Audit Commission and District Audit are self-financing and charge participating councils for the NFI’s data matching;
- who will take the lead in dealing with different outputs and, for inter-authority matching, how to share any WBS. Such protocols are particularly important where, for example, someone appears to be receiving housing benefit simultaneously from two authorities;
- how to monitor and manage follow-up work;
- a timetable for action.

6.15 The Commission’s NFI advice pack suggests that, for inter-authority comparisons:

- the chief financial officers of the councils taking part should meet, agree to participate in, and support, the work and nominate one of their number as sponsor. These officers can then agree a plan and monitor progress and achievement;
- each authority should then nominate a key contact.
the councils then select one of those key contacts to act as overall co-ordinator; and

- arrange a joint training day for auditors, investigators and others who will help with the matching and follow-up investigations.

**6.16** Two councils, or departments, should not investigate the same case. Whoever takes the lead will, however, need a contact in the other council or department, and both sides should work to agreed procedures. Councils and departments should also agree time targets for responding to requests for further information about a case made by other participating authorities or departments.

---

**Council and contractors’ employees**

**Will we examine our payrolls and appropriate parts of contractors’ payrolls?**

**6.17** Authorities should give serious consideration to matching their own payrolls (and superannuation payment systems) to housing benefit records. They should similarly consider arranging to include the relevant payrolls of any contractors that provide services on their behalf. The Commission has been encouraging councils to develop authority-wide counter-fraud cultures. Authorities thus need demonstrably to act to identify possible fraud by their staff or by employees of contractors to whom they have outsourced work. It is extremely difficult to develop an active counter-fraud culture and particularly so if significant numbers of council employees are abusing the benefits system. Authorities which have examined payrolls have, sometimes, found significant amounts of abuse (Case Study 6.3). Fewer problems may be found in future years if councils regularly repeat such exercises. But such regular repetition will help to deliver the message that the authority will not tolerate fraud by its, or its contractors’, staff. Newly recruited staff, and those joining contractors, should be made aware of data matching. This, too, may help to deter fraud and will help to foster a counter-fraud culture across the council.

**6.18** Authorities that match data from their payrolls with housing benefit records through the NFI must, however, consider whether to consult their employees about this use of payroll or other personal data. District Audit is part of the Audit Commission and matches data at the request of the participating councils. Section 29(2) of the Local Government Finance Act 1982 gives the Commission powers to carry out work requested by an authority. Section 28 of the same Act permits the Commission then to require that the council provide the necessary data. Such specific legislation overrides the requirements, created by the Data Protection Act, to disclose the use of personal data for data matching.

---

1 The Commission’s advice pack to councils includes the text of a standard letter asking the Commission to carry out data matching.
Case Study 6.3
Comparing payroll and housing benefit data

One authority used the NFI to compare benefits data with payroll records (weekly paid, monthly paid and superannuation). In this instance:

- Members supported the exercise and authorised disciplinary action against any staff found to have perpetrated fraud against the authority.
- The authority consulted the staff side before starting matching. It also wrote to each employee informing him or her of the exercise and asking whether the employee had any objections.
- Internal audit investigated all irregularities identified by the matching. (In this council internal audit investigates all housing benefit fraud.)
- Data on matches were checked in detail with the authority’s benefits records and, where appropriate, with the Benefits Agency. Once an irregularity had been established, the employee was formally interviewed. The employee could be accompanied by a friend or union representative if he or she wished.
- The authority applied its standard disciplinary procedures where it had established abuse.

The initial output listed 774 possible matches. Over 600 of these were eliminated; for example, because they had declared their earnings from the council either to the Benefits Agency or on their housing benefit claim forms. But 107 matches were examined in more detail. Following this work, 32 employees were formally interviewed. In one instance the employee’s partner stated that he was to blame for the fraud. Action is under way against another 18 employees. One employee received counselling.

A second authority carried out a local exercise which compared details of its cleaners’ payroll with housing benefit records. The authority examined data on 546 staff and identified 40 housing benefit frauds (a 7.33 per cent fraud rate). All involved failures to declare earnings or failures to declare non-dependants who were in work. The claimants admitted the frauds. The exercise identified £36,000 in WBS.

6.19 However, s29(2) of the 1982 Act also requires that councils ‘... consult such associations of employees as appear to the body to be appropriate ...’ before they make their request to the Commission. An authority is not obliged to consult if, in particular circumstances, it would not be appropriate to do so because of the risk that the publicity resulting from consultation would frustrate the objective of the exercise. Such decisions are for individual councils, taking account of their own circumstances and local factors. Any authorities that do not consult their staff associations should be able to demonstrate that they have made a positive decision to this effect and have done so after proper consideration of the arguments for and against consultation. The Audit Commission consulted its own staff in 1997 as it prepared to include its own payrolls in the NFI’s data matching.

6.20 The Commission’s current arrangements to ensure security and confidentiality during the NFI exercise for 1996/97 (Box 6D, overleaf) illustrate the approaches authorities can take. The Commission’s future arrangements will be at least as secure and will be covered by its own Code of Practice for National Fraud Initiative Data Matching Exercises.
Box 6D
Security and confidentiality during the NFI

The Commission’s arrangements include:
- logging data when it is received;
- giving the supplying authority a receipt;
- obtaining a receipt when the original data and media are returned to the supplying authority at the end of the exercise;
- storing data media securely in locked cabinets or cupboards;
- storing outputs securely before they are distributed or destroyed;
- distributing outputs securely only to agreed, named, recipients, by courier or special delivery;
- shredding test, unsuccessful and intermediate outputs, which are not distributed to participating authorities;
- erasing intermediate data, created during data matching or conversion, as soon as the next processing stage has been completed successfully;
- destroying all outputs, or distributing them to participating authorities, so that District Audit and the Audit Commission do not retain copies of any outputs once the matching has been completed;
- allowing only designated staff access to the information;
- equipping the computers used to process the information with physical and logical access controls and file permissions, which allow only these individuals to access the data; and
- backing up data at appropriate intervals but subjecting back-ups to the same security and access controls as the original information.

Data formats

Is our data in an agreed format which allows us readily to compare it with other records?

6.21 Councils and, for intra-authority comparisons, different departments, units and contractors should agree the information they will match. To comply with data protection, the data selected should be essential for the matching and exclude any extraneous information. The participants should also agree field lengths, file layouts and other conventions and the media (diskettes, tapes, etc) to use when providing data. The Commission’s advice pack on the NFI lists the data required from housing benefit and other systems. It also suggests that the key contact should ensure that data is obtained and despatched or exchanged promptly and to specification.

6.22 Councils may also need to cleanse data. If they do not do so, the matching may link legitimate records and generate many spurious hits. For example, cleansing is necessary if an authority includes historical records in its data-set and has created a new housing benefit record every time someone claims housing benefit at a different address. Preliminary reviews and tidying of individual data-sets helps to avoid such difficulties.
6.23 Name and address fields create particular problems for data matching. The British Standard for address details is aimed primarily at gazetteers. There are no agreed standards for how to record names and addresses on computer records. The number of fields available and the maximum length per field vary from one software application and package to another. Entering data in free format within fields compounds these problems. Spelling mistakes, variations in the use of upper and lower case, entering initials rather than full personal names, missing or incomplete post codes, and inconsistent punctuation and abbreviations further exacerbate difficulties.

6.24 Data matching can, therefore, require a considerable amount of work with software and hardware utilities to translate and reformat data to a common type. Authorities will reduce the need to do this in future data matching exercises if they enter data in standard agreed formats as they create or amend records. The Commission’s advice pack includes a standard for names and addresses which councils can use with many current housing benefit and other systems.

Criteria for matching

**What tests should we use when listing possible matches?**

6.25 Participants should agree the criteria to use when generating possible matches. Councils should always check for exact correspondences; for example, people with the same National Insurance Numbers. Fraudsters may, however, provide false National Insurance Numbers or use false names or several addresses. Fuzzy matching – which links cases that share some defined characteristics but whose records do not agree exactly – can help here. It can also help to overcome some of the problems caused by the inconsistencies in how different systems hold names and addresses.

6.26 Well-defined, agreed matching rules also mean that people receiving outputs understand why cases appear on them. This, in turn, will help councils to select cases to follow up in detail and decide how to investigate them. The Commission’s advice pack on the NFI specifies the exact and fuzzy matches available through District Audit. The Commission has refined its matching criteria for the NFI for 1997/98, in the light of the results of earlier years’ exercises. Its feedback to authorities will focus on the types of match which experience suggests are most likely to involve fraud.

Follow-up work

**How should we screen outputs and then select appropriate cases to examine in detail?**

6.27 Data matching reveals discrepancies and anomalies that might be caused by fraud but which may have innocent explanations. For example, searches for people who have the same dates of birth and surnames but different first names and National Insurance Numbers may list twins. In addition, fuzzy matching sometimes generates large numbers of apparent ‘hits’. Poor
quality or highly inconsistent data contributes to this; the number of spurious matches can also rise if particular family names or street names are common in the area or areas covered by the matching.

6.28 When matching generates such high numbers of apparent hits, councils need to prioritise work. A visual scan of outputs or of a sample of records listed, supplemented by some basic checks, can help to identify the types of match which will prove most productive. This initial work can:

◆ draw upon local knowledge. For example, this can help weed hits caused by similar addresses (Acacia Avenue, Northdene, and Acacia Avenue, XX3 1YY) in different parts of town;

◆ involve more detailed checking of councils’ records to try to establish whether inconsistencies have innocent explanations. For example:
  - when the matching covers historical as well as currently ‘live’ records, authorities should check that the records that contain the apparent discrepancy are for the same, or overlapping, periods. Thus, where someone seems to have received housing benefit simultaneously from more than one authority, councils should check the dates of award and satisfy themselves that they do overlap. They should also satisfy themselves that neither they, nor the other authority paying housing benefit, has received, but not yet processed, a notification of a change of address;
  - people receiving occupational pensions may be entitled to housing benefit. Where housing benefit records match records of former employees who are receiving council pensions, authorities should check whether the claimant declared the pension when claiming housing benefit or has subsequently reported it;
  - some students are also entitled to housing benefit; for example, students responsible for a child or young person, and students with certain types of disability. Authorities following up matches between housing benefit and student award records should, therefore, check whether the student’s circumstances mean that he or she can legitimately claim housing benefit.

6.29 Once they have prioritised work, authorities can investigate further and carry out these and other internal checks on the remaining matches. Where necessary, they can write to, or visit, claimants or ask them to visit council offices for interview. The advice pack for NFI includes Guidance Notes for investigators following up matches.

How do we then manage investigations?

6.30 Fraud investigators usually screen and investigate possible matches. Internal audit may, however, wish to deal with, or oversee work on, cases involving council employees. Authorities need clear procedures for taking disciplinary action against any of their staff who have acted fraudulently,
otherwise councils can manage the investigations in the way described in Chapter 4. Investigators should use their council’s standard procedures and maintain good case papers. They should claim WBS when this is appropriate and keep records that support these claims. They should also seek to identify fraudulent overpayments. They should also inform the Benefits Agency, using SLA3 forms or their local equivalent, when they investigate or identify apparently fraudulent entitlement to income support, income-based jobseeker’s allowance or other state benefits.

6.31 Matches may have innocent explanations. Investigators should carry out such follow-up work in the professional manner discussed in Chapter 4. They, and assessment staff receiving evidence from investigators, need a good understanding of the relevant legislation; for example, though most students are not entitled to housing benefit, some are eligible. Investigators and assessment staff should also be alert for the possibility that a discrepancy is because someone has underclaimed a benefit.

6.32 Line managers should monitor the costs and benefits of different types of investigation and reprioritise work if necessary. They should also examine case throughput and progress in clearing individual long-standing cases. They and internal audit should quality control completed investigations. They should examine cases where investigators have identified fraud and cases where investigators did not find fraud. This should include quality control checks on claims for WBS. As with other types of investigation, investigators should aim, where practicable, to identify the start dates for frauds, to allow the authority to raise and recover overpayments. Managers should monitor the overpayments raised and their recovery. Overpayments are discussed in more detail in Chapter 7.

6.33 Councils should also review frauds identified through data matching to identify any weaknesses in their procedures and ways of strengthening their preventative arrangements; for example, improved claim verification. Managers should similarly examine the results of data cleansing and fuzzy matching to decide whether, and how, to improve the quality of their computer records. Councils should also jointly monitor the results of inter-authority data matching; for example, through the Chief Finance Officers’ group advocated in the advice pack for the NFI. The pack also provides a pro forma on which to record the numbers of matches and investigations and the WBS claimed. The pro forma also records details of fraudulent overpayments which have been identified. It also captures details of any other savings, for example, on further education awards. A brief formal review once an exercise has ended will allow the participants to agree its overall costs and benefits and to decide on improvements to make when, and if, they repeat the exercise.
## Checklist for action

### Overall approach
- the council will participate in the NFI
- the council will use the DSS’s matching service

### Data protection
- the authority is satisfied that its arrangements for matching are lawful
- it thus consults its data protection officer before it matches data
- it takes account of advice issued by the Data Protection Registrar
- it asks the Data Protection Registrar for advice if it has any doubts or uncertainties
- the authority registers fraud prevention and detection as one of the purposes of its housing benefit system. It similarly registers this as one of the purposes of any of its other systems involved in data matching
- it also registers that it is taking part in the NFI and any other exercises
- its housing benefit application forms and other documents carry the appropriate declarations and authorisations
- if the council wishes to take part in the NFI, it first considers whether to consult its staff associations and does so where it is appropriate
- the council’s detailed arrangements and procedures do not compromise the security or confidentiality of data

### Managing and co-ordinating action
- the authority compares housing benefit data with other records it holds
- the council also compares its data with information held by other authorities
- all those involved in a matching exercise work to an agreed plan, which includes a timetable
- the plan includes agreements on:
  - who is to provide and who will receive data and who will carry out the matching
  - the budget for and funding of the exercise
  - who will take the lead in dealing with different outputs
  - procedures for contacting and seeking further information from others involved in the exercise when following up matches
- time targets for responding to such requests
- who will claim WBS or how to share WBS
- and on data protection, data formats, matching criteria and monitoring and managing follow-up work (see below)

- the participants:
  - establish a steering committee or equivalent at which they meet and monitor achievement against the plan
  - nominate key contacts
  - appoint an overall co-ordinator
  - hold a joint training day for internal auditors, investigators and others who will follow up matches

Council and contractors’ employees
- the authority regularly includes its own payrolls in data matching exercises
- it arranges similarly to examine relevant parts of contractors’ payrolls
- if the council wishes to examine payroll or other personal data about its employees through the NFI, it first considers whether to consult its staff and does so where it is appropriate

Data formats
- participants agree the data to use
- they use only essential information
- they agree field lengths, file layouts and other conventions and the media to use when providing data
- they cleanse data before matching to remove out-of-date, duplicate or erroneous records
- the council uses an agreed standard when entering or amending names and addresses held on its housing benefit and other systems

Criteria for matching
- the authority identifies exact matches
- it also uses fuzzy matching to identify records which have some elements in common but do not agree exactly

Follow-up work
- outputs are screened visually to eliminate obvious mismatches
- outputs are cross-checked with other records held by the council, including case files
where an exercise generates many apparent matches, samples of the matches are screened and cross-checked. The council draws on these results to prioritise the remaining screening, cross-checking and other follow-up work

internal audit is consulted on and manages or deals with cases where matches suggest employees of the council may be involved in fraud (for example, cases where payroll data has been matched with other records)

the authority has clear procedures for taking disciplinary action against any staff found to have acted fraudulently

the authority carries out, manages and monitors the results of its follow-up work in a similar way to other referrals and investigations

investigators seek to provide information about when frauds began

staff are alert for underclaiming of benefit as well as fraudulent or other overpayments

benefits and other managers analyse the results of the exercise to identify any improvements to make to their preventative arrangements – procedures, application forms, claim verification, etc

managers also review the results of data cleansing and fuzzy matching to decide whether, and how, to improve the quality of their computer records

the participants review the work, once it is complete, to identify its overall costs and benefits and to decide on improvements to make when, and if, they repeat the exercise
Councils should normally seek to recover benefit that was overpaid because of a fraud. The general approach is the same as for other types of overpayment. Councils should:

- identify the amount overpaid;
- determine the cause(s) of overpayments and calculate the amount that is recoverable;
- exercise their discretion and decide whether to attempt recovery;
- decide from whom to recover;
- select a recovery method and appropriate rate of recovery;
- send a notice of determination;
- classify the overpayment for subsidy purposes; and
- manage recovery effectively.
Prosecution is one way of deterring people from committing or attempting fraud. The next chapter discusses this in detail and covers the administrative penalty introduced by the Fraud Act.

Effective overpayment procedures are essential to support this penalty, which will be 30 per cent of the overpayment and will be recovered in the same way as the overpayment. In addition, where there is no prosecution or where the administrative penalty is not appropriate, recovery delivers the message that fraud does not pay. Effective recovery also brings financial benefits – councils do not lose any subsidy when they identify a fraudulent overpayment and retain all of the money that they subsequently recover. As the same general approach applies to all overpayments, this chapter can help councils to deal effectively with all other types of overpayments as well as ones caused by fraud.

This chapter therefore recommends that:

<table>
<thead>
<tr>
<th>authorities...</th>
<th>This is important because...</th>
</tr>
</thead>
<tbody>
<tr>
<td>✦ identify fraudulent (and other types of) overpayment</td>
<td>...councils cannot otherwise recover the benefit or use the administrative penalty</td>
</tr>
<tr>
<td>✦ identify the causes of the overpayment and the amount that is recoverable</td>
<td>...official error overpayments are recoverable only in certain circumstances. Correct procedures help to avoid successful legal challenge and unfavourable findings by the Ombudsman</td>
</tr>
<tr>
<td>✦ exercise their discretion on whether to recover recoverable overpayments</td>
<td>...fettering discretion is unlawful. Here, too, correct procedures help to avoid successful legal challenge and unfavourable findings by the Ombudsman</td>
</tr>
<tr>
<td>✦ decide from whom to recover</td>
<td>...instead of pursuing the claimant, a council can, in certain circumstances, recover from the landlord or managing agent or from someone else</td>
</tr>
<tr>
<td>✦ select a recovery method and an appropriate recovery rate</td>
<td>...councils have a number of options</td>
</tr>
<tr>
<td>✦ send a notice of determination, which contains all the information specified in the regulations, to everyone who should receive one</td>
<td>...some authorities have been unable to recover overpayments (particularly from landlords or managing agents) because they have not sent notices or because these did not comply with the regulations</td>
</tr>
<tr>
<td>✦ treat overpayments correctly for subsidy purposes</td>
<td>...overpayments can be classified as fraudulent only where they have been categorised as such by designated officers, who have established the relevant facts on the balance of probability, and applied the legal tests contained in the subsidy order</td>
</tr>
<tr>
<td>✦ manage recovery effectively</td>
<td>...a council’s benefits unit, its sundry debtors unit, its legal staff and others inside and outside the council may contribute to recovery</td>
</tr>
</tbody>
</table>
Identifying overpayments

7.1 Identifying the overpayment is the first of a number of decisions to be made before recovery can begin (Exhibit 7.1, overleaf). Assessors should draw on all the available evidence, including that provided by investigators. As discussed in Chapter 4, assessors and investigators thus need a clear understanding of the types and quality of evidence required to support decisions. Poor decision-making has featured repeatedly in maladministration findings by the Local Government Ombudsman. Authorities have also lost a number of judicial reviews. In addition, landlords and others have been able to utilise authorities’ procedural weaknesses in court when opposing councils’ attempts to recover overpayments. Dated and signed or initialled records of decisions, and the reasons for them, will help to demonstrate that the council has acted properly. Many councils now use standard pro formas, which they keep with case files. Copies of notifications of overpayments sent by the council should be kept—for example, with the case records. Quality control checks, and internal audit reviews, should cover these points.

7.2 Councils cannot raise overpayments for losses caused by fraud if they do not know when the losses began or do not have an earliest date by which they must have been occurring. In addition, it will not be possible to use the new administrative penalty without first identifying the amount overpaid. As discussed in Chapter 5, investigators should thus try to find out when frauds began and not just collect sufficient evidence to support a claim for WBS. Time and cost are factors to consider when deciding how much extra effort to devote to this, but the income generated by recovery, and the deterrence effect of recovery and the administrative penalty, are also relevant. In appropriate instances, councils should also, therefore, investigate possible frauds that they identify after payment has ceased, even though they cannot claim Weekly Benefit Savings (WBS) in such instances. For example, assessors and, if necessary, investigators should establish what changes of circumstances have occurred, and when they occurred, when people fail to renew their claims. This may reveal fraud but can also aid customer care by helping people who have difficulty in dealing with official forms to renew claims for benefit to which they are entitled.

7.3 If a housing benefit fraud occurred because someone received income support or income-based jobseeker’s allowance to which he or she was not entitled, an authority can only generate a housing benefit overpayment if:

- it passes evidence to the Benefits Agency and it then retrospectively withdraws entitlement to income support or income-based jobseeker’s allowance. Chapter 4 discusses the type and quality of evidence to forward to the Agency and the need to monitor Benefits Agency replies; or

‘...investigators should thus try to find out when frauds began and not just collect sufficient evidence to support a claim for WBS.’

Do we identify as many fraudulent overpayments as we could?
Councils must make a number of decisions before recovery can begin.

- the Benefits Agency withdraws entitlement to income support or income-based jobseeker’s allowance on its own initiative; for example, following work by its own investigators. Assessors should act on the formal notifications from the Agency.

### Overpayments

- **No overpayment**
  - Has an amount been paid to which there was no entitlement?
  - Yes
    - Identify amount overpaid
  - No
    - Calculate non-recoverable amount

- **Yes**
  - Is any of the overpayment recoverable?
  - Yes
    - Calculate recoverable amount
    - Exercise discretion to recover?
    - Yes
      - Identify person to recover from
      - Choose method and rate of recovery
      - Notify person(s) affected
      - Recovery action
    - No
      - Write off
  - No
    - Produce management, budgetary control and subsidy information

---

*Source: Audit Commission*
7.4 If the claimant was entitled to some benefit, the overpayment is the difference between what was paid and what should have been paid.¹

7.5 Assessors also need to decide the causes of overpayments and to apportion the sums overpaid between them, to help classify overpayments for subsidy. The cause is also relevant when deciding whether any overpayments are not recoverable. The cause of each overpayment must be separately identified. Assessors may also need to apportion a single overpayment between more than one cause. For example, if a council delays stopping payment after it has identified a fraud, the overpayments made after it became aware of the facts should be classified separately from those made before it found the fraud and treated as ‘local authority error’.

7.6 Most overpayments are recoverable. The only exceptions are official error overpayments (that is, mistakes, whether in the form of an act or omission, made by the authority, the Benefits Agency or the Employment Service acting on behalf of the Agency). Official error overpayments of housing benefit are recoverable only if:

- the claimant (or someone acting on his or her behalf) or the person to whom the payment was made (for example, a landlord or managing agent) could reasonably have been expected to realise, at the time of payment or on receipt of any notification about the award, that an overpayment was taking place; and

- in a rent rebate case only, the overpayment is in respect of a period after the date of the review that identified that the overpayment had occurred (that is, rent rebate paid in advance).

7.7 Councils have discretion about whether to recover recoverable overpayments. Those which do not take account of the circumstances of individual cases, and which fetter their discretion by the rigid application of rules or criteria, or which automatically seek to recover all recoverable

¹ In certain cases involving the misrepresentation or failure to disclose capital, the overpayment should be adjusted following the application of the diminishing capital rule (Regulation 103).
overpayments, may be acting unlawfully. Such fetterings of discretion have featured in a number of maladministration findings by the Ombudsman and judicial reviews.

7.8 Though councils normally seek to recover fraudulent overpayments, there can be circumstances – for example, a small opportunistic fraud by someone who is now seriously ill – where it may not be appropriate to do so. Authorities should, therefore, examine the circumstances of each fraud case and decide whether to recover. Decisions to exercise discretion, and thus to write off debts, should be made for good reasons, which are recorded by the staff making them, and should normally be reviewed by line managers. Internal audit should examine and test these procedures. Supervisors and auditors should also be alert for any patterns in decisions as write-offs offer opportunities for internal fraud; for example, staff might conspire with landlords or claimants.

7.9 Regulation 101 allows authorities to recover from:

- the claimant;
- the person to whom the overpayment was made (for example, a landlord or managing agent receiving rent allowance direct from the council); or
- anyone who misrepresented or failed to disclose a material fact that caused or contributed to the overpayment (if he or she was acting on the claimant’s behalf or if benefit could have been paid directly to him or her).

7.10 Authorities will normally recover rent rebate overpayments from the claimant. The same is true where rent allowance has been paid directly to the claimant. However, the authority could attempt to recover from the landlord or agent if he or she had misrepresented, or failed to disclose, material facts.

7.11 Where rent allowance was paid directly to a landlord or managing agent, councils can recover from him or her as well as from the claimant. Many councils follow DSS guidance and advise landlords that they may have to repay recoverable overpayments. And many authorities ask landlords to sign an indemnity form before making direct payments to them. However, recovery from landlords remains a common cause of tension between councils, housing associations and other private sector landlords. Landlords argue that they accepted money in good faith and are left with an income shortfall when they repay. Though they can, in turn, pursue the claimant for the debt, they find that this is inconvenient, costly and not always successful. Until the regulations were altered in April 1997,
it was widely contended that such debts should not be treated as rent arrears and that landlords could not, therefore, threaten tenants with eviction to secure payment. Even now, they still have to use civil debt procedures when the claimant is no longer resident.

7.12 As a matter of good practice, it will often be appropriate to recover overpayments caused by fraud from the perpetrator, to deliver the message that crime does not pay. The council would thus normally seek to recover from:

◆ the claimant, even if the benefit was paid to the landlord or managing agent, if it appears that the landlord or agent was unaware of the fraud (for example, if he or she was unaware of undeclared income); or
◆ the landlord or agent who received the money; for example, if the fraud involved a non-residency of which the landlord or agent was aware.

7.13 Otherwise, when rent allowance was paid to a landlord or agent it will often – as a matter of good practice – be appropriate to recover from him or her if:

◆ the landlord or agent could reasonably have realised or established that he or she was not entitled to receive the money; for example, if a claimant is no longer resident or if a previously unemployed claimant began to work for a landlord or agent;
◆ the council cannot trace the claimant; or
◆ the claimant’s circumstances are such that he or she is unlikely to be able to repay the debt, or the bulk of it, in a reasonable time.

7.14 Here, too, to avoid the possibility of successful legal challenges, authorities need to base decisions on the facts of individual cases and to guard against unreasonably fettering their discretion by the automatic or rigid application of these, or any other, principles.

Selecting recovery methods and rates

What recovery methods and rates should we use?

7.15 Councils have several options, as set out in Box 7A (overleaf). Once the regulations have been made, deductions from payments in respect of other tenants will often be the preferred way of recovering from landlords or agents. Authorities may need to amend their computer systems to allow them to use this approach. However, civil debt procedures may still be appropriate in some cases. Examples include cases where the landlord or agent is no longer receiving direct payments, or where the amounts received are so low that recovery by deduction would be lengthy. Agency agreements between authorities are rare. Councils which have not recently appraised the option should consider whether to use it. In examining this method, they may need to approach neighbouring authorities to discuss the possibility of establishing reciprocal arrangements.

1 Currently expected in October 1997.
Box 7A
Recovering overpayments

Deductions from future payments of benefit to or for the claimant
This is usually the preferred option when the council wishes to recover from the claimant and he or she continues to receive benefit or re-enters payment following a fresh claim. The authority may be able to recover from arrears of housing benefit it owes to the claimant, though it should be sensitive to any hardship that this might cause. Otherwise, it has to decide the amount to recover each week. The DSS issues annual guidance on the maximum amount to deduct from people receiving income support or income-based jobseeker’s allowance. Councils should not normally exceed this; some prefer to make lower weekly deductions. Authorities should be prepared to negotiate about the recovery with claimants who contact them because a deduction is causing problems (for example, rent arrears). They should refer such people to debt or money advice centres where this is appropriate.

Agency arrangements with other councils
An authority that is currently awarding housing benefit can make deductions from that award to recover an overpayment on behalf of another council. The approach is not widely used; for example, because of the difficulty of establishing the debtor’s address once he or she has left an authority’s area.

Requesting that the Secretary of State for Social Security make deductions from other social security benefits
This can be used to recover from claimants who are no longer receiving housing benefit if the overpayment arose as a result of a misrepresentation or failure to disclose a material fact by, or on behalf of, the claimant or by some other person to whom a payment of housing benefit has been made. Additionally, the person must be receiving sufficient amounts of one or more benefits to allow deductions to be made. Councils need, however, to trace the claimant, to establish that he or she is receiving income support, income-based jobseeker’s allowance or some other benefit and then to contact the appropriate Benefits Agency local office. As Benefits Agency offices often lack effective carry-forward systems, councils may have to re-contact them from time to time to see if deductions can now begin. Many authorities regard it as the means of last resort.

Sundry debtors (civil debt) procedures
These can be used to recover either from claimants or from landlords and managing agents. In practice, this is often:

- a costly and ineffective way of recovering from claimants who have few resources. It may, however, be appropriate where there has been fraud, particularly if the perpetrators are well off;
- unnecessary when recovering from housing associations and other reputable landlords and agents who repay once they receive notice of the overpayment. But this has often been the only method available when landlords or agents did not repay voluntarily.

Section 16(7) of the Fraud Act, when in force, will simplify these procedures by allowing the authority to enforce through the local court without bringing a separate action. It is expected that the authority will apply to the court, providing a copy of the relevant notice of determination. An officer of the court is expected then to make an order; once this has been made, the normal range of county court enforcement mechanisms are expected to become available to the authority.

Deductions from future payments made to the landlord or agent in respect of other tenants
Once section 16 of the Fraud Act comes into force, it will allow authorities to recover in this way; the option was previously unlawful. Although the amount of money he or she receives will be reduced, the landlord or agent must act as though paid the full housing benefit for those other tenants. The landlord or agent cannot, therefore, attempt to make up the difference from them. The detailed contents of the notification to be sent to landlords or agents are expected to be specified in Regulations.

1 Currently expected in October 1997.
Deductions from future payments is, and is likely to remain, the preferred way of recovering from claimants. Here, too, some councils may need to amend their computer systems, as existing software has sometimes been unable to process deductions. Otherwise councils often prefer deductions from other state benefits to civil debt procedures. However, councils should monitor the costs and successes of different approaches and occasionally experiment with different ones. They should change their methods if this suggests that other methods will provide better results.

Different and targeted approaches may be needed in fraud cases, especially where there have been significant losses. Some frauds, particularly ones that remain undetected for some years, can involve very significant overpayments. For example, in one authority a false tenancy led, over a number of years, to fraudulent overpayments of £20,000. The council is taking immediate civil debt recovery action without prejudice to its planned criminal prosecution.

The regulations require that authorities serve a notice of determination on every person affected by decisions to recover overpayments. A council must, therefore, serve a notice (at his or her last known addresses) on the claimant, irrespective of whether it is to recover from him or her or from someone else. It must also serve a notice on the landlord or managing agent, or anyone else, if it intends to recover from that person. The regulations also specify information that must appear in notices.

Some councils have failed always to serve notices, particularly on landlords or agents, or have used notices that do not comply with the regulations. As with poor decision-making, the Local Government Ombudsman has viewed such failings as maladministration. Here, too, councils have lost a number of judicial reviews; and, again, some landlords have utilised the failure when opposing civil court action to recover overpayments. Other authorities have failed to keep adequate records. One council visited during the study had several million pounds in unrecovered overpayments in its sundry debtors’ system. It faced difficulties in recovering some of this money as it could not demonstrate that it had sent notices.

The DSS provides different levels of subsidy depending on the cause of an overpayment. Currently, councils receive maximum subsidy (95 per cent) for fraudulent overpayments but reduced subsidy (25 per cent) for claimant and other error and no subsidy for local authority error overpayments. They retain recoveries. They also receive maximum subsidy.
for certain other overpayments, for example, ones caused by the DSS (Benefits Agency) or the Department for Education and Employment (Employment Service). In these instances any recoveries are deducted from subsidy.

7.21 The Department of the Environment, Transport and the Regions and the Welsh Office include 100 per cent of fraudulent overpayments in their calculation of housing revenue account subsidy. They exclude other types of overpayment (though the calculation includes a notional allowance for them). The housing revenue account retains recoveries of overpayments.

7.22 Decisions to classify overpayments as fraudulent must be made by ‘designated officers’. This should be done after the authority has identified the recoverable amount and served the appropriate notices of determination on the claimant and, if required, anyone else. Designated officers may carry out other duties – for example, assessments – but must have been formally given the duty of classifying appropriate overpayments as fraudulent. However, many authorities now have dedicated staff who review cases to classify overpayments for subsidy purposes after assessors have raised the overpayments. The regulations allow authorities to classify overpayments as fraudulent even when there is no corresponding WBS claim. Examples include cases where the fraud was not identified until after payment had ceased or where the stopping of benefit was not due to the action of investigators. However, when making decisions, designated officers should always comply with the relevant Subsidy Order (Box 7B) and should test these decisions against the Order (Box 7C). Councils should avoid having default classifications on their computer systems. Their use can lead to an increase in the number of overpayments that receive an incorrect classification.

**Box 7B**

**The Subsidy Order**

For 1996/97, a fraudulent overpayment of a rent rebate or allowance must arise in consequence of:

- a breach of s112 of the Social Security Administration Act 1992 (false representation for obtaining benefit);
- or

knowingly failing to report a relevant change in circumstances, contrary to the requirements of Regulation 75 of the Housing Benefit Regulations (duty to notify change in circumstances) with intent to obtain or retain the rebate or allowance for himself or another.

*Source: Article 10(5), The Housing Benefit and Council Tax Benefit (Subsidy) Order 1997*
A small number of authorities seem to be attempting to exploit the system. They routinely treat delays in reporting changes in circumstances as fraud, without drawing on any evidence from investigators or others, in ways that appear difficult to reconcile with the requirements in the Order. External auditors have, for example, certified a grant claim for 1995/96 to draw to the DSS’s attention the methods used by one authority when classifying several million pounds of overpayments as fraudulent.

The variety of methods used in recovery often means that responsibilities for recovery are split between the benefits unit (for example, deductions from future payments) and other units (for example, recovery using civil debt procedures). Recovery systems often do not indicate that an overpayment is fraudulent, making it difficult to monitor the recovery position on fraudulent overpayments or to prioritise them. Furthermore, most rent rebate recoveries appear in the housing revenue account. In contrast, recovered rent allowances, and recovered overpayments of non-housing revenue account rent rebates, appear in councils’ general funds.
7.25 As a result, in many authorities no one officer has clear responsibility for recovery; indeed, many councils are unable readily to identify their overall recovery rates. For example, only about one-fifth of the authorities that returned the NAO/Audit Commission questionnaire were able to provide a comprehensive statement of their overall recovery position – debt at year start; debt raised in year; debt recovered in year; write-offs in the year; outstanding debt at year end. Even fewer could provide similar information about overpayments classified as fraudulent. More should monitor recovery of fraudulent overpayments. The DSS estimates that on average councils recover about 63 per cent of overpayments. The performances of those councils that could describe the overall position when they completed the NAO/Audit Commission questionnaire varied considerably (Exhibit 7.2). However, about two-thirds of them were recovering three-quarters or more of the debt raised. This is an important threshold. In most authorities, claimant error still accounts for the majority of rent allowance overpayments. A 75 per cent recovery rate means that the combination of subsidy and recovery is likely to cover all or nearly all of the cost of overpayments. Councils recovering significantly more than 75 per cent of the debts raised are likely to have a net income from rent allowance overpayments.

7.26 Those councils that have not already done so should copy authorities such as Middlesbrough and Stroud (Case Study 7.1) and develop a coherent approach to recovery. A single officer should manage the process, working to targets set by elected members and reporting to them about achievement at least annually and preferably quarterly. He or she should be responsible for both housing revenue account and general fund recoveries (but should not actually handle moneys). The officer should purchase any support from sundry debtors or solicitors through a contract or service level agreement that gives them incentives to recover.

![Exhibit 7.2](image_url)

Recovering overpayments

Recovery rates vary.

Source: Audit Commission analysis of responses to the NAO/Audit Commission questionnaire. Includes only authorities that provided the relevant data. Figures are for 1995/96 and for all overpayments, not just ones classified as fraudulent.
Overall approach
At the start of 1995/96 Stroud District Council altered its approach to recovering overpaid housing benefit. It appointed a new recovery officer, basing her in its investigations unit. The officer has experience of debt recovery – she had previously recovered unpaid council tax – and benefits work and manages the entire recovery process. She uses:

- deductions from ongoing housing benefit entitlement;
- sundry debtor invoices; and
- deductions from ongoing DSS benefit entitlement.

The Council raises invoices through its sundry debtors procedure. However, the recovery officer receives monthly statements of the amounts recovered and can deal with defaulters rapidly and effectively. After one reminder, she refers cases to the legal section. The authority then takes more formal action but she continues to monitor cases. The Council takes account of the likely costs to it, and the value of the debt, when deciding whether to go to court. However, the recovery officer experiments with new approaches and increases her use of approaches that prove to be successful.

Finding the debtor
Finding the debtor is, however, a significant problem, particularly when the overpayment arose because the claimant had gone away but continued to collect benefit. The recovery officer draws on her previous experience, and the knowledge and expertise of the investigation unit, to trace debtors. She has developed contacts with many of the neighbouring district councils, utilities, police and the Benefits Agency and finds these are all useful sources of information. She has also experimented with referring cases to a professional debt-tracing agency (though she found that the agency traced comparatively few debtors).

Recovering from debtors who are no longer receiving housing benefit or other state benefits
Stroud wants people, who are repaying in instalments, to do so regularly and not to default. It prefers to agree a small regular repayment rather than push for faster but unrealistic recovery and find that agreements collapse. A number of elderly people pay only 50p per week and may never fully repay. The authority believes that it will recover more of the debt, at minimal administrative cost, in that way than through any other approach.

Advantages to the Council
The recovery officer inherited, and has now dealt with, a backlog and is also pursuing new overpayments.

7.27 The officer responsible for monitoring the costs and success of different methods can experiment with new approaches to help to decide which ones normally to use. This information can also help inform the authority’s write-off policy. Councils should never, however, write off cases in bulk but instead base decisions on the circumstances of the individual case, even when reappraising old debts.
7.28 The officer managing overpayments should be able to switch a case readily between methods should circumstances allow. Many authorities have passed overpayments, which are to be recovered from claimants, to sundry debtors when the claimant is not receiving benefit and it is not therefore possible to recover by deduction. These can remain unactioned on the sundry debtors system even when the person subsequently reclaims housing benefit successfully and the authority could then make deductions from benefit payments. More authorities should emulate councils such as Middlesbrough and have systems that allow them to identify such cases and revert to deductions. Wherever it is cost-effective to do so, councils should also identify overpayments that they have written off but which they could now recover.

7.29 The Fraud Act will permit recovery by deductions from future payments made to landlords in respect of other tenants. This will reduce councils’ reliance on sundry debtors’ systems and civil debt procedures. These have, however, been the mainstay of many councils’ procedures for recovering from landlords. Software weaknesses, which prevented authorities from recovering rent rebate overpayments from ongoing awards, are now unusual but were once common. These increased councils’ reliance on sundry debtors and civil debt procedures. The numbers of recoveries dealt with in these ways have been so great that sundry debtors and legal units have sometimes been unable to process all of the cases referred to them. A number of councils now have many millions of pounds in unrecovered overpayments, some of which date back to the early to mid-1990s, within their sundry debtors and civil court systems.

7.30 As in Southwark and Liverpool, councils can examine alternative approaches to recovering such old debts and to dealing with newly raised overpayments. Here, too, authorities need to monitor achievement and use this to help to choose the best approaches to recovery. Council tax and national non-domestic rates units have considerable experience of, and success in, recovering debts of similar value to many housing benefit overpayments and may provide helpful precedents (Case Study 7.2). Southwark also drew on the advice in the Commission’s management handbook, *Collecting Local Taxes* (Ref. 18) when reviewing its approach to collecting housing benefit overpayments.

7.31 Councils can also use their investigators to help trace people and recover overpayments, as at Reading. They should not, however, expect investigators or other directly employed collection staff to work outside the authority’s immediate area. Where investigators help with recovery, this should be through a service level agreement or equivalent. The officer managing recovery should again monitor costs and recovery levels, and the investigators should work to targets.
To help with recovery, especially when referring cases to an outside agency or investigators and when taking county court action, the council should identify all overpayments that it is trying to recover from the debtor. It should deal with them together. Where the debtor will have problems repaying, the authority can agree an achievable weekly repayment. This should take account of the person’s circumstances and commitments. It is better to make a realistic agreement, even if the weekly repayment is small, than to pressurise people to make arrangements that they cannot sustain. Debtors with financial problems should also be advised to claim all the social security benefits to which they are entitled, including housing benefit. They should also be referred to an appropriate debt or money advice centre. If the person has other debts (for example, rent or council tax arrears), housing benefit recovery staff should try to co-ordinate their action with colleagues to agree a priority for the different recoveries. Some councils have formal debt policies that include criteria to consider when doing this. A number of debt advice and other voluntary bodies also have standard methodologies for analysing income and outgoings. These can be used to help pick an achievable repayment rate.

The likelihood of success and the likely costs of recovery are major considerations when deciding whether to continue to pursue a particular debt. If forced to make choices, for example, because of resource constraints, councils should normally pursue debts associated with fraud in preference to similar non-fraudulent overpayments. Councils should vigorously pursue significant losses arising from fraud. For example, frauds that remain undetected for a number of years may cost many thousands, or even tens of thousands, of pounds. Vigorous civil action may be justified if the criminal has the means to repay, or possesses realisable assets, but does not return the overpayment voluntarily and speedily. In appropriate instances this might include bankruptcy proceedings or the use of charging orders.

Liverpool City Council had a significant number of unrecovered housing benefit overpayments where the recovery was sought from claimants and where the debt was two or more years old. About 40 per cent of these cases, involving 60 per cent of the debt by value, had been passed for civil court action. However, the volume of referrals was so great that these cases had not been taken to court. No action had been taken in the other cases. The average amount owed was about £250.

The authority has, therefore, been experimenting with collection through a commercial collection agent who was already acting for it to trace council tax debtors. The agent receives a success fee based on the amounts recovered.

The Council also carried out a pilot exercise using insolvency proceedings to recover overpayments from eight commercial landlords and agents. Six either repaid in full or were repaying by agreed instalment. One raised a query about the amount owed but was expected to pay once this had been resolved.
## Checklist for action

### Identifying overpayments

- The council seeks, wherever practicable, to identify when changes in circumstances occurred, in order to identify amounts overpaid because of fraud or for other reasons
- Wherever practicable, investigators therefore gather evidence that will allow their authority to raise overpayments and allow designated overpayment officers to establish the start dates for fraudulent overpayments. They do not simply collect enough evidence to support a claim for WBS
- The authority monitors the costs to it, and the benefits, of collecting this information
- The benefits include any extra subsidy and the amounts recovered minus the cost of recovery
- Decisions on the amount of extra investigative effort to devote to collecting this information take account of the likelihood of success, the likely costs and the benefits to the council if investigators succeed in obtaining it
- Investigators’ reports to committee cover this aspect of their work
- The council follows up cases where people fail to renew claims at the end of an award to identify the change of circumstances and when it occurred
- In appropriate instances such cases are referred to investigators
- If other staff deal with such cases, they, too, seek to identify overpayments
- Assessment or other staff also follow up changes in circumstances, identified by comparing information on earlier claims with that on the latest renewal, to identify any under- or overpayment
- Where the housing benefit fraud occurred because the claimant obtained income support or income-based jobseeker’s allowance to which he or she was not entitled, the authority passes the evidence to the Benefits Agency so that the Agency may withdraw income support/income-based jobseeker’s allowance
- The council provides the Benefits Agency with all the information about such cases which the Agency requires, including evidence about the date on which the fraud began or the earliest date by which it can be shown to have been underway
- The council monitors cases passed to the Benefits Agency in this way and:
  - Follows up outstanding replies
  - Identifies cases where the Benefits Agency does not accept its evidence and declines to withdraw entitlement retrospectively
  - Similarly identifies cases where the Benefits Agency does not withdraw entitlement at all
  - Identifies the reasons for such decisions, in discussion with the Benefits Agency if necessary
  - Then modifies procedures, issues revised guidance to staff, etc, to overcome these difficulties
the authority does not generate the housing benefit/council tax benefit overpayment in such cases until the Benefits Agency withdraws income support/income-based jobseeker’s allowance

### Identifying the amount recoverable

- staff examine all overpayments, including cases that may involve fraud, to identify any benefit overpaid because of official error
- the authority does not attempt to recover official error overpayments if the recipient cannot reasonably be expected to have known, at the time he or she received the benefit or any notice about the payment, that he or she was being overpaid. (Rent rebate payments in advance are an exception to this rule and are recoverable)
- when the authority decides to recover an official error overpayment, staff record the reasons

### Exercising discretion about whether to recover

- assessors examine each case with a recoverable overpayment to decide whether to recover
- staff have guidance on factors to consider when deciding how to exercise discretion but base decisions on the facts of individual cases
- decisions to write off are recorded, reviewed by supervisors and covered by quality control checks
- internal audit reviews procedures and samples cases annually
- checks and tests include ones to identify any patterns in write-off decisions; for example, frequent decisions not to recover from particular landlords or agents

### Deciding from whom to recover

- staff have guidance that suggests recovery normally be from:
  - the perpetrator, in fraud cases
  - the landlord/agent in other cases where the benefit was paid to him or her, only if:
    - he or she could reasonably have realised or established that he or she is not entitled to the money
    - the claimant cannot be traced
    - the claimant can be traced but it is unlikely that he or she will repay all, or the bulk of, the debt within a reasonable time
- assessors always take account of the guidance but base their decisions on the facts of the individual case

### Selecting recovery methods and rates

- recovery from claimants normally involves:
  - recovery by deductions from arrears of housing benefit owed to the claimant and/or from ongoing benefit wherever these options are available
  - agency agreements with other councils, described in DSS Circular Housing Benefit/Council Tax Benefit A18/94
- recovery through the Benefits Agency, where Regulations allow, when debtors have left its area but are receiving income support or income-based jobseeker’s allowance but not housing benefit

- any deductions from ongoing housing benefit awarded to claimants who are also receiving income support or income-based jobseeker’s allowance take account of DSS advice about the standard amounts that the Benefits Agency may deduct from its awards

- the authority is prepared to examine the circumstances of the case. In appropriate instances it will reduce the amount deducted from each payment if the claimant contacts it and offers convincing reasons to do so. For example, the DSS advises authorities to take account of the health of the person before commencing recovery action

- the council refers people with financial problems to debt or money advice agencies

- recovery from landlords and managing agents will use the provisions of the Fraud Act wherever this is appropriate

- sundry debtors/civil debt procedures are normally used to recover from either claimants or landlords and agents only when other methods are not practicable

- the authority uses recovery from arrears of housing benefit owed to the claimant and/or deductions from ongoing payments of housing benefit to recover overpaid rent rebate as well as overpaid rent allowance

- the authority also, however, monitors the costs and success of different approaches and experiments with new ones

- the council changes its approach from the one suggested above, if its monitoring and experimentation suggest that other methods will provide better results

- computer systems are being amended, where necessary, to allow deductions from payments to landlords and managing agents

- computer systems are also being amended, if they do not currently permit recovery from arrears of housing benefit owed to the claimant and/or by deductions from ongoing housing benefit

- significant individual losses to fraud are pursued separately from minor fraud losses and other overpayments

- such recovery is without prejudice to the council’s power also to prosecute or ask the police to prosecute

### Notices of determination

- the council sends notices to landlords and agents, and to other people, where it is seeking to recover the overpayment from them, as well as to claimants

- the wording and content of notices meet the requirements set by the Regulations

- the authority can demonstrate that it has sent the required notices

- quality control and internal audit reviews and tests cover this point
Subsidy classification

◆ the authority correctly assigns overpaid benefit accurately between subsidy categories
◆ the authority’s computer system does not use default settings to classify overpayments
◆ ‘designated officers’ make decisions to classify overpayments as fraudulent
◆ designated officers apply the tests in the Subsidy Order when making such decisions
◆ when classifying overpayments as fraudulent because of a false declaration or the provision of false information, designated officers identify:
  – which statement(s)/document(s) or representation(s) is or are false
  – the evidence that shows it or them to be false
  – the evidence that shows that the person providing the information knew that it was false
◆ when classifying overpayments as fraudulent because of a failure to notify the council of a relevant change in circumstances, designated officers:
  – identify the change in circumstances and why it was relevant
  – record why they are satisfied that the person knew that he or she should report the change
  – are satisfied that the person did not report the change. (For example, they have examined the case records to confirm that the council received nothing; are satisfied that documents cannot be awaiting action because of a backlog of unopened or unlinked post or for other reasons)
  – have reasons for deciding that the failure to report was with the intention of obtaining benefit
◆ decisions to classify as fraudulent meet the balance of probabilities test required by the legislation
◆ designated officers record:
  – the classification
  – the relevant facts
  – the reason for the classification

Managing recovery

◆ the council sets targets for the proportion of overpaid benefit to recover
◆ these include a target for recovery of fraudulent overpayments
◆ the council monitors recovery against these targets
◆ elected members receive reports on performance at least annually and preferably quarterly
◆ the council recovers at least 75 per cent of overpayments
◆ a single officer manages all aspects of recovery
- any recovery through sundry debtors systems or solicitors is managed by this officer
- this officer acts as a ‘client’ for recovery. Sundry debtors and solicitors are service providers working to a contract or service level agreement
- payments to, or recharges accepted from, sundry debtors and solicitors provide incentives to recover (that is, are at least partly results-based)
- the authority monitors the costs of, and recovery rates achieved by, different recovery techniques
- the council does not rely exclusively on civil court action when people do not pay debts that are being processed through sundry debtors systems
- the council experiments with, and monitors the success of, alternatives including external debt collection agencies
- the council uses this information:
  - when choosing recovery methods
  - to inform its write-off policy
- the authority can identify when people, from whom it is trying to recover overpayments by sundry debtors/civil debt action, claim or reclaim housing benefit
- it will similarly be able to switch from sundry debtors systems to deductions from payments for other tenants, when recovering from landlords and agents
- where one individual has several housing benefit debts, the authority pursues these together wherever practicable
- if someone has other debts to the authority (for example, rent arrears or council tax) as well as housing benefit overpayments, the authority co-ordinates its action to agree payment priorities
- the council has a clear write-off policy
- debts are written off individually after examining the circumstances of the case. They are not written off in bulk or automatically using computer tests
- internal audit examines write-off procedures annually and samples cases
- the council does not have large numbers of old, ‘live’ debts (other than ones where recovery is continuing by ongoing deduction from benefits, through the Benefits Agency or by repayment by instalments)
- if it has, it is reviewing them to identify any to write off and is pursuing the others
- the council has sufficient provision for bad debts and write-offs
- the authority resumes recovery on write-offs where it is practicable to do so. (Examples include cases where a debt has been written off because the council cannot trace the debtor but the individual subsequently claims housing benefit)
the authority identifies debtors who:
- were being pursued by civil means, or through the Benefits Agency, because they were no longer receiving housing benefit from the council
- but who then successfully submit fresh claims for housing benefit to the council
- and then the authority normally switches to recovery from arrears of housing benefit owed to the claimant and/or deductions from ongoing award of housing benefit in such cases

- recovery staff co-ordinate action when one person has several different overpayments
- housing benefit recovery staff liaise with colleagues in other units when the one individual has housing benefit and other debts
- they make realistic agreements about repayment by instalments when people are unable to repay the whole debt immediately
- they advise people with financial problems to claim all the state benefits, and housing benefit, to which they are entitled and refer them to specialist money or debt-advice agencies
- the council draws on investigators’ expertise when it is appropriate to do so (for example, to help to trace debtors within the authority’s immediate area)
- recovery staff can identify overpayments associated with significant frauds and ‘fast-track’ recovery
- if the council is to prosecute, or a prosecution is not yet complete, recovery staff liaise with investigators, solicitors, the police, etc, as appropriate to ensure that recovery does not prejudice the criminal case
Countering Housing Benefit Fraud
A Management Handbook
Authorities should:

- have a clear policy on when to prosecute and when they will use the administrative penalty introduced by the Fraud Act;
- prepare guidelines to help staff select the cases to which to apply these procedures;
- apply these policies and guidelines;
- bring prosecutions themselves or in collaboration with others;
- have appropriate procedures and documentation;
- possess, or have access to, the necessary skills and expertise to prepare cases for court;
- normally obtain convictions; and
- publicise convictions when this is likely to deter others.
Prosecution is rare. Although authorities generate over 150,000 Weekly Benefit Savings (WBS) claims a year, they successfully prosecute under 1,000 people a year for housing benefit fraud.

The Fraud Act has created new offences. The Act also introduces an administrative penalty as an alternative to prosecution (although this provision is not expected to come into effect until late in 1997). Even so, prosecution will remain an important deterrent. It may not, for example, be in the public interest to allow carefully planned, organised and high-value fraud to go unpunished by the courts. And the administrative penalty is unlikely to prove effective if councils do not prosecute people who decline to accept one.

This chapter thus recommends that:

<table>
<thead>
<tr>
<th>authorities should...</th>
<th>This is because...</th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ have clear policies about when to prosecute use the administrative penalty</td>
<td>... officers may otherwise be unwilling, or uncertain about when, to go to court or use the administrative penalty</td>
</tr>
<tr>
<td>◆ prepare guidelines to help staff to decide when to prosecute and when to use the administrative penalty</td>
<td>... prosecutions should only be brought when convictions are likely and it is in the public interest to go to court. The administrative penalty may deter in other instances</td>
</tr>
<tr>
<td>◆ apply these policies and prosecute and use administrative penalties where it is appropriate to do so</td>
<td>... failure to prosecute or to use administrative penalties, where these are appropriate, may encourage fraud</td>
</tr>
<tr>
<td>◆ make any necessary administrative changes</td>
<td>... authorities will require new documents, procedures and accounting arrangements to help them to use the administrative penalty. Those which do not currently prosecute will need to introduce procedures and documentation to support prosecutions. Changes to documents and procedures may also be needed before prosecuting for the new offences</td>
</tr>
<tr>
<td>◆ bring prosecutions themselves, or in collaboration with the Benefits Agency, or pass cases to the police</td>
<td>... councils can prosecute people who make a false declaration. The new offences introduced by the Fraud Act allow them to prosecute people who dishonestly fail to report a change in circumstances and who fail to report a change in circumstances without reasonable excuse. But some cases may best be dealt with through the Benefits Agency or the police</td>
</tr>
<tr>
<td>◆ possess, or have access to, the necessary skills and expertise</td>
<td>... statements and other papers must be acceptable to the courts. If cases are referred to the police or the Benefits Agency, they must initially be acceptable to those bodies and subsequently to the prosecuting authorities the Crown Prosecution Service or the DSS prosecuting solicitors. If councils take cases to court themselves, they need to have court presentation skills</td>
</tr>
<tr>
<td>◆ normally obtain convictions when they go to court</td>
<td>... frequent acquittals would mean that a council’s criteria for prosecution, or its quality assurance of prosecution case papers, were unsatisfactory</td>
</tr>
<tr>
<td>◆ publicise convictions, when this is likely to deter others</td>
<td>... prosecution and conviction will not deter others if they do not hear about it</td>
</tr>
</tbody>
</table>
8.1 Authorities can prosecute for offences under the Social Security Administration Act 1992 when a claimant makes a false declaration in order to obtain benefit. They can also prosecute under that Act if someone has signed a false declaration, while benefit was in payment, indicating that there has been no change in circumstances. But, until recently, they have had to rely on the Theft Act 1968 when a fraud involved a failure to report a change in circumstances. To obtain a conviction, they needed to prove deception. The Fraud Act alters this by creating specific offences, under the Social Security Administration Act, of dishonestly failing to report a change and of failing to do so without reasonable excuse. These provisions are in effect but are not retrospective.

8.2 The Fraud Act also creates an administrative penalty as an alternative to prosecution. This is expected to come into effect towards the end of 1997. Following written notice, a person will be able to agree to pay a penalty, equal to 30 per cent of the overpayment, but will not then be prosecuted for any offence relating to the overpayment. Authorities will retain administrative penalty payments.

8.3 Authorities may deliver the wrong message if they allow repeated, carefully planned, organised or high-value fraud to go unpunished or if they do not prosecute where there is clear evidence of internal fraud. However, the number of successful prosecutions by councils is very low compared with the number of WBS they record. Authorities have successfully prosecuted fewer than 1,000 people a year while recording over 150,000 WBS claims a year. On average, the number of successful prosecutions by councils has been less than 0.5 per cent of the number of individual WBS which they have recorded (Exhibit 8.1, overleaf). In 1995/96, about 50 per cent of authorities brought no successful prosecutions (Exhibit 8.2, overleaf).

8.4 Some of the difference between the number of WBS cases and of prosecutions is likely to be because of the higher standard of proof required to obtain a criminal conviction. Other reasons, offered by officers to explain the low number of prosecutions, include the cost to their council of bringing a case; the loss of WBS subsidy when investigators spend their time preparing cases for court rather than in pursuing other frauds; the attitude of the police or the Crown Prosecution Service towards benefits prosecutions; and councils’ lack of experience and expertise in preparing papers for court and in bringing prosecutions.
Successful prosecutions by councils are rare compared with the number of WBS recorded.

Source: Audit Commission analysis of data from DSS Management Information System (Form Stats F124) for 1995/96. Analysis is for the 358 authorities in England and Wales that provided this data.

Over half of councils failed to secure a successful prosecution for housing benefit fraud in 1995/96.

Source: Audit Commission analysis of data from DSS Management Information System (Form Stats F124) for 1995/96. Analysis is for the 358 authorities in England and Wales that provided this data.

8.5 In addition, officers in some councils do not take action because their members have not agreed a formal prosecution policy. Where councils have not agreed policies, officers should put proposals to members. Such policies should, preferably, be part of the wider anti-fraud strategies discussed in Chapter 1 of this Handbook. Councils which already have policies should reappraise them to take account of the new offences created by the Fraud Act. The Department of Social Security (DSS) is expected to issue advice on these. The Department has previously advised (in Circular HB/CTB
F3/95) that ‘local agreements, between authorities and the Benefits Agency, are needed on prosecution policy ... to ensure consistency in the types of cases considered and accepted for prosecution, at a local level’.

8.6 The DSS’s current advice suggests that factors to consider, when deciding whether to prosecute, include: the quality of the evidence; the amounts of money involved in, and the duration of, the fraud; any evidence of past frauds, irrespective of whether the perpetrator was prosecuted; social factors such as whether the suspect was driven to the offence by a particularly stressful domestic situation; the suspect’s mental and physical condition; and whether there were any failures, including delays, in the administration of the case. These criteria cover many of the issues that may concern elected members. Officers may therefore wish to draw members’ attention to the DSS’s advice when asking them to agree a local policy.

8.7 Local policies should also cover internal fraud; that is, fraud by people helping to administer housing benefit. It will normally be appropriate to prosecute for internal fraud whenever the evidence suggests that a conviction is likely. Councils should also normally take disciplinary action in all such cases but do so without prejudicing criminal proceedings. Policies should similarly cover the action to take if the authority identifies a housing benefit fraud by an employee who does not help administer the benefit. This should normally involve disciplinary action even if the council does not prosecute (or apply an administrative penalty).

8.8 Where authorities have outsourced benefits and other work, their policies should also cover contractors’ staff and should normally treat them in a similar way to people employed directly by the council. Contractors should thus be required to report to the council’s client-side officers any internal frauds, and frauds by their employees, which they identify. The arrangements should also allow the council to monitor whether this is being done. They should also require that the supplier initiate disciplinary action in appropriate cases, again without prejudice to any prosecution (or use of an administrative penalty). Councils should monitor and test contractors’ adherence to reporting arrangements.

8.9 Councils should prosecute all types of external benefit fraud – rent rebate, rent allowance and council tax benefit – whenever cases meet the criteria in their prosecution policies. They should do so across the range of types of fraud; for example, for offences linked to residency, tenancy, personal circumstances and household composition; for offences committed when claiming; and for failures to report changes in circumstances or lying about changes. Officers, rather than elected members, should select cases to prosecute. It will be good practice to note the reasons for decisions. Members may, however, wish to be informed about sensitive prosecutions or ones likely to arouse public interest. Investigators’ reports to members can include summaries on how the policy is being applied.
The DSS’s advice on the administrative penalty is expected to cover the criteria to use to select cases to prosecute and to identify ones where it is appropriate to offer an administrative penalty. The Department is also expected to advise councils that they should normally prosecute if a person suspected of fraud declines to accept an administrative penalty. If authorities do not do this, the penalty may prove ineffective. Officers should prepare draft policies, or revisions to current prosecution policies, as soon as the Department’s advice becomes available, and ask elected members to agree them. And, again, officers rather than members should make decisions about individual cases.

Councils which do not currently prosecute will need to introduce the necessary procedures and documents and to train staff. Others may need to revise arrangements and give additional training before prosecuting for the new offences. All authorities require new documentation and procedures, and training, to support the use of the administrative penalty. DSS advice should form the backbone of these new and revised arrangements.

Authorities have common law powers to prosecute for housing benefit or council tax benefit fraud. They can similarly prosecute for income support or income-based jobseeker’s allowance offences. They also have general powers to take proceedings, under s222 of the Local Government Act 1972. However, many councils have preferred to pass cases to the police (Case Study 8.1). Some authorities have particularly preferred to act through the police when they were using the Theft Act for frauds that involved failures to report changes in circumstances.

Authorities have also supported the Benefits Agency when DSS prosecuting solicitors have taken cases to court. Prosecutions for housing benefit fraud by DSS prosecuting solicitors are usually for cases that the Benefits Agency has investigated and where the housing benefit fraud followed from abuse of income support or income-based jobseeker’s allowance. The council’s role is often restricted to providing evidence that housing benefit was paid, because of the income support or income-based jobseeker’s allowance fraud, and of the amount of housing benefit lost because of the fraud.
8.14 All organised fraud cases, with an income support or income-based jobseeker’s allowance element, will normally be prosecuted through the Agency, irrespective of who initiated the investigation – the model national fraud service level agreement requires that ‘any cases where there is suspicion of multiple claims being made [to the Agency] will be referred to the [Benefits Agency] Multiple Claims Team of Organised Fraud’. The case will then be considered for prosecution by DSS prosecuting solicitors. In addition, individual councils and Benefits Agency offices may make local agreements. These could allow the council to pass other cases to the Benefits Agency for prosecution. Authorities in London now have the option of passing evidence of suspected multiple fraud by landlords or others to the London Organised Fraud Investigation Team (LOFIT). LOFIT is expected to refer cases to the police for prosecution once it has collected sufficient evidence.

8.15 Otherwise, whether a council prosecutes or passes cases to the police depends on local circumstances. These include the authority’s experience and expertise in criminal cases. Even where a council has such expertise, it may sometimes be best to involve the police; for example, if the housing benefit fraud is linked to renovation grant or other frauds; if it involves offences such as conspiracy; if a suspect is potentially violent, or is likely to threaten witnesses or abscond; or if the investigation will be assisted by the execution of a search warrant.

8.16 However, officers at some councils report that their local police show little apparent enthusiasm for social security prosecutions. The expertise and contacts of former police officers, working as investigators, can help to overcome this. However, some investigators from other backgrounds have also established good working relations with local police. Establishing a focal contact at the local station can help, particularly if the authority can brief him or her on key aspects of social security legislation. Passing well-prepared and well-presented case papers to the police will also help to ensure a smooth working relationship (Case Study 8.2, overleaf).
8.17 The police or the Benefits Agency may on occasion choose to caution someone rather than prosecute. However, the DSS prosecuting solicitors will be able to access the Police National Computer to identify any relevant previous convictions in cases where the Agency proposes to caution. Otherwise, cautions might be devalued by being administered in inappropriate cases.

8.18 Irrespective of who prosecutes, investigators need to prepare and present evidence professionally (Case Study 8.3). Training will provide, or update, expertise. Councils that are recruiting investigators can include these skills in their person specifications.
Case Study 8.3
Preparing a case for court

Well-presented case papers include statements and other supporting evidence.

One authority was sending rent allowance cheques to a tenant who had a resident landlord and landlady. He moved but did not tell the authority, which continued to send cheques addressed, and made out, to the tenant. The landlord and landlady obtained £2,039 by falsely cashing these cheques. The authority identified the fraud when an officer visited the premises when the tenant did not renew his claim at the end of the period for which benefit had been awarded.

The authority’s Details of Offence took up six sides of double-spaced A4 paper. It was supported by 48 exhibits, including:

- 24 falsely presented cheques. These cheques are shown, on the reverse, as having been paid into an account bearing the name of the landlord/landlady;
- two earlier cheques, which had been sent before the claimant moved and which were for benefit to which he was entitled, and which had been paid into the same account;
- a copy of the material the council sends with each cheque which reminds claimants and landlords of the need to report changes in circumstances and also includes a warning to third parties about false encashment;
- six claim forms, covering the claimant’s period of residence at this property;
- copy tenancy agreements;
- forms and other correspondence from the landlady;
- benefits staff notes of a telephone conversation with the landlady;

and drew on:

- enquiries at the DSS, which established that the claimant had been living in another city for nearly a year before the fraud was uncovered;

and was supported by:

- two statements by the claimant when he was interviewed as part of the investigation. The first confirmed the date on which he moved and that he had not subsequently received housing benefit for his previous address. The second was made when the claimant was shown copies of the falsely presented cheques. It confirmed that he did not receive the cheques and that signatures on the back were made without his knowledge or permission.

8.19 If a council takes cases to court, without involving the police or Benefits Agency, it needs access to presentational expertise. Some councils’ legal departments are inexperienced in criminal work. Such authorities can buy in legal support. South Holland District Council has, for example, employed a local firm of solicitors to present cases on its behalf. This need not be costly, particularly if the defendant pleads guilty. The Local Government Act offers an alternative to buying in solicitors’ time, as section 223 allows councils to nominate officers, who need not be solicitors or barristers, to prosecute on their behalf at magistrates’ courts. But anyone presenting cases for the council needs to be familiar with court procedures. If staff from investigative units lack this expertise, authorities can recruit people with such experience or train existing staff.
Obtaining convictions

8.20 Councils may occasionally lose a case that they have brought or initiated. But, if prosecutions consistently fail, authorities’ criteria for selecting cases to take to court, or the quality of the evidence that they offer, may be flawed. It is thus useful always to review policies and procedures, following an acquittal, to identify any necessary changes. Officers should pay particular attention to any adverse comments by the court about the decision to prosecute or the evidence offered.

8.21 The police may sometimes decline to accept a case from a council, or the Crown Prosecution Service may decline to proceed with a case referred to it by police. Good practice is to establish the reason and amend policies or procedures where necessary. The same approach should be followed if DSS prosecuting solicitors decline to proceed with a case that the authority passed to the Benefits Agency for prosecution.

8.22 The sentences passed on conviction have sometimes disappointed officers who believe that they are so light that they are unlikely to deter others. For example, in one authority a mother and daughter pretended to be landlady and tenant and obtained £5,600 fraudulently over three years. They pleaded guilty at Crown Court to sample charges of obtaining cheques worth £207.90 and were each sentenced to 160 hours’ community service. Councils should, however, recognise that such sentences still punish and can thus deter. Factors such as the loss of their reputation, when the local press reports a conviction, may also deter some people from fraud, irrespective of the sentence. However, councils should reappraise their prosecution policies when they believe that sentences consistently appear unlikely to deter.

Publicity

8.23 Prosecution may act as a deterrent even without media publicity; for example, conviction may deter the person accused and his or her family and friends. Press and other publicity may, however, have a wider deterrent effect. It is usually best to involve the authority’s public relations unit and to prepare press releases in advance. They should not be given to journalists until the court has passed sentence and should not be issued if the sentence disappoints. It is also advisable to prepare a contingency plan and alternative press statement, in case of acquittal, particularly if the case is sensitive or likely independently to attract publicity. Councils can also publicise the fact that they prosecute and obtain convictions; for example, on posters and leaflets and on claim forms and other documents sent to claimants and landlords. They can also publicise other counter-fraud initiatives to help to deter fraud.
8.24 If the defendant pleads guilty in a case brought through the police, the authority’s officers will not need to appear in court. If investigators do not then liaise with the police or CPS, they may not know when the case is to be heard, making it difficult to issue timely publicity material. The national fraud service level agreement includes procedures for liaising with the Benefits Agency, if income support is to feature in a prosecution brought or initiated by a council.
Checklist for action

### Policy on prosecution and use of the administrative penalty

- Members have agreed a policy that supports prosecution where this is appropriate
- This takes account of advice from the DSS
- The authority will review and make appropriate changes to its policy whenever the DSS issues further or revised guidance on prosecutions and the administrative penalty: these changes will cover when to use the penalty
- The authority is prepared to prosecute, or ask others to prosecute, appropriate cases across the range of types of fraud
- The policy specifically covers internal fraud and fraud by council employees, including whether and when to use disciplinary procedures as an alternative to, or in addition to, prosecution (or use of the administrative penalty)
- The authority normally uses disciplinary procedures when it identifies fraud by its staff, irrespective of whether it also prosecutes (or uses the administrative penalty)
- The policy also covers internal frauds by contractors’ staff who are administering benefits for the authority and benefit frauds by staff delivering other services on the council’s behalf
- Contractors’ staff who commit fraud are normally dealt with in the same way as people employed directly by the council
- The authority’s contractual arrangements allow it to implement this policy; for example, by requiring that the contractor report any internal or other frauds to the council so that it can decide whether to prosecute
- Officer responsibilities for deciding whether to prosecute are clear; the same will be true for decisions about whether to use the administrative penalty
- Decisions on whether to prosecute and the reasons for them are recorded; decisions about use of the administrative penalty will be treated similarly
- Elected members do not make decisions about particular cases
- Members are informed about sensitive prosecutions or ones likely to arouse public interest
- The policy is implemented (for example, the council has prosecuted in appropriate instances)
- Elected members receive reports on the numbers of prosecutions, their cost to the council and their outcomes, at least annually and, preferably, quarterly. They will also be informed about the number of administrative penalties and the sums recovered and outstanding
- The authority will normally prosecute when it seeks to use, but the suspected fraudster chooses not to accept, an administrative penalty
### Procedures and documents

- if their council does not currently prosecute, officers will introduce the forms and other documents, and new procedures, required to implement a prosecution policy. They will also train staff as necessary

- in other councils, officers will make any necessary revisions to forms and other documents and to procedures to take account of the new offences introduced by the Fraud Act. They will also train staff as necessary

- officers will introduce any new forms and other documents and new procedures required to use the administrative penalty. They will also train staff as necessary

### Bringing cases to court

- as recommended in Circular F3/95, the authority contacts Benefits Agency fraud officers if it has evidence that multiple false claims are being submitted to the Agency

- authorities in London consult LOFIT, where they believe they have evidence of multiple fraud by landlords or others

- the authority responds speedily when the DSS prosecuting solicitors ask for statements or other evidence to support prosecutions that they are initiating (either on the Benefits Agency’s initiative or at the council’s suggestion)

- the authority and the Agency have agreed who should take the initiative about prosecuting in other cases where there is evidence of fraud against both the Agency and the authority

- the council either brings other appropriate cases to court itself or passes them to police

- officers liaise effectively with local police (that is, they have an up-to-date contact with whom they can discuss possible prosecutions)

- officers provide or offer this contact with background briefing on housing benefit offences (for example, on the housing benefit scheme, types of possible housing benefit frauds and offences)

- even if the council normally takes cases to court itself or passes them to the Benefits Agency, it involves the police when appropriate, for example:
  - the housing benefit fraud is linked to other crimes (for example, renovation grant fraud or mortgage fraud)
  - the fraud involves complex offences (for example, conspiracy)
  - the council lacks the expertise or facilities to interview under caution
  - the suspect is potentially violent
  - the authority believes that the fraudster may abscond, or seek to intimidate witnesses, and that he or she should therefore be arrested with a view to asking the court for a remand in custody
  - so that police can execute a search warrant to help to gather evidence

- if the police decline to refer cases passed to them by the council on to the Crown Prosecution Service, the council identifies the reasons. Where necessary, it amends investigation and/or other procedures and/or its guidelines for selecting cases for prosecution
- the council similarly identifies the reasons, and takes any necessary corrective action, if the Crown Prosecution Service declines to prosecute after the police have passed a case to it
- officers offer to brief CPS officials about the housing benefit scheme (where the council expects to pass significant numbers of cases to police or if the local CPS office has not previously received cases from it)
- the council identifies the reasons, and takes any necessary corrective action, if DSS prosecuting solicitors do not prosecute a case referred to the Benefits Agency by the council with a view to prosecution

### Skills and expertise
- officers possess the expertise to prepare evidence for court when the council:
  - prosecutes
  - passes cases to the Benefits Agency
  - passes cases to police
- if officers lack this expertise, the council provides appropriate training or recruiting staff with expertise
- if the authority wishes to present cases at court itself, but lacks the necessary expertise, it either buys in support, recruits people with appropriate skills or trains existing staff

### Obtaining convictions
- all, or most, of the council’s cases result in convictions
- when, and if, it loses a case, the council identifies the reasons and, where necessary, amends investigation and/or other procedures and/or its guidelines for selecting cases for prosecution
- the authority is satisfied that sentences, on conviction, usually send appropriate deterrent messages to the fraudster and, where appropriate, to others
- if they do not, it reappraises its guidelines for selecting cases for prosecution
- the courts have not criticised the authority for bringing cases before it or for the quality of the evidence offered
- if they have, the council has reviewed policies and procedures

### Publicity
- the authority publicises convictions when this:
  - will generate positive publicity
  - may help to deter others from fraud
- the council prepares press releases before such cases are concluded
- it also has contingency arrangements in case of acquittal
- The authority does not issue press releases, or help to publicise convictions, where it is dissatisfied with the sentences (that is, it believes that they are unlikely to deter others).

- The council complies with the model national fraud service level agreement and notifies the appropriate Benefits Agency district office if income support or income-based jobseeker’s allowance obtained fraudulently is to be included in publicity.

- The authority liaises with police, the court or the Crown Prosecution Service when the police are prosecuting on its behalf to establish when the case is to be heard. Councils which do not do this may not be able speedily to publicise convictions.

- The council also publicises its willingness to prosecute and the fact that it obtains convictions on posters, leaflets, etc.

- The council also publicises its other counter-fraud work – for example, the WBS it records, the success of particular anti-fraud drives, of fraud ‘hotlines’ and of data-matching exercises, to help to deter fraud.
Appendix 1: Members of the Study Advisory Group

The Audit Commission is grateful to the following advisory group members for providing their time and assistance.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ian Baker</td>
<td>Westminster City Council</td>
</tr>
<tr>
<td>Margaret Constable</td>
<td>National Association of Citizens Advice Bureaux</td>
</tr>
<tr>
<td>Roger Dent</td>
<td>Benefits Agency</td>
</tr>
<tr>
<td>Rod Elliott*</td>
<td>London Organised Fraud Investigation Team (LOFIT)</td>
</tr>
<tr>
<td>Christopher Evans</td>
<td>Department of Social Security</td>
</tr>
<tr>
<td>Donald Graham</td>
<td>Liverpool City Council</td>
</tr>
<tr>
<td>Bernard Keay</td>
<td>Benefits Agency</td>
</tr>
<tr>
<td>Sarah Luke</td>
<td>Southampton City Council</td>
</tr>
<tr>
<td>Dennis Marden</td>
<td>Exeter City Council</td>
</tr>
</tbody>
</table>

* Mr Elliott was a member of the Advisory Group throughout the study. He joined LOFIT from Southwark Borough Council after the group had been convened.
## Appendix 2: Types of fraud

<table>
<thead>
<tr>
<th>Fraud type code</th>
<th>External fraud</th>
<th>Rent rebate</th>
<th>Rent allowance</th>
<th>Council tax benefit</th>
<th>Defences (see Appendix 3 for description)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claimant</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>Income understated</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A1, A5, A14, A15, B1, B2, B5</td>
</tr>
<tr>
<td>b</td>
<td>Improper encashment of payable instrument</td>
<td>✔</td>
<td></td>
<td></td>
<td>A3, A4, A6, A7, A8, A9, A10, A12, A13, A14, B3, B4, B6, B7, B8, B9</td>
</tr>
<tr>
<td>c</td>
<td>Failure to notify change in circumstances</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A14, A15, B2, B9</td>
</tr>
<tr>
<td>d</td>
<td>False residence</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A4, A5, A11, A12, A14, A17, B1, B3, B4</td>
</tr>
<tr>
<td>e</td>
<td>False identity</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A3, A8, A10, A12, A14, A17, B1, B3, B4, B5</td>
</tr>
<tr>
<td>f</td>
<td>Capital understated</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A1, A5, A14, A15, B1, B2</td>
</tr>
<tr>
<td>g</td>
<td>Dependants declared falsely</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A1, A5, A14, A15, A16, B3, B4</td>
</tr>
<tr>
<td>h</td>
<td>Failure to declare non-dependents</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A5, A14, A15, A16, A17, B3, B4</td>
</tr>
<tr>
<td>i</td>
<td>Tenancy details misrepresented (eg, to conceal a contrived tenancy)</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A4, A12, A14, A16, A17, B1, B3, B4</td>
</tr>
<tr>
<td>j</td>
<td>Overstated rent</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A5, A14, A16, B1, B2</td>
</tr>
<tr>
<td>k</td>
<td>Multiple claims</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A4, A12, A14, A17, B1, B2, B3, B4</td>
</tr>
<tr>
<td>l</td>
<td>Undeclared subletting</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A1, A2, A4, A11, A12, A14, A16, A17, B1, B2, B3, B4</td>
</tr>
<tr>
<td><strong>Third party (eg, landlords or managing agents)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>m</td>
<td>Improper encashment of payable instruments</td>
<td>✔</td>
<td></td>
<td></td>
<td>A3, A4, A6, A7, A8, A9, A10, A12, A13, A14, B3, B4, B6, B7, B8</td>
</tr>
<tr>
<td>n</td>
<td>Tenancy details misrepresented (eg, to conceal a contrived tenancy)</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A4, A12, A14, B1, B2, B3, B4</td>
</tr>
<tr>
<td>o</td>
<td>Overstated rents</td>
<td>✔</td>
<td></td>
<td></td>
<td>A14, A16</td>
</tr>
<tr>
<td>p</td>
<td>Failure to notify tenant's departure</td>
<td>✔</td>
<td></td>
<td></td>
<td>A6, A7, A8, A10, A12, A14, A15, A17, B2, B3, B4, B6, B7, B8</td>
</tr>
<tr>
<td>q</td>
<td>False claimant</td>
<td>✔</td>
<td></td>
<td></td>
<td>A1, A2, A3, A4, A5, A7, A12, A14, A16, A17, B1, B2, B3, B4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fraud type code</th>
<th>Internal fraud</th>
<th>Rent rebate</th>
<th>Rent allowance</th>
<th>Council tax benefit</th>
<th>Defences (see Appendix 3 for description)</th>
</tr>
</thead>
<tbody>
<tr>
<td>r</td>
<td>False claims</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A14, A17, C1, C2, C9, C10, D1, D2, D4</td>
</tr>
<tr>
<td>s</td>
<td>Manipulation of assessment</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A14, C1, C2, C7, C9, C10, D1, D2, D4</td>
</tr>
<tr>
<td>t</td>
<td>Encashment of payable instruments</td>
<td>✔</td>
<td></td>
<td></td>
<td>A14, C3, C4, C6, C8, D3, D4</td>
</tr>
<tr>
<td>u</td>
<td>False refunds</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>A14, C1, C2, C3, C4, C10, D1, D2, D3, D4</td>
</tr>
</tbody>
</table>
## Appendix 3: Defences against fraud

### External fraud

<table>
<thead>
<tr>
<th>Code (used in Appendix 2)</th>
<th>Defence</th>
<th>Type of fraud which this counters (see Appendix 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Documentation (or where necessary third party confirmation) of essential details required before assessment. Records noted to say that these have been seen.</td>
<td>a, d, e, f, i, j, k, l, n, q</td>
</tr>
<tr>
<td>A2</td>
<td>Claims compared on receipt with existing housing benefit records to avoid duplicate payments.</td>
<td>d, e, i, k, l, n, q</td>
</tr>
<tr>
<td>A3</td>
<td>Proof of identity required when cheques are collected/cashed.</td>
<td>b, e, m, q</td>
</tr>
<tr>
<td>A4</td>
<td>Exception reports generated, reviewed and cleared for:</td>
<td>b, d, i, k, l, m, n, q</td>
</tr>
<tr>
<td></td>
<td>◆ payments for same person</td>
<td></td>
</tr>
<tr>
<td></td>
<td>◆ high payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>◆ payments to same address, etc.</td>
<td></td>
</tr>
<tr>
<td>A5</td>
<td>Applications compared with earlier claims to ensure consistency of information.</td>
<td>a, f, g, h, j</td>
</tr>
<tr>
<td>A6</td>
<td>Returned cheques promptly followed up and originals stopped.</td>
<td>b, m, p</td>
</tr>
<tr>
<td>A7</td>
<td>Regular checks into continued entitlement where payments are by BACS or directly to a landlord (as payments could continue when a claimant leaves).</td>
<td>b, m, p</td>
</tr>
<tr>
<td>A8</td>
<td>Special procedures for opening cheques.</td>
<td>b, e, m, p</td>
</tr>
<tr>
<td>A9</td>
<td>Bank reconciliation procedures timely and include rent allowance payments.</td>
<td>b, e, m, p</td>
</tr>
<tr>
<td>A10</td>
<td>Unpresented payable instruments identified and investigated.</td>
<td>b, e, m, p</td>
</tr>
<tr>
<td>A11</td>
<td>Claims checked on receipt against existing council property records to ensure that:</td>
<td>d, l</td>
</tr>
<tr>
<td></td>
<td>◆ rent allowance is not being falsely claimed for a council property (though council tenants many legitimately take lodgers or even sublet - the lodger or subtenant might legitimately claim housing benefit)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>◆ rent rebate is not being claimed for a void property where the claimant has no residual liability for rent.</td>
<td></td>
</tr>
<tr>
<td>A12</td>
<td>Payable instruments not be sent to ‘insecure’ addresses. Arrangements should be made for collection or hand delivery. Decisions should be about individual addresses, not categories of housing, and take account of any past thefts and false encashments.</td>
<td>b, d, e, i, k, l, m, n, p, q</td>
</tr>
<tr>
<td>A13</td>
<td>Requests for replacement cheques always investigated and original stopped.</td>
<td>b, m</td>
</tr>
<tr>
<td>A14</td>
<td>Reported suspicions of fraud always followed up promptly.</td>
<td>all</td>
</tr>
<tr>
<td>A15</td>
<td>Requirements to notify changes in circumstances well publicised.</td>
<td>a, c, f, g, h, j, p</td>
</tr>
<tr>
<td>A16</td>
<td>Any discrepancies in information provided by claimants, identified during Rent Officer referral, followed up.</td>
<td>g, h, i, j, l, o, q</td>
</tr>
<tr>
<td>Code (used in Appendix 2)</td>
<td>Defence</td>
<td>Type of fraud which this counters (see Appendix 2)</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>A17</td>
<td>Comparisons with other council records – council tax, electoral roll, etc.</td>
<td>d, e, h, i, k, l, p, q</td>
</tr>
<tr>
<td>B1</td>
<td>Third-party or documentary confirmation of most details on application form is required/retained.</td>
<td>a, d, e, f, i, j, k, l, n, q</td>
</tr>
<tr>
<td>B2</td>
<td>Checks into continued entitlement carried out more frequently than required by regulations where circumstances appear particularly likely to change.</td>
<td>a, c, f, j, k, l, q</td>
</tr>
<tr>
<td>B3</td>
<td>Visits to claimants to confirm residency and, possibly, other information before cases enter payment.</td>
<td>b, d, e, g, h, i, k, l, m, n, p, q</td>
</tr>
<tr>
<td>B4</td>
<td>Other random visits to claimants’ addresses to confirm continued residency and entitlement.</td>
<td>d, e, g, h, i, k, l, n, p, q</td>
</tr>
<tr>
<td>B5</td>
<td>Details of claimants receiving income support or income-based jobseeker’s allowance periodically confirmed with the Benefits Agency.</td>
<td>a, e, k</td>
</tr>
<tr>
<td>B6</td>
<td>Cheques are crossed ‘A/c Payee’; the authority does not use giros or uncrossed cheques.</td>
<td>b, m, p</td>
</tr>
<tr>
<td>B7</td>
<td>Warnings regarding improper encashment of cheques printed on the reverse.</td>
<td>b, m, p</td>
</tr>
<tr>
<td>B8</td>
<td>Payable instruments sent in plain envelopes which are marked ‘Do not forward’ and request return to a Box Number.</td>
<td>b, m, p</td>
</tr>
<tr>
<td>B9</td>
<td>Failures to submit repeat claims, when benefit periods end, followed up.</td>
<td>c</td>
</tr>
</tbody>
</table>
# Appendix 3: Defences against fraud

## Internal fraud

<table>
<thead>
<tr>
<th>Code (used in Appendix 2)</th>
<th>Defence</th>
<th>Type of fraud which this counters (see Appendix 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Random checking of assessment.</td>
<td>r, s, u</td>
</tr>
<tr>
<td>C2</td>
<td>Clear records of who performed work through proper password control, audit prints and controls to stop assessors amending/destroying audit records.</td>
<td>r, s, u</td>
</tr>
<tr>
<td>C3</td>
<td>Separation of duties between assessment/input and handling of rent allowance cheques/cash.</td>
<td>t, u</td>
</tr>
<tr>
<td>C4</td>
<td>Proper procedures for the return of cheques.</td>
<td>t, u</td>
</tr>
<tr>
<td>C5</td>
<td>Regular reconciliations to ensure receiving systems are correctly credited.</td>
<td>Error prevention</td>
</tr>
<tr>
<td>C6</td>
<td>Exception reports are generated, reviewed and cleared for high payments.</td>
<td>t</td>
</tr>
<tr>
<td>C7</td>
<td>Computer controls make certain fields mandatory.</td>
<td>s</td>
</tr>
<tr>
<td>C8</td>
<td>All overpayment write-offs authorised by senior management.</td>
<td>t</td>
</tr>
<tr>
<td>C9</td>
<td>Changes in benefit and entitlement dates known to senior management through exception reports.</td>
<td>r, s</td>
</tr>
<tr>
<td>C10</td>
<td>Audit log reviewed by management.</td>
<td>r, s, u</td>
</tr>
<tr>
<td>C11</td>
<td>Payments on account separately recorded for subsequent reconciliation after housing benefit assessed.</td>
<td>Error prevention</td>
</tr>
<tr>
<td>D1</td>
<td>Independent random checking of assessment work by a separate team/senior management.</td>
<td>r, s, u</td>
</tr>
<tr>
<td>D2</td>
<td>Assessment of repeat claims carried out by a different person from the person who originally assessed the claim.</td>
<td>r, s, u</td>
</tr>
<tr>
<td>D3</td>
<td>Senior management reviews cases where:</td>
<td>t, u</td>
</tr>
<tr>
<td></td>
<td>◆ payments to claimants resume after they had been suspended</td>
<td></td>
</tr>
<tr>
<td></td>
<td>◆ payment addresses have altered (but the address for which the award has been made is unaltered)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>◆ bank details amended (payments by BACS).</td>
<td></td>
</tr>
<tr>
<td>D4</td>
<td>Staff duties are periodically rotated so that the person responsible for a particular case alters from time to time. Alternatively, work can be randomly allocated to staff.</td>
<td>r, s, t, u</td>
</tr>
</tbody>
</table>
## Appendix 4: Overcoming the possible disadvantages of a decentralised service

<table>
<thead>
<tr>
<th>Potential problem</th>
<th>How to overcome or minimise its effects</th>
</tr>
</thead>
</table>
| **Vulnerability to absence** | - monitor sickness/absence levels and apply the authority’s counselling/discipline procedures when absences are high  
- do not appoint staff to particular offices, but make it a condition of employment that employees can be asked to work in any office  
- have an authority-wide pool of peripatetic staff drawn on to meet particular needs  
- regularly monitor the throughput and outstanding workload of each office. Authority-wide workflow management and document image processing (DIP) systems can assist with this  
- move assessment work from one office to another as backlogs appear or workloads alter. Authority-wide DIP systems can help with this as work can be transferred between sites without moving paper files. (However, such transfers take away the local knowledge and easier contact with claimants which are major attractions of decentralisation)  
- move staff between offices to meet needs. (However, this removes one advantage of decentralisation - officers’ personal knowledge of claimants and cases). |
| **Problems meeting peaks and troughs in workload** | - as above. |
| **Poor management of benefits work** | - manage directly from the centre; do not ask managers of the local housing or other offices to which benefits administration has been decentralised to manage benefits work  
or  
- establish inter-office management structures. |
<table>
<thead>
<tr>
<th>Potential problem</th>
<th>How to overcome or minimise its effects</th>
</tr>
</thead>
</table>
| Frontline supervision and quality control may be poor | In a local office:  
- specialist support and advice on policy and other matters is not available on-site  
- if the frontline supervisor is absent, no one may be able to provide the necessary supervision.  
| | provide a central support team and helpline  
| | provide staff with brief introductory training on benefits  
| | provide cover for supervisors’ absence from a central pool. |

| Vulnerability to internal fraud (or bending the rules) | Local offices may be more vulnerable to fraud because:  
- there may be less supervision  
- separation of duties is more difficult in small teams  
- assessors may have easy access to audit records  
- the closeness of benefits staff to claimants and housing rent collection may mean that staff are more inclined to bend the rules. |
| | employ a peripatetic quality assurance team  
| | periodically move individual members of staff from one office to another  
| | ensure that internal audit reviews quality assurance procedures annually and supplements this by reviews of procedures and sample checking of cases in individual offices  
| | process cheques centrally  
| | have clear procedures for any local cash payments (rent allowance payments on account, emergency payments). These should involve at least two people, one of whom is from outside the benefits unit. These duties should be rotated. The quality assurance team should check these transactions and internal audit examine systems, and sample check cases, annually. |

| Inconsistencies between offices | Regulations may be interpreted differently and different policies may be used by different offices. |
| | provide clear central guidance through procedure manuals  
| | establish comprehensive and effective training schemes  
| | the peripatetic quality assurance team and internal audit check for inconsistencies. |

| | Landlords and managing agents can have properties throughout an authority’s area. |
| | create a central landlord team  
| | liaise with landlords and agents through this team  
| | use this team to set up direct payments to landlords and agents  
| | do not permit staff in local offices to create direct payments to landlords or agents. Instead, require that they pass such cases to the central team once they have decided how much benefit to award  
| | deal centrally with recoveries of overpaid benefit from landlords and agents. |
## Potential problem

<table>
<thead>
<tr>
<th>Inconsistencies between offices (cont.)</th>
<th>How to overcome or minimise its effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decentralising fraud investigation</strong></td>
<td>✷ retain a central fraud team</td>
</tr>
<tr>
<td>would create very small specialist units, and create supervisory problems, or require significant increases in the number of investigators.</td>
<td>✷ encourage investigators to visit local offices and liaise with staff at those offices</td>
</tr>
<tr>
<td><strong>People do not know which office to contact</strong></td>
<td>✷ monitor the number of referrals to investigators from each office</td>
</tr>
<tr>
<td>There is little point in establishing local offices if people do not know:</td>
<td>✷ monitor the quality of these referrals (ie, the proportions that prove to involve fraud and the amounts of WBS that they generate)</td>
</tr>
<tr>
<td>✷ that they exist</td>
<td>✷ provide extra fraud awareness training if the number of referrals is low or if their quality is poor.</td>
</tr>
<tr>
<td>✷ where the nearest one is</td>
<td></td>
</tr>
<tr>
<td>✷ which one handles their claims.</td>
<td></td>
</tr>
<tr>
<td><strong>Delay and loss when documents are distributed</strong></td>
<td>✷ arrange for as much mail as possible to be sent direct to the local offices (eg, replies to Rent Officer referrals)</td>
</tr>
<tr>
<td>Some post will still be received centrally (eg, some claim forms); computer output may also be produced centrally. These will need to be moved from the centre to the local offices. This causes delay and increased risk of loss; any special despatching arrangements increase costs.</td>
<td>✷ consider whether notices of determination and other documents need to be sent to local offices for checking and posting or whether they can be posted centrally. (For example, outputs can be checked before posting using local audit prints/screen prints/on-screen. Centrally generated documents can be posted within a few working days of printing, if local offices have not requested that they be removed because they contain errors)</td>
</tr>
<tr>
<td></td>
<td>✷ cost local printing of output (ie, lines from the central computer to printers in the decentralised offices).</td>
</tr>
</tbody>
</table>
## Potential problem

### Assessment is more likely to be interrupted

Staff in local offices are likely to have greater contact with claimants; their work may therefore be interrupted.

- reduce the need for people to visit by using clear forms and documents and giving telephone numbers on outgoing correspondence
- keep on top of work so that backlogs do not develop. Backlogs generate enquiries
- filter incoming calls, using enquiry counter staff to answer simple queries

**but**

- pass other callers on to assessors, interrupting assessors' work if necessary. Improved contact with claimants is a major reason for decentralising; failing to deal fully with callers' queries offers poor customer care.

## A decentralised service may be more costly

- increased contact with claimants may increase staffing requirements
- higher grades of staff may be needed since all offices will have to be able to deal with the more difficult cases and the scope for specialists is reduced. Decentralised services sometimes adopt generic working – all staff deal with all types of work
- staffing levels for individual offices, derived through workload formulae, may be rounded upwards to the nearest whole number of full-time staff
- the costs of distributing documents can be greater – see above
- a larger number of buildings may involve higher revenue costs than one central office. However, the economies of scale may be offset by the higher opportunity cost of office space in a central location
- increased costs of the links between VDUs and the central computer system.

- obtain prices for a centralised and a decentralised service when market testing. Abandon decentralisation if any extra costs are not justified by its advantages
- deal with particularly difficult cases, such as people living in bed and breakfast accommodation, through central teams
- use part-time and temporary staff. Staff numbers do not then need to be rounded up to a whole number of full time equivalents.
Glossary

**Benefits Agency**
An executive agency of the Department of Social Security (DSS). The Benefits Agency administers income support and income-based jobseeker’s allowance through a network of local offices. It also operates specialist fraud investigation units.

**Council tax benefit**
A means-tested social security benefit. It is administered by local authorities and can be awarded both to owner-occupiers and to people who rent their homes to help them to pay their council tax.

The DSS sets the complex rules governing entitlement. The Department subsidises local authorities’ expenditure on awards and helps to meet their administrative costs. Councils usually administer the benefit in tandem with housing benefit and normally pay it by a cashless, book-keeping transfer between their benefits and council tax systems.

**Fraud Act**
The Social Security Administration (Fraud) Act 1997.

**Housing benefit**
A means-tested social security benefit paid to people who rent their homes. It is administered by local authorities using complex rules set by the DSS. Central government subsidises local authorities’ expenditure on awards and helps meet their administrative costs.

**Income-based jobseeker’s allowance**
A means-tested social security benefit administered by the Benefits Agency. It was introduced in 1996, replacing income support for people who meet the means-testing criteria and who are unemployed.

The rules for housing benefit and income-based jobseeker’s allowance are integrated and anyone awarded the latter by the Benefits Agency is considered to have no income or capital for housing benefit assessment purposes.

Anyone who receives income-based jobseeker’s allowance is treated similarly for council tax benefit purposes.

**Income support**
A means-tested social security benefit administered by the Benefits Agency. Recipients include some people above the state retirement age and some younger people who are not able to seek work.
The means-testing rules for housing benefit and income support are integrated; anyone awarded income support by the Benefits Agency is considered to have no income or capital for housing benefit assessment purposes. Anyone who receives income support is treated similarly for council tax benefit purposes.

**Remote Access Terminals (RATs)**

Terminals located in local authority premises which provide direct, read-only access to Benefits Agency computer records. At present they are operated by Benefits Agency staff.

RATS allow authorities to ask the Benefits Agency for information that they lawfully require to administer housing benefit.

At present, few authorities have such terminals.

**Rent allowance**

Housing benefit awarded to people renting in the private sector. It can be paid either to the tenant or, in certain circumstances, directly to the landlord.

People who receive rent allowance include those renting their homes from housing associations and people renting from commercial landlords.

**Rent rebate**

Housing benefit awarded to council tenants. It is usually paid as an internal cashless book-keeping transfer – the award is not paid to the tenant and then handed back as rent but, rather, is offset against all or part of the rent due.

**Weekly Benefit Savings (WBS)**

A notional calculation of the amount saved when local authority investigators detect a fraud or attempted fraud and an award of benefit is refused, reduced or cancelled because of their intervention.

Investigators categorise cases as fraudulent on a balance-of-probabilities test and do not need to prosecute.

The Savings are taken as 32 times the amount that would have been lost each week had the fraud succeeded or continued.

Councils can claim Weekly Benefit Savings for:
- housing benefit;
- council tax benefit;
- income support;
- income-based jobseeker’s allowance; and
- certain other social security benefits (though such claims are, in practice, very rare).
Authorities require written confirmation from the Benefits Agency that it has refused, reduced or ended the award, and details of the amount involved, before they can claim WBS for the last three of these categories.
References


District Auditors were first appointed in the 1840s to inspect the accounts of authorities administering the Poor Law. Auditors ensured that safeguards were in place against fraud and corruption and that local rates were being used for the purposes intended. The founding principles remain as relevant today as they were 150 years ago. Public funds need to be used wisely, as well as in accordance with the law. The task of today’s auditors is to assess expenditure, not just for probity and regularity, but for value for money as well.

The Audit Commission was established in 1983 to appoint and regulate the external auditors of local authorities in England and Wales. In 1990 its responsibilities were extended to include the National Health Service. For more information on the work of the Commission, please contact:

Andrew Foster, Controller
The Audit Commission
1 Vincent Square
London
SW1P 2PN
Tel: 0171 828 1212
Further copies are available from:
Audit Commission Publications
Bookpoint Ltd
39 Milton Park
Abingdon
Oxon OX14 4TD
Freephone: 0800 502030
£45 net