Fraud and Lodging

Tackling Fraud and Error
in Housing Benefit
The Audit Commission

. . . promotes proper stewardship

of public finances and helps those

responsible for public services

to achieve economy, efficiency

and effectiveness.
| 1 | The Scale and Nature of Housing Benefit Fraud |
| 2 | Current Efforts to Prevent, Detect and Deter Fraud |
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Preface

Housing benefit costs over £10 billion a year, making its administration one of the most important financial activities undertaken by local authorities. The Audit Commission examined the system in 1993 when its report, Remote Control, revealed a number of weaknesses in counter-fraud arrangements. The Commission has subsequently reported that abuse of housing benefit is the major probity issue facing local authorities. The size of the benefit bill and the high risk of fraud have led local authorities and the Government to pay increasing attention to countering benefits fraud.

Continuing concern about the scale of actual and potential losses through fraud – estimated variously from £900 million to over two billion pounds annually – has led the Commission and the National Audit Office (NAO) to conduct a joint study of this issue. The work included preliminary visits to seven councils and then detailed fieldwork at 14 authorities and 12 Benefits Agency offices to review current arrangements and identify good practice which could be commended to all authorities. The study also involved further work by external auditors at three councils; short, focused visits by members of the team to another four councils to examine particular aspects of their arrangements; and visits to three Citizens Advice Bureaux. In addition, 79 authorities returned a postal questionnaire.

The NAO’s report, Measures to Combat Housing Benefit Fraud, is being published at the same time as this Audit Commission report and focuses on the effectiveness of the Department of Social Security’s measures to encourage local authorities to combat benefit fraud. It also comments upon co-operation between the Benefits Agency and local authorities.

This Audit Commission report recommends and highlights action that is required by local authorities to improve their counter-fraud arrangements; it also includes a summary of the NAO’s findings and recommendations. It will be complemented by a management handbook, Countering Housing Benefit Fraud, which is to be published later in 1997. This will offer more detailed advice to local authorities and include good practice case studies and detailed checklists. The Commission’s auditors already examine benefits administration as part of their annual reviews of each authority’s arrangements to guard against fraud and corruption, and when certifying grant claims. Auditors will review authorities’ arrangements during late 1997 and in 1998 to help them implement the recommendations contained in this report and in the management 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 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, Peter Yetzes and David Palmer from District Audit, and consultants Deloitte & Touche and Dr Robert Barr, Martin Ward, Paul Smith and Geoffrey Randall.

‘…abuse of housing benefit is the major probity issue facing local authorities.’
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 cooperation from the authorities, Benefits Agency offices and Citizens Advice Bureaux visited by the team, from those councils which took part in the postal survey, from the Department of Social Security and other government departments and from individuals and organisations who offered their views and advice during the study. The Commission is also grateful to the bodies and individuals who commented on drafts of this report. 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 has existed in one form or another for much of this century and 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.

This report examines existing weaknesses in the defences against fraud, and points to improvements at the national and local level that would provide greater protection from both fraud and error.

2. Over four million households in England and Wales rely on housing benefit to help pay their rent, either for a council-owned property or privately rented accommodation. 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 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 from the Benefits Agency (‘the Agency’) are eligible for housing benefit; 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 (Exhibit 1, overleaf). 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 recipients 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.

I The Glossary at the end of this report explains these and other terms.
Exhibit 1
Eligibility for housing benefit

Eligibility for housing benefit is related to income – most recipients have no earned income; the amount awarded is decided by complex rules.

5. The majority (about 60 per cent) of recipients are council tenants, who are awarded the benefit in the form of a rent rebate. (In effect, this is an internal book-keeping transfer; the money is not paid to the tenant and then handed back as rent, but rather offset against all or part of the rent due.) Another 15 per cent of recipients are tenants of housing associations, while the remainder rent from other private sector landlords. These people receive housing benefit in the form of rent allowances, paid either to them or directly to their landlords.

6. Expenditure on housing benefit has almost doubled in real terms since 1990 (Exhibit 2). 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 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 successful housing benefit fraud can be accompanied by council tax benefit fraud.

8. The size of the housing benefit bill, and the complexity of the rules governing entitlement, make its administration of significant audit interest. The Audit Commission last reported on this in 1993, when it commented upon councils’ performance and the impact of the subsidy rules on that achievement (Ref. 1). The Commission concluded that perhaps only a third of authorities largely administered benefits properly, and that many others managed the work efficiently but did not always adhere to the complex regulations: concern was expressed about the position in a significant minority of councils (Box A, overleaf). A key message in Remote Control was that the subsidy mechanism was flawed. For example, councils had little economic incentive to counter fraud. The system also created disincentives to improve the quality of service received by claimants, even though a ‘right first time’ approach is fundamentally important here.

### Exhibit 2

**Expenditure on housing benefit**

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

![Expenditure Chart](chart.png)

*Source: Audit Commission analysis of data provided by the DSS; data are for England and Wales and at 1996/97 prices*
9. Work by the Commission’s auditors, the research carried out for this study and the Commission’s annual monitoring of performance indicators all suggest that the overall administrative performance of many authorities has improved since 1993. And, although some still have significant problems, fraud is now taken more seriously. The DSS has contributed to this; for example, it has changed the subsidy rules to remove some disincentives to good administration and to encourage fraud investigation. But, as the next chapter illustrates, the battle against fraud is far from won. Major recommendations in Remote Control have not been implemented and the recent joint examination by the Commission and the National Audit Office (NAO) signals the need for further changes, at both national and local level, to tackle effectively the problem of housing benefit fraud.
Housing benefit helps over four million low-income households to pay their rent. The complex rules governing entitlement to housing benefit create many opportunities for people to commit fraud, both by lying when claiming the benefit and by concealing subsequent changes which may end or reduce their entitlement. Benefit awarded to people who rent in the private sector may be paid directly to landlords or managing agents, creating opportunities for fraud by them as well as by claimants.

Identified losses to fraud have quadrupled during the 1990s, to £55 million a year. The rise occurred after the DSS began to encourage councils to investigate fraud and may represent improved detection rather than an increase in the actual amount of fraud.

These identified losses represent about half of 1 per cent of a total expenditure of over £10 billion. However, they are likely to be only the tip of the iceberg. The DSS has estimated that the real cost of fraud is about £900 million a year in Great Britain. Some investigators have suggested that the figure is over £2 billion, but there is currently no reliable data to support this view.

1 The Scale and Nature of Housing Benefit Fraud
10. 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 are fraudulent. But calculating the true amount of fraud is an inexact science. In 1989 the NAO reported that information on the nature and extent of fraud was limited, and that relatively little fraud was detected, but concluded that there was scope further to improve safeguards (Ref. 2). The Commission has subsequently reported that abuse of the benefits system is the major probity issue facing local authorities (Ref. 3). Indeed, the sums it has identified as lost through fraud have increased fourfold during the 1990s, to £55 million a year.

11. These increasing losses have occurred at a time when the overall cost of the benefit has also been rising. Nonetheless, the proportion of the total cost accounted for by known losses to fraud has increased since the Government altered the subsidy system in 1993/94 to encourage councils to investigate abuse; identified losses to fraud now represent over half of 1 per cent of the cost of the benefit (Exhibit 3). This rise may, however, reflect improved detection rates, stimulated by the change to subsidy, rather than a growth in the real, underlying level of fraud.

12. 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 which 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. 4). The Department arranged for local authority fraud investigators to review entitlement in a sample of nearly 5,000 cases, to identify both fraud and error. It concluded that about 6 per cent of

**Estimates of losses through fraud**


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<th>Year</th>
<th>Known losses to fraud as a percentage of housing benefit expenditure</th>
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<tr>
<td>1990/91</td>
<td>0.75%</td>
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<tr>
<td>1991/92</td>
<td>0.50%</td>
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<tr>
<td>1992/93</td>
<td>0.25%</td>
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<tr>
<td>1993/94</td>
<td>0.0%</td>
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<tr>
<td>1994/95</td>
<td>0.75%</td>
</tr>
<tr>
<td>1995/96</td>
<td>0.50%</td>
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*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*
awards were fraudulent and that another 1 per cent might be so. Based on this work, and on data from an earlier, similar review of income support fraud, the DSS estimated that housing benefit 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).  

13. A third figure then emerged to fuel the debate further. 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. 5). 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 fraud, 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 London Organised Fraud Investigation Team (LOFIT) will help 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’ Review 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

\[ I \] The Department’s estimate consists of £700 million calculated directly from the sampling work plus £200 million 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, which extends from £500 million to £1,300 million.

\[ II \] 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.
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.

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’ accounts because of errors in income support for
each year since the benefit was introduced in 1988/89 (Ref. 6);
- the review of income support fraud, which the DSS drew upon when
  estimating losses to housing benefit fraud, suggested that income support
  fraud was costing £1.4 billion a year in Great Britain (Ref. 7); and
- the Comptroller and Auditor General’s most recent report on the part of
  the DSS’ accounts which includes income support (Ref. 6) shows that, in
1995/96, the NAO found assessment errors, which 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. Though there has been controversy about estimates of the amounts lost to
housing benefit fraud, there is general agreement that the complexity of the
housing benefit scheme creates opportunities for abuse (Box B). Income,
capital, household composition and many other factors influence eligibility.
For example, the calculation has to take account of more than 60 possible
‘allowances’, ‘premiums’, ‘deductions’ and ‘disregards’; and one standard guide
to the benefit is more than 400 pages long. In addition, entitlement can vary
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 which may reduce or end
  their entitlement. The DSS’ Review concluded that the majority of frauds,
  about 70 per cent, fall into this category of opportunist fraud; and
- fraud by landlords or managing agents – over 60 per cent 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.
The complexity of the housing benefit rules creates opportunities for fraud

Note: This list is illustrative and not exhaustive.

Source: Audit Commission

The DSS’ Review sheds further light on the types and incidence of fraud. For example, it revealed that:

- people receiving income support\(^1\) accounted for over half of the losses to housing benefit fraud;
- similar numbers of people commit rent allowance and rent rebate fraud;
- the financial losses to rent allowance fraud are 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 and thus an award of rent allowance is, on average, worth more than a rent rebate award; and

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\(^1\) 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 jobseeker’s allowance; others would continue to be eligible for income support.
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, not declaring earnings or under-reporting them is the most common single type of fraud, accounting for 31 per cent of cases compared with the 24 per cent of frauds which involve non-residency (Exhibit 4).

Exhibit 4
Types of fraud
Undeclared earnings, or under-reporting of earnings, is the most common single type of fraud.

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

Source: Audit Commission analysis of data from the DSS’ Housing Benefit Review, 1996; percentages are based on numbers of frauds (not amounts of money lost)
Councils’ efforts to counter housing benefit fraud are strongly influenced by the subsidy regime, which currently offers little encouragement to prevent fraud (or to prosecute to deter people from fraud). While authorities have responded positively to subsidy incentives to investigate and detect abuse, their figures for the amount of public money saved by investigations tend to overstate their achievement.

Income support and income-based jobseekers’ allowance, which are administered by the Benefits Agency, act as gateways to housing benefit; most people awarded the benefit enter the system by this route. Co-operation between the Benefits Agency and local authorities thus has a key role in countering housing benefit fraud but, in practice, is often poor.

Although councils have responded to the threat posed by abuse of housing benefit, most concentrate on investigation and detection and give little priority to prevention and deterrence. And some authorities have more effective systems for countering fraud than others.
19. What defences have central and local government constructed against these various types of housing benefit fraud? The answer is that a rather complex framework has evolved, comprising 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. A number of key players are involved in addition to the DSS, the Benefits Agency (through its administration of the gateway benefits of income support and jobseeker’s allowance) and local authorities. The Employment Service also helps to administer jobseeker’s allowance; the NAO audits the DSS and the Benefits Agency; and the Commission’s auditors work with local authorities (Exhibit 5). The Department of the Environment, Transport and the Regions and the Welsh Office also play a part, through their subsidy of authorities’ housing revenue accounts and thus of housing benefit awards made to council tenants; they and the Employment Service are also audited by the NAO.

Exhibit 5
Organisations involved in administering housing benefit

The Department of Social Security, the Benefits Agency and local authorities all have key roles in combating fraud.

Source: Audit Commission, based upon material prepared by the NAO
20. The principal features of the national framework are the rules and guidance which determine eligibility and the way in which claims should be assessed and verified; the financial incentives provided to local authorities to reward counter-fraud activity; and the need for co-operation between the Benefits Agency and local authorities. (If, for example, the Benefits Agency withdraws income support from a claimant, the relevant local authority should be given that information promptly so that it can cancel the related award of housing benefit.)

21. Working within this national framework, councils aim to tackle fraud by:
- building up defences against internal fraud by corrupt officers and against fraud by elected members;
- administering housing benefit efficiently and verifying claims, to try and ensure that honest claimants receive the correct award and dishonest ones are kept out of the system;
- investigating cases where there is a suspicion or evidence of fraud; and
- deterring people from attempting fraud by recovering money lost through fraud and by, in appropriate cases, prosecuting.

22. This battery of national and local measures to combat fraud is comprehensive in theory but in practice there have been three major impediments to effective action:
- the subsidy framework provided by the DSS has not encouraged councils to invest in administrative systems that help to prevent fraud. Neither does the subsidy framework encourage councils to take appropriate cases to court. The incentives in the system thus skew effort towards fraud investigation and detection. One particular subsidy incentive – Weekly Benefits Savings subsidy – has stimulated a great increase in fraud investigation but has proved to be a flawed success both because of this skewing effect and because of problems in its operation;
- the co-operation and the exchange of information between the Benefits Agency and local authorities varies markedly in quality but is frequently poor; and
- good practice within local authorities is not universal and many councils can further improve their arrangements for countering housing benefit fraud.

These impediments are examined in turn in the rest of this chapter; the following chapter then considers how to improve both the overall system and the performance of individual councils.

Flaws in the subsidy framework

Perverse incentives

23. Local authorities' approach to administering housing benefit and to tackling benefit fraud is much influenced by the subsidy system. Though the changes made to 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 which would help to prevent or deter fraud.
24. This is because the subsidy changes have not addressed a major difficulty highlighted by the Commission in Remote Control: the Department’s administrative grant to councils covers just over one-third of authorities’ actual administrative expenditure. 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. This is because subsidy from the DSS covers up to 95 per cent of the cost of rent allowance awards, while rent rebates fall almost entirely within councils’ housing revenue accounts and are covered by subsidy from the Department of the Environment, Transport and the Regions (or the Welsh Office) or by the rents paid by other tenants. Councils have sometimes, therefore, been reluctant to improve defences against fraud. Though Remote Control suggested changes to subsidy to help overcome this problem, most of those recommendations have not yet been implemented.

Weekly Benefit Savings

25. This 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 (Box C). 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; the scheme is designed in such a way that most councils do not receive significant amounts in WBS subsidy until their Savings substantially exceed their thresholds.

26. Local authorities have responded vigorously to this incentive. The overwhelming majority have increased the resources that they devote to fraud investigation. Local government now employs over 1,000 investigators and reported Weekly Benefit Savings have more than trebled during the scheme’s life (Exhibit 6). In 1996/97, local authorities in England and Wales reported WBS of £296 million, sufficient to generate £43 million in subsidy from the DSS.

27. WBS figures need, however, to be interpreted with caution. The 32-week multiplier (Box C) is an estimate of the average period for which a fraud would have continued had it not been detected. However, investigators in some authorities now pay frequent visits to bed and breakfast hotels, houses in multiple occupation and other short-stay accommodation and record Savings whenever they find that a claimant is no longer resident. Such visits are a key good practice feature. But, because investigators may find several ‘gone aways’ at the same accommodation during a year, each of which generates a Saving of 32 times the
weekly benefit, some accommodation can generate much more in Savings in a year than the maximum amount (52 weeks’ benefit) that could possibly be lost in that period because of fraudulent claims from those addresses.

**Box C**

The DSS’ subsidy mechanism – Weekly Benefit Savings

Weekly Benefit Savings (WBS) can be claimed when:
- as a result of enquiries, benefit entitlement has been reduced, refused or ended;
- a fraudulent payment of benefit would have arisen or continued;
- the authority’s fraud investigators have intervened in the case; and
- there is evidence to show that a fraud occurred or that one was intended. This assessment is made by investigators using a balance of probabilities test – the council does not have to prosecute.

WBS are:
- 32 times the weekly sum being claimed wrongfully at the point when action by fraud staff put a stop to the fraud or irregularity. The 32-week multiplier is used because the DSS estimates that this is the average period for which a fraud would have continued had it remained undetected.

WBS can be claimed by councils for fraud or attempted fraud in respect of:
- housing benefit;
- council tax benefit; and
- income support, income-based jobseeker’s allowance and other state benefits administered by the Benefits Agency. However, before local authorities can claim WBS in respect of these benefits, the Benefits Agency must confirm in writing:
  - that it has refused, reduced or terminated an award because of the intervention of the council’s investigators; and
  - the weekly amount of benefit which was being claimed wrongfully.

**Exhibit 6**

The growth in Weekly Benefit Savings

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

**Source:** Summary prepared by the Audit Commission

**Source:** Audit Commission analysis of DSS data for England and Wales
28. 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 people. Official records thus classify many tens of thousands of people as having attempted or committed fraud on evidence which has not been put before – and might not convince – a court. In addition, claimants are not always aware that their cases have been classified as fraud and cannot then challenge investigators’ interpretation of the evidence.

29. 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. For example, one council’s files included a letter from the warden of the sheltered accommodation occupied by a 78-year-old claimant. This said that the man was easily confused and had difficulty with official forms. The warden asked to be notified by the council whenever it wrote to the claimant so that she could then help him to reply. The authority ignored this. It subsequently recorded WBS because the man had reported a small occupational pension when he claimed housing benefit but had not reported the pension to the Benefits Agency when he claimed income support. As a result the Benefits Agency had been paying about £6 a week of income support to which the man was not entitled. The authority and Benefits Agency were right to follow up the point but, in the circumstances, many people might think that the failure to report the pension to the Benefits Agency was an oversight rather than fraud;

- sometimes record WBS in cases where they obtain evidence which they think reveals fraud or attempted fraud but which does not convince their authorities’ benefits assessors and, as a result, their councils decide to award, or continue to pay, benefit. And they sometimes continue to record WBS where a claimant successfully appeals against an assessor’s decision to refuse, reduce or cancel an award;

- sometimes overstate the WBS. For example, in one case examined during the study an authority recorded WBS even though the new information revealed by the investigation had resulted in an increase of £30 a week in the amount of benefit awarded. There are some mistakes the other way; for example, investigators sometimes fail to record council tax benefit WBS when they could legitimately do so;

- occasionally claim WBS for income support or other state benefits without the necessary written proof from the Benefits Agency. In this way, one fieldwork authority recorded over £175,000 of income support Savings; and

- sometime show little interest in improving administrative systems in case this removes the opportunity to claim WBS. For example, one authority recorded £500,000 in one year on claims associated with two short-stay hostels run by a reputable charitable body. Almost all the WBS accrued because the council had not been speedily informed when someone had
left. The authority had not, however, contacted the charity to ask it to improve its administration.

30. WBS returns thus often overstate the amount of fraud uncovered by investigators, and exaggerate the Savings that their work generates, sometimes by 30 per cent or more (Box D). The problem is more acute in some councils than others, as evidenced by the incidence of error revealed during fieldwork and by some qualifications to grant claims by external auditors. The study team found particular problems in some authorities which were reporting very good performance against threshold. Conversely, some other councils with average or below average results against threshold – and which were thus receiving relatively less WBS subsidy – had much better quality control and fewer errors. So achievement against WBS threshold is not in itself a reliable indicator that a council has effective counter-fraud arrangements, nor is it an incentive to efficient administration.

31. 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 (£53 million out of the £507 million reported as Savings) in 1995/96 (Ref. 6). The NAO report, *Measures to Combat Housing Benefit Fraud*, which is being published simultaneously with this Audit Commission report, also includes a discussion of the WBS recorded by the Benefits Agency. It reveals that the Benefits Agency’s internal auditors have found a significant problem with the accuracy of its reported WBS and a significant level of inaccuracy which will have resulted in a substantial overstatement. The Agency’s reported Savings

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**Box D**

**Errors in reported Weekly Benefit Savings**

The fieldwork team examined a random sample of cases for which authorities had claimed Weekly Benefit Savings at each of the 14 field visit sites. The study team identified questions about the validity of 116 out of 385 cases examined – that is, almost 30 per cent of cases sampled – and informed officers of their doubts. Three councils have yet to respond but the others agreed that one-third of these cases were invalid.

The team arranged for external auditors to examine a larger sample of cases at one authority where its visit had suggested that there were particular problems with benefits administration and the validity of WBS claims. The authority was able to provide main case records for only 88 out of 163 cases randomly selected for inspection (albeit at a time when it was reorganising its records system). The auditors subsequently qualified the authority’s grant claim and informed the DSS that over £1 million of the council’s recorded Savings appeared to be invalid.

External auditors have subsequently qualified grant claims prepared by some other councils visited. For example, they have informed the DSS that:

- nearly 25 per cent by value of WBS reported by one council might be invalid; and
- another council’s investigators were delivering rent allowance cheques by hand, claiming WBS (using the 32-week multiplier) when they did not deliver a cheque because the claimant had left. They then added the value of the cheques to the Savings. This increased their WBS claim for the year by over £80,000.

*Source: Fieldwork*
include ones for housing benefit but these are 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 which 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’.

32. The Benefits Agency has been introducing measures to try to improve its methodology for estimating and validating WBS. Local authorities also need to improve their quality control of the WBS they record. Continued error and overstatement by councils would, if undetected, result in their receiving subsidy to which they were not entitled. And significantly exaggerated returns might also mislead the Government or Parliament about the extent of fraud and the effectiveness of investigation. Local authority fraud investigation, and investigators’ ethics, may come into disrepute if their WBS returns overstate and distort investigators’ achievement.

33. The 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 which have been caused by claimant error. However, they receive the normal rate when they identify overpayments caused by fraud – if the subsidy 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 and not by investigators). A small minority of councils appear, from fieldwork evidence, to be misapplying these rules in order to increase their subsidy income.

34. The second main impediment to effective counter-fraud work is poor co-operation between the Benefits Agency and councils. As income support and income-based jobseeker’s allowance are gateways to housing benefit, many people who obtain the benefit fraudulently do so by deceiving the Benefits Agency or by not reporting a change in their circumstances to the Benefits Agency. The DSS Review suggested that up to 70 per cent of housing benefit frauds arise in this way. The Benefits Agency is now reviewing its awards of income support and 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 it and local authorities remains one of the keys to combating housing benefit fraud.

35. Accordingly, the DSS has encouraged service level agreements between Benefits Agency local offices and local authorities specifying, for example, a target number of days for responding to queries; the Department has similarly encouraged service level agreements between Benefits Agency sector fraud units and authorities. The vast majority of councils 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.
36. 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. For example, delays in sharing information help fraud to flourish and contribute to the poor quality of service that claimants sometimes receive; many local authority benefits managers are, however, dissatisfied with the speed with which the Benefits Agency answers queries and informs councils that it has terminated awards of income support or jobseeker’s allowance (Exhibit 7).

37. The difficulties caused by delays are compounded by frequent failures to agree whether information in a particular case has or has not been forwarded to a council or received by it. Such arguments are often impossible to resolve as the Benefits Agency does not possess consolidated, readily accessible records of what it has sent to a particular authority, and because councils normally do not keep a consolidated record of what they receive. This is a potentially serious weakness. Notifications from the Benefits Agency can be tantamount to instructions to cancel housing benefit; the absence of an adequate audit trail between it and local authorities could create significant opportunities for internal fraud.

**Exhibit 7**  
**Benefits managers’ views**

Many local authority benefits managers are dissatisfied with the speed with which the Benefits Agency provides them with information.

**Number of benefits managers**

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Slightly agree</th>
<th>Unsure</th>
<th>Slightly disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

Source: Responses to the NAO/Audit Commission questionnaire
38. Other problems in liaison between the Benefits Agency and local authorities include:

- **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 as council and Benefits Agency investigators often regard themselves as competing to find the same frauds. When investigators from the Benefits Agency and local authorities do co-operate, they sometimes make a local agreement about how to share Savings rather than apply the ‘finders keepers’ rule. The Social Security Select Committee has already recommended (Ref. 5) that the Department review the rule;

- **complaints of inordinate delay by the Benefits Agency in acting upon information forwarded to it by authorities.** For example, if council investigators obtain evidence that someone is claiming income support fraudulently, and thus is receiving housing benefit to which he or she is not entitled, they notify the Benefits Agency. But, if the person does not withdraw the claim for housing benefit, the council can only suspend its payment of the benefit – it cannot cancel the award until the Benefits Agency confirms that it has withdrawn income support. Conversely, Benefits Agency staff complain that some councils are slow to forward cases to it. For example, one Benefits Agency office visited during the study received 300 referrals from a council in a single batch;

- **dissatisfaction among some Benefits Agency adjudication officers with the quality of evidence about alleged income support or other fraud provided by local authority investigators.** This dissatisfaction can be a reflection of investigators’ failure to realise that the Benefits Agency requires firm and detailed evidence about the facts of the case – for example, copies of statements by claimants or employers – rather than an unsupported assertion by an investigator that he or she has found a fraud;

- **failure by some authorities to adhere to advice in Circulars when forwarding information to the Benefits Agency.** For example, some councils do not routinely include claimants’ national insurance numbers; and

- **difficulty in checking housing benefit claims against relevant, up-to-date records held by the Benefits Agency.** In some fieldwork authorities, Remote Access Terminals (RATs), located on council premises, have been used to read the Benefits Agency’s computer records. This provides assurance that the council’s decisions are based upon an up-to-date understanding of the position on income support or jobseeker’s allowance (Box E). These authorities view the terminals as a great success. However, the terminals have been operated by Benefits Agency staff. Benefits Agency local offices have generally been reluctant to provide terminals, because the costs to the Agency were not outweighed by the administration savings anticipated by local Agency managers; only a few local authorities therefore have RATs at present. Some councils have even
Remote Access Terminals (RATs)

The potential value of giving councils read-only access to Benefits Agency data is illustrated by a project in the London Borough of Southwark. The Council’s officers use information accessed through a Remote Access Terminal (RAT) which is located on council premises but is operated by a member of Benefits Agency staff.

This kind of access assures the Council 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 speed up fraud investigation. Staff in the Benefits Agency office which dealt with Southwark before the terminal was installed have also reported significant improvements – notably reductions in paperwork and better working relations.

Local authorities’ counter-fraud arrangements

39. These weaknesses in the national framework are compounded by weaknesses at the local authority level. Many councils have responded positively to the Department’s encouragement to address housing benefit fraud, and fieldwork undertaken for this study has highlighted a growing awareness of the risks to the public purse presented by fraud and abuse of the system. However, many authorities could further improve their:

- defences against internal fraud and corruption;
- capacity to prevent fraud, through more efficient administration of housing benefit and better verification procedures;
- management and conduct of investigations; and
- measures to deter fraud, by recovering more of the money lost through fraud and by prosecuting appropriate cases.

Barriers to internal fraud

40. Internal fraud normally involves the creation by council employees of fictitious claimants and tenancies, or collusion with landlords to put false claims into payment. Internal frauds appear to be relatively rare but occurrences can be very costly. The experience several years ago of one authority illustrates the risks when internal controls break down (Box E overleaf). In this case, four people were eventually convicted and imprisoned. However, one of them used false identities to gain employment within the benefits unit of two other authorities while awaiting trial.
41. As this demonstrates, councils that do not have sound recruitment procedures – which involve verifying references, checking qualifications, etc – risk recruiting people who join the organisation in order to commit fraud. Those which have externalised benefits administration face similar dangers if their contractors do not verify employees’ credentials; some authorities that have outsourced work are not paying sufficient attention to this issue. Even where sound recruitment procedures offer protection, councils also require effective systems to identify internal abuse, as previously honest staff may succumb to temptation after they join a benefits unit.

**Box F The risk of internal fraud**

During the late 1980s, one London borough’s benefits unit was struggling to cope with changes in legislation and a rapid increase in caseload, compounded by high staff turnover. Service quality declined, backlogs increased and, inevitably, supervision and checking by managers weakened. Exploiting this weak control environment, a benefits officer set up false claims and authorised payments into a bank account which he controlled. Soon afterwards, four other members of his team used the same method to set up fraudulent claims.

The council’s policy of accommodating homeless families in leased properties presented another opportunity for fraud. One of the fraudsters had built up a stock of properties, which he intended to lease to the council, when he accidentally left on a photocopier a document which linked him to a leased property intended to house homeless families. The document was passed to a manager in the benefits unit, who triggered an investigation. A precautionary check of the benefit cases dealt with by the officer who had mislaid the document quickly identified a number of false claims. Further investigation uncovered frauds perpetrated by other members of the team. Over a period of just three years, almost £500,000 of fraudulent payments had been made to employees who held positions of trust.

42. Weaknesses in administrative procedures can help fraud to flourish and errors to go unnoticed. A minority of councils that report large Weekly Benefit Savings have particularly poor administrative systems, which means that they sometimes award benefit when they should not do so or continue to make payments after they should have cancelled awards. Such councils will continue both to suffer major losses from fraud, and report WBS figures which suggest wrongly that they are dealing with the problem effectively, until they remedy these administrative deficiencies.

43. For example, one authority has not always cancelled existing awards when people have moved and then submitted a claim to the council from their new address. Its fraud investigators have subsequently identified that payments were continuing to be made to landlords for such vacated properties; the council then cancelled the old awards. The investigators acted correctly but, had their council’s office procedures worked properly in the first place, the abuses would not have occurred.

44. Poor administration includes inadequate prevention, particularly poor checking that the facts of a situation are as represented by the claimant. Though most frauds involve failures to report changes in circumstances,
significant amounts of public money are also lost because of misrepresentation when a claim is first submitted or is later renewed. Councils are considerably more vulnerable to this type of fraud if their assessment and other administrative staff are not alert for signs of possible fraud and if their verification mechanisms are inadequate (Box G).

Investigations

45. Systems to manage investigations have, understandably, developed piecemeal in many councils as the number of investigators has increased, which helps to explain problems with the quality of some claims for WBS. But, in some councils, there is also evidence of a lack of professionalism in investigative work. For example, investigators do not normally work to a detailed code of conduct and voluntary bodies such as the National Association of Citizens Advice Bureaux report that they occasionally appear heavy-handed or even to harass claimants. The study team met many competent and professional investigators, but a few of those interviewed described practices which 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. But one investigator said that he preferred to interview women on their own, rather than in the presence of the alleged partner or a friend or third party, because he normally obtained a ‘confession’ once a woman was in tears.

46. Defences against malpractice by investigators are also essential; though abuses appear to be rare, they have occurred. For example, one authority dismissed an officer before the end of his probationary period when his managers found that he was elsewhere at the times when his records showed him as visiting claimants. The authority subsequently checked the cases for which he had recorded WBS and found that many of his claims were invalid. Another authority is re-examining investigations carried out by an officer who was found to have presented false references when he was recruited.

Deterrence

47. The final link in the chain is effective deterrence – seeking to recover sums lost, prosecuting fraudsters when it is appropriate to do so and publicising these actions to discourage those who might be tempted into fraud. Recovery of benefit lost through fraud is important to help deliver the message that ‘crime does not pay’. However, councils do not always attempt to identify the sums lost. And when they do raise an overpayment, they do not always manage its recovery effectively. Too often, benefits staff consign the overpayment to a sundry debtors account – managed elsewhere in the council.
– and forget about it. One fieldwork authority has a total of £9 million in a sundry debtors account with no clear policies on how to pursue the debts or when to write them off. In addition, the majority of councils have no readily accessible information on overpayment recovery. For example, under one-fifth of those responding to the NAO/Audit Commission questionnaire could provide basic information about the value of unrecovered overpayments at the start of the year, the debt raised subsequently and the sums recovered or written off during the year.

48. If authorities allow repeated, organised or high-value fraud to go unpunished, people may believe that they can attempt or commit fraud with impunity. And yet the number of prosecutions is low, currently under a thousand a year (compared to over 150,000 cases which are classified as fraud for WBS purposes). The reasons for this apparent disinclination to prosecute include the loss of WBS subsidy when staff spend their time preparing cases for court rather than pursuing other investigations; concern about legal costs; and a lack of expertise in bringing prosecutions. Some council officers interviewed for this study queried whether prosecution always has a deterrent effect. In their view some outcomes – for example, a suspended sentence, community service or a small fine – appear derisory in relation to the offence. In addition, officers in some authorities are reluctant to prosecute in the absence of a formal policy agreed by their elected members but have failed to ask their councillors to set such a policy.

49. Many of the weaknesses described above, both to the national framework for countering fraud and at the local authority level, are not new. The problems are not insoluble but overcoming them requires more than improvements in managerial effectiveness. There is also a need for a new partnership between central and local government, and a readiness to acknowledge what may be uncomfortable facts about the size and nature of fraud and how it should be tackled. The next chapter explores how to move forward and further improve arrangements for countering benefit fraud.
Councillors should respond to recent and planned changes in the legal and administrative structure – the Social Security Administration (Fraud) Act, the verification and benefits administration framework (which the DSS is developing) and the introduction of a Benefit Fraud Inspectorate.

The DSS should support these efforts by further improving the Benefits Agency’s own arrangements for preventing and detecting fraud and by improving liaison and co-operation between the Agency and local authorities. The DSS should also revise the subsidy system to encourage councils to prevent and deter, as well as investigate, fraud.

Local authorities should adopt a corporate framework which supports and encourages counter-fraud work; improve their administration of housing benefit; give more emphasis to preventing fraud, basing this on the national verification framework; manage investigative work better; increase visits to claimants; carry out other reactive and proactive investigations including data matching exercises; improve their recovery of money lost through fraud; and, in appropriate cases, prosecute and use the new administrative penalty for fraud, in order to deter abuse.
50. The previous chapter highlighted weaknesses in the current arrangements to tackle housing benefit fraud. But by working together, central government and local authorities can build upon the progress made since 1993 and further improve arrangements for countering the problem. Recent and planned changes to the national framework – including new fraud legislation and the development of more rigorous standards for verifying claims – should make fraud harder to commit and easier to detect, and thus give councils more effective weapons to combat fraud. However, the message from the joint Audit Commission/NAO study is that these changes, though necessary, are not in themselves sufficient. They need to be supplemented by further improvements to the national framework and within local authorities.

51. The Social Security Administration (Fraud) Act 1997 – ‘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. 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 benefits, 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 Benefits Agency. This recognition that poor performance by the Benefits Agency may hinder councils’ efforts to counter fraud is welcomed.

52. The Act also:
- introduces an administrative penalty (a ‘fixed 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.

53. A national verification and administration framework is expected to be available from autumn 1997. It is expected to specify 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 *Remote Control*, and thus towards removing the current imbalance in the subsidy incentives between prevention and detection.

54. 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.

55. The NAO’s report, *Measures to Combat Housing Benefit Fraud*, is being published concurrently with this Commission report. It 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’ 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 countering housing benefit fraud.

56. The NAO’s recommendations include ones 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**

57. 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**

58. Income support and 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 jobseeker’s allowance determinations;
- introduce a verification framework for income support and jobseeker’s allowance, similar to the national verification framework which it is developing for housing benefit;
- review entitlement to income support and jobseeker’s allowance more frequently than at present; and
- compare information on repeat claims with that provided on earlier claims and held on computer records.

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

59. 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 subsidy regime

60. 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 upon 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 upon:
  - 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 which it is appropriate to bring to court.

**Improving local authorities’ performance**

61. Authorities have acted positively since 1993 to counter benefits fraud. But the new powers contained in the Fraud Act, the introduction of the national verification framework, the creation of the Benefit Fraud Inspectorate and the need to secure best value suggest that now is a good time to seek further improvement. Competitive tendering and outsourcing, which alter the ways in which many councils administer benefits, strengthen the argument for a critical look at housing benefit administration. However, the key features of an effective counter-fraud strategy are the same whether services are delivered by in-house staff or by contractors (Exhibit 8).

**Exhibit 8**

An effective counter-fraud strategy

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

### Corporate framework
- member support
- codes of conduct for officers and members
- effective internal audit
- reliable housing records
- sound homelessness procedures
- effective recruitment procedures

### Managing benefits administration effectively
- clear responsibilities and standards
- good communication with claimants and landlords
- quality control and performance monitoring of assessment work
- training
- flexibility
- no backlogs

### Preventing fraud and error
- adequate resources
- defences against internal fraud
- fraud awareness
- national verification framework
- co-operation with Benefits Agency local offices
- changes actioned quickly
- no cheque abuse

### Managing investigations
- terms of reference, targets and performance monitoring
- adequate resources and training
- code of conduct for investigators
- clear procedures
- administrative support
- safety procedures
- co-operation with the Benefits Agency on fraud cases
- quality control of investigations
- defences against malpractice

### Investigating cases
- both rent allowance and rent rebate fraud investigated
- residency and other frauds examined
- referrals encouraged
- proactive work
- data matching
- overpayments identified

### Deterrence
- recovery
- fixed penalties
- prosecution

*Source: Audit Commission*
62. Tackling fraud effectively requires a corporate approach that overcomes the weaknesses described in the previous chapter, and:

- provides a framework within which counter-fraud arrangements will flourish. This includes promoting an anti-fraud culture across the whole authority, to underpin sound defences against both internal and external abuse;
- prioritises fraud prevention, by rigorous verification and efficient administration, which also reduces errors and avoidable delays;
- manages and conducts fraud investigations more effectively and professionally as, even with improved prevention, investigation will continue to have a key role; and
- deters fraud by recovering overpayments, applying the new administrative penalty or bringing prosecutions against fraudsters.

A corporate culture which challenges fraud

63. Elected members can play a key role in supporting counter-fraud initiatives and promoting fraud awareness throughout their authority. The Commission has previously recommended that councils’ corporate review processes should encompass the prevention of fraud and corruption (Refs. 3, 8). Authorities should prepare, and regularly review, corporate anti-fraud policy statements and strategies. Internal audit programmes should always reflect the high risk of benefit fraud and include regular, detailed, reviews of systems, supplemented by sample testing. This work should protect against internal fraud as well as the activities of corrupt landlords, managing agents and claimants. The Commission has also suggested that internal audit work be overseen by members, preferably through a dedicated audit committee.

64. Raising fraud awareness and strengthening the audit regime are essential, but the first line of defence against internal fraud is an effective recruitment procedure. Some councils need to exercise far more vigilance in checking references and qualifications of prospective employees, especially in such sensitive areas as benefits administration. Sound personnel procedures should be accompanied by reliable housing records, guarding in particular against unlawful occupation, selling of keys and other abuses. People who obtain council housing in these ways are also likely to claim housing benefit for that accommodation, to which they are not entitled. Co-operation and exchanges of intelligence with other authorities, either directly or through the National Anti-fraud Network, can help councils to guard against these recruitment and other problems.

Better administration and preventative measures

65. Good benefits administration is an integral part of the mechanism for combating fraud; internal and external fraud and abuse are more likely to flourish when administration is inefficient and error-prone. The performance of many councils has improved since the early 1990s, but arrangements in some remain poor and claimants, voluntary bodies, housing associations and others are dissatisfied with the service.
66. All councils should thus seek to ensure the quality, accuracy and timeliness of their assessments; to maintain or develop effective co-operation with the Benefits Agency; and to communicate effectively with claimants, landlords and managing agents, for example, by using clear, well-designed application forms and other documents and by publicising effectively the need to report changes in circumstances. These measures will not only help prevent fraud but improve the quality of service received by the great majority of honest claimants and thus help to achieve best value. Most councils already recognise the importance of sound administrative arrangements. Some have received the Charter Mark award; others have either obtained, or are seeking, ISO 9000 accreditation – that is, independent confirmation that their arrangements assure the quality of their work.

67. The second key preventative measure is verifying that claimants have correctly described their circumstances when they make or renew applications for benefit. Significant amounts of public money are lost through misrepresentation, and verification is thus a key part of the defences against abuse (Case Study 1). The national verification framework will set new standards; authorities will need to identify, cost and implement changes to their existing procedures to meet its requirements. As the framework is expected to require increased interviewing of, and visits to, claimants – work which is normally undertaken by investigators at present – authorities will need to integrate more closely their preventative and investigative work.

68. Though the framework will specify core checks, assessment staff should constantly be alert for possible deception. Formal, written instructions cannot cover every eventuality. In many councils, therefore, investigators help to train assessors to raise fraud awareness and encourage them to refer suspicious claims for investigation. One authority visited by the study team covers a rural area where people tend to know each other. Staff are highly ‘fraud aware’ and draw upon this local knowledge to identify abuses. For example, investigations have been launched when staff have reported seeing people, whom they knew to be receiving housing benefit, in a work setting or seeing claimants who were allegedly living alone shopping at the supermarket with a partner. These investigations have confirmed that claimants were acting fraudulently.

Case Study 1
Verification can identify fraud and attempted fraud

Source: Fraud returns submitted to the Audit Commission

At one authority, an applicant supplied false landlord and rent details without the knowledge of his partner, who was paying the rent. She did not benefit from the claim. When they separated, he made a further fraudulent claim, creating a false landlord for a property which was for sale and for which he had obtained the keys. She, in the meantime, made a genuine claim for benefit. When this was checked by the assessors, 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.
69. Many fraudulent claims appear to be poorly planned and involve no more than lying on the application form; these can readily be prevented by alert assessment staff. One authority gives copies of the Benefits Agency’s *Fraud in Focus* booklet to all its assessors. The document includes practical examples of how to identify cases that may involve fraud and which can thus be referred for investigation (Box H).

**Managing and conducting fraud investigations more effectively**

70. Investigation will continue to play a key role in combating fraud, though the implementation of the national verification and administration framework will mean that some aspects of the work will become more closely integrated with claim processing and verification. Arguments about whether the investigative units should be located in internal audit, within a benefits unit or elsewhere are less important than the existence of:

- clear terms of reference;
- rules governing the relationship between benefit fraud investigators, internal auditors and any other investigative staff working for the council (for example, people investigating tenancy frauds); and
- clear procedures and protocols to govern the relationship between investigators and benefit assessment staff.

---

**Box H**

**Practical advice is available on how to identify cases that may involve fraud and which should be referred for investigation**

<table>
<thead>
<tr>
<th>False tenancies</th>
<th>‘landlord’ has same name or initials as claimant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>claimant claims not to know the landlord’s address</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Forged rent book</th>
<th>the rent book looks too new</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>all entries are made in the same ink</td>
</tr>
<tr>
<td></td>
<td>the initials in the ‘received by’ column are identical (initials written on different occasions will look slightly different)</td>
</tr>
</tbody>
</table>

| ‘Working and claiming’ | claimant’s partner invariably contacts the office; claimant is rarely seen or heard from |

| Under-reporting earnings | earnings appear low for the number of hours worked/type of job (wage slip forged? collusion with employer to produce a false figure?) |

<table>
<thead>
<tr>
<th>Undeclared capital</th>
<th>regular payments or transfers into bank or building society accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frequent or large withdrawals from accounts (to keep the balance held below the entitlement threshold)</td>
</tr>
</tbody>
</table>

*Source: Fraud in Focus, Benefits Agency*
Many investigation teams have proved highly successful, but in other authorities there is scope to improve the professionalism with which the council manages investigations (Exhibit 9). For example, authorities should appraise the skills and the expertise of investigators and spell out the standards of conduct that they expect. Similarly, they should define the procedures to follow during investigations and set up arrangements to help to safeguard investigators from attack or injury. Appropriate training can then cover any gaps in knowledge or skills and equip staff to make the best use of the new powers granted by the Fraud Act.

Exhibit 9
Managing investigations effectively

Management systems should be improved to help increase the professionalism of investigative work.
72. Units need to be resourced adequately. Uncertainty about whether WBS subsidy will continue, about possible changes to the WBS subsidy rules and thresholds and about the future of Challenge funding means that some councils are reluctant to increase further the resources devoted to investigation. But WBS subsidy often covers the cost of employing investigators and sometimes provides a ‘surplus’ that can help fund other administrative costs. Savings also tend to increase with the number of fraud staff employed, on average by about £200,000 per investigator (Exhibit 10), although there is some evidence that the Savings reported per investigator can begin to fall as the number employed increases. The Savings recorded per investigator may also fall as councils improve the quality control of their investigative work. Nevertheless, increased effort will often save money for the public purse. Councils should, therefore, consider increasing investigative effort whenever they can afford to do so and when the benefits to the public purse clearly outweigh the costs.

73. Such decisions should take account of the current costs and performance of the unit. Councils with few investigators – and whose performance against their WBS thresholds are below average – have a particular need to review their resourcing of, and approach to, investigation. Conversely, authorities with unusually high achievement, either against threshold or for the number of investigators employed, need to review their quality control of WBS in case they are significantly overstating achievement.

74. Many authorities have also responded to the uncertainty of government funding for investigation by relying heavily on contract staff. To provide continuity and to guard against malpractice, such authorities should have a core of investigators who are either established employees or whose contracts run for two or more years. They should adequately vet the references and credentials of all the investigative staff whom they recruit, irrespective of the type or length of contract.

*Exhibit 10*

**Numbers of investigators and Weekly Benefit Savings**

On average, each full-time equivalent investigator has generated just over £200,000 in Weekly Benefit Savings.

**Source:** Audit Commission analysis of data for 1995/96 provided by the DSS
75. The mix of cases examined by investigators will vary according to local circumstances. Relevant risk factors include the number of houses in multiple occupation and short-stay bed and breakfast hotels in the area. Thus all councils should analyse the mix of housing benefit cases with which they deal, and the results of investigations, to select the types of claim upon which to focus and to help determine investigative resources. Experimenting with different approaches can help to evaluate potential returns and signal that ‘no go areas’ do not exist. Information technology can help managers’ decision-making by allowing them to monitor investigators’ workloads, case throughputs and performance and to analyse the results of different types of investigation (Case Study 2).

76. The DSS’ Review found that more money is lost to rent allowance than rent rebate fraud; many authorities have rightly, therefore, initially focused their investigative work on the former. However, the DSS’ Review found that similar numbers of people commit rent allowance and rebate fraud and that rent rebate accounts for almost one-third of the benefit lost to fraud. Councils should, therefore, specifically include action against rent rebate fraud, as well as rent allowance abuse, in their counter-fraud strategies and in their investigators’

---

**Case Study 2**

**Exploiting information technology to tackle fraud**

Middlesbrough Council uses a computer package to record the progress and results of its 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);
- name of the investigator;
- type of fraud (eg, false information – supposedly unemployed claimant is working; couple are living together but not declaring the fact);
- date that the 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 the results).

With this information, the head of the investigations unit can monitor:

- the numbers and types of case referred to the 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 the WBS claimed.

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 and investigators keep another on their investigation file.

Source: Fieldwork
terms of reference. Where they have not already done so, officers should prepare appropriate proposals and put them to elected members.

77. Generally, authorities will find that effective investigation includes a visiting programme to ensure that claimants are resident at the addresses for which they have claimed benefit and to verify entitlement. Many councils already have such programmes in place but many will also need to expand or alter these to meet the standards required by the national verification and benefits administration framework. Increased visiting will, however, bring investigative staff into contact with more claimants, the great majority of whom are honest and some of whom are elderly or vulnerable. Training, a code of conduct for investigators and more effective supervision of investigators’ work are therefore vital. As the Benefits Agency is also developing visiting programmes, authorities should seek to co-ordinate their work with that of the Agency and avoid duplication.

78. Effective investigation will also normally include:

- **reactive investigations** in response to referrals from assessment staff. Other council staff can also be a good source of referrals as can contacts in outside organisations. Further useful sources include intelligence received from other authorities, both directly and through the National Anti-fraud Network, intelligence received from the Benefits Agency and information provided by the public, for example, in telephone calls to fraud ‘hot lines’. Good liaison with assessors is, however, particularly important (Case Study 3);

- **proactive exercises** initiated by investigators (Case Study 4). Some of these can be undertaken in co-operation with the Benefits Agency, neighbouring authorities, the police or other organisations – for example, joint visits to employers; and

- **data matching exercises** – that is, automated comparisons of records held for different purposes or by different bodies to identify and follow up the reasons for any discrepancies. This approach requires careful preparation, management and investigation of discrepancies; councils must also comply with data protection requirements. The DSS is rolling out a data matching service that compares council and Benefits Agency records. The Audit Commission also provides a matching service (the National Fraud Initiative) through its operational arm, District Audit. The Commission consults the Data Protection Registrar extensively about the Initiative and covers data protection issues in its advice packs for participating authorities. The package offered includes comparisons between housing benefit and other council records. These exercises have had some notable successes. For example, metropolitan borough councils in Greater Manchester have co-operated in two data matching exercises which, by March 1997, had generated over £840,000 in WBS and identified overpayments worth nearly £500,000; and throughout England and Wales, authorities have recorded over £15 million in WBS from investigations launched to follow up discrepancies identified by data matching that was carried out in 1996 as part of the National Fraud Initiative.
Implementing policies on recovery, use of the administrative penalty and prosecution

79. Councils should also strive to deter fraud through a three-pronged approach of recovery, administrative penalties and prosecution. Recovering overpayments not only sends strong signals that housing benefit is not ‘easy pickings’ for fraudsters, it also helps local authorities’ finances, as they normally retain the money that they recover. A single officer should manage all aspects of recovery, including any use of sundry debtors systems or recovery by solicitors (Case Study 5, overleaf). This officer should not, however, handle or have access to monies recovered. Now is a good time to re-appraise recovery, as the Fraud Act will make it easier for councils to recover benefit overpaid to...
Case Study 5

Managing recovery efficiently

At the start of 1995/96, Stroud District Council altered its approach to recovering overpaid housing benefit. It began by appointing a new recovery officer whom it based in its investigations unit. The officer had experience of both debt recovery – she had previously recovered unpaid council tax – and benefits, and manages the entire recovery process. She recovers overpayments using:

- deductions from ongoing housing benefit entitlement;
- sundry debtor invoices; and
- deductions from ongoing DSS benefit entitlement.

Although Stroud raises invoices through its sundry debtors procedure, 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, taking account of the likely costs it will incur, compared to the value of the debt, when deciding whether to go to court. The recovery officer monitors all existing cases and experiments with new approaches – wherever these prove to be successful she applies the methods more widely.

Finding the debtor

Locating the debtor is often a significant problem, particularly when the overpayment arose because the claimant had gone away but continued to collect benefit. The recovery officer draws upon her previous experience in council tax recovery, and the knowledge and expertise of the investigation unit, to trace debtors. She has developed contacts with many of the neighbouring district councils, utility companies, the police and the Benefits Agency and finds all of these to be useful sources of information. She has also experimented with referring cases to a professional debt-tracing agency.

Recovering from debtors who are no longer receiving housing benefit or other state benefits

The council wants people who are repaying debts in instalments to do so regularly and not to default. It prefers to agree a small regular repayment, rather than push for faster but perhaps less realistic recovery and then find that agreements collapse. For example, a number of elderly debtors 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 this way than through a more aggressive approach.

landlords. In future, where benefit has been overpaid to a landlord in respect of one claimant, the council can deduct that overpayment from sums due to the landlord for other tenants.

80. Prosecution of fraudsters has, for a number of reasons, not always been pursued vigorously by some councils. However, the Fraud Act creates an administrative penalty as an alternative to prosecution which may be a more viable option in certain cases. Following written notice, a person can 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. This option may be ineffective if people believe that the council will not, or cannot, prosecute if they do not agree to pay the penalty. Councils will therefore need to obtain sufficient evidence to support prosecutions and, where appropriate, go to court if people do not agree to pay a penalty.
Though councils should use the fixed penalty wherever relevant to the circumstances, they should take cases to court – or ask the police to do so – when they judge it to be in the public interest. The DSS has provided advice on factors to consider when deciding whether to prosecute. These include the amount of money obtained and the duration of the fraud; the suspect’s mental and physical condition; and any relevant social factors (for example, whether the suspect was driven to the offence by a particularly stressful social situation). Authorities that adopt such criteria will usually focus their prosecutions on people whose personal circumstances are unlikely to be offered in mitigation, who have obtained substantial amounts of money or carried out long-lasting, systematic and carefully prepared frauds. The DSS is expected to issue revised guidance which covers administrative penalties and prosecution. Officers should draw the Department’s advice to their councillors’ attention and ask them to agree a local policy.
Housing benefit fraud is causing substantial sums to haemorrhage each year from the public purse. The DSS and the Benefits Agency can do much to help authorities to counter fraud. Councils should implement good practice counter-fraud strategies. However, fraud is embedded within, and often difficult to distinguish from, error. High standards of benefits administration are thus essential, both to combat fraud and to improve the service received by millions of honest claimants, as councils strive to deliver best value.
Abuse of housing benefit is a major problem, causing substantial sums to haemorrhage each year from the public purse. Local government has responded positively to the threat of fraud and to the DSS’ efforts to stimulate increased counter-fraud activity. The DSS can further encourage and help local authorities by sharpening the subsidy mechanism and improving co-operation between the Benefits Agency and local authorities. Councils, in turn, should build upon the foundations that they have laid down and implement good practice strategies to counter fraud (see Recommendations, overleaf). These strategies should cover preventive work such as verifying information to support claims; investigation; and deterrence – for example, effective overpayment procedures and prosecution policies. Councils should also aim to increase the professionalism and quality control of their investigative work and make good use of the new powers conferred by the Fraud Act. If they fail to do so, they may find the Benefit Fraud Inspectorate at their door.

Councils also need to acknowledge that fraud is embedded within, and often difficult to distinguish from, error. High standards of benefits administration, and effective co-operation with the Benefits Agency, are essential both to combat fraud and to improve the service received by millions of honest claimants. Local authorities should treat changes to their counter-fraud arrangements as part of continuing improvements to their administration of benefits as they strive to deliver best value. The objective is easy to express but more complex to deliver – paying the right benefit to the right person at the right time.
Recommendations

1 Corporate framework
- Agree a corporate counter-fraud strategy
- Elected members oversee the internal audit programme
- Internal audit examines the benefits systems in detail every year
- Guard against unauthorised occupancy of council housing
- Ensure that homelessness procedures are secure against abuse
- Establish sound defences against recruiting people who seek to join a benefits unit in order to perpetrate internal fraud

2 Administering benefits
- Provide staff with up-to-date guidance and adequate training
- Supervise and quality assure work to ensure that staff follow procedures and that their work is timely and accurate
- Co-operate effectively with the Benefits Agency
- Avoid significant backlogs
- Maintain accurate, up-to-date records

3 Verifying entitlement
- Implement the national verification and administration framework by the target date
- Provide investigators with up-to-date procedural guidance and appropriate training, so that they possess the necessary expertise

4 Managing and conducting investigations
- Review arrangements, to take account of the Fraud Act
- Consider increasing investigative resources where the advantages to the public purse would outweigh the costs
- Monitor investigators’ performance, and ensure that managers, together with assessors and internal audit, quality assure investigators’ work
- Quality control Weekly Benefit Savings returns to ensure that they are accurate and reliable
- Provide sound defences against malpractice by investigators
5 Investigating fraud

- Investigate all types of benefits fraud
- Analyse the costs and benefits of different investigative approaches to select the ones on which to focus
- Establish an active visiting programme
- Encourage and follow up referrals and tip-offs
- Carry out proactive initiatives
- Take part in data matching exercises

6 Deterrence

- Identify and recover overpayments
- Designate one officer to manage all aspects of recovery
- Members agree a policy on prosecutions and use of the administrative penalty; implement this
Glossary

Benefits Agency
An executive agency of the Department of Social Security (DSS). The Benefits Agency (‘the 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 to both 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 to 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, and who rents his or her home, is eligible for housing benefit.

Similarly, anyone who receives income-based jobseeker’s allowance, and who is liable for the council tax, is eligible for council tax benefit.

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, and who rents his or her home, is eligible for housing benefit. Similarly, anyone who receives income support, and who is liable for the council tax, is eligible for council tax benefit.
Remote Access Terminals (RATs)

Terminals located in local authority premises that provide direct, read-only access to Benefits Agency computer records. They have been operated by Benefits Agency staff. Powers in the Fraud Act will allow the terminals to be operated by local authority 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 Benefits Savings for:

- housing benefit;
- council tax benefit;
- income support and 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 two of these categories.
Appendix 1: Members of the Study Advisory Group

The Commission is grateful to the following advisory group members for providing their time and assistance.

Ian Baker  Westminster City Council
Margaret Constable  National Association of Citizens Advice Bureaux
Roger Dent  Benefits Agency
Rod Elliott  London Organised Fraud Investigation Team (LOFIT)*
Christopher Evans  Department of Social Security
Donald Graham  Liverpool City Council
Bernard Keay  Benefits Agency
Sarah Luke  Southampton City Council
Dennis Marden  Exeter City Council

* 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.
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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:

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