

# Fraud and error: The Future

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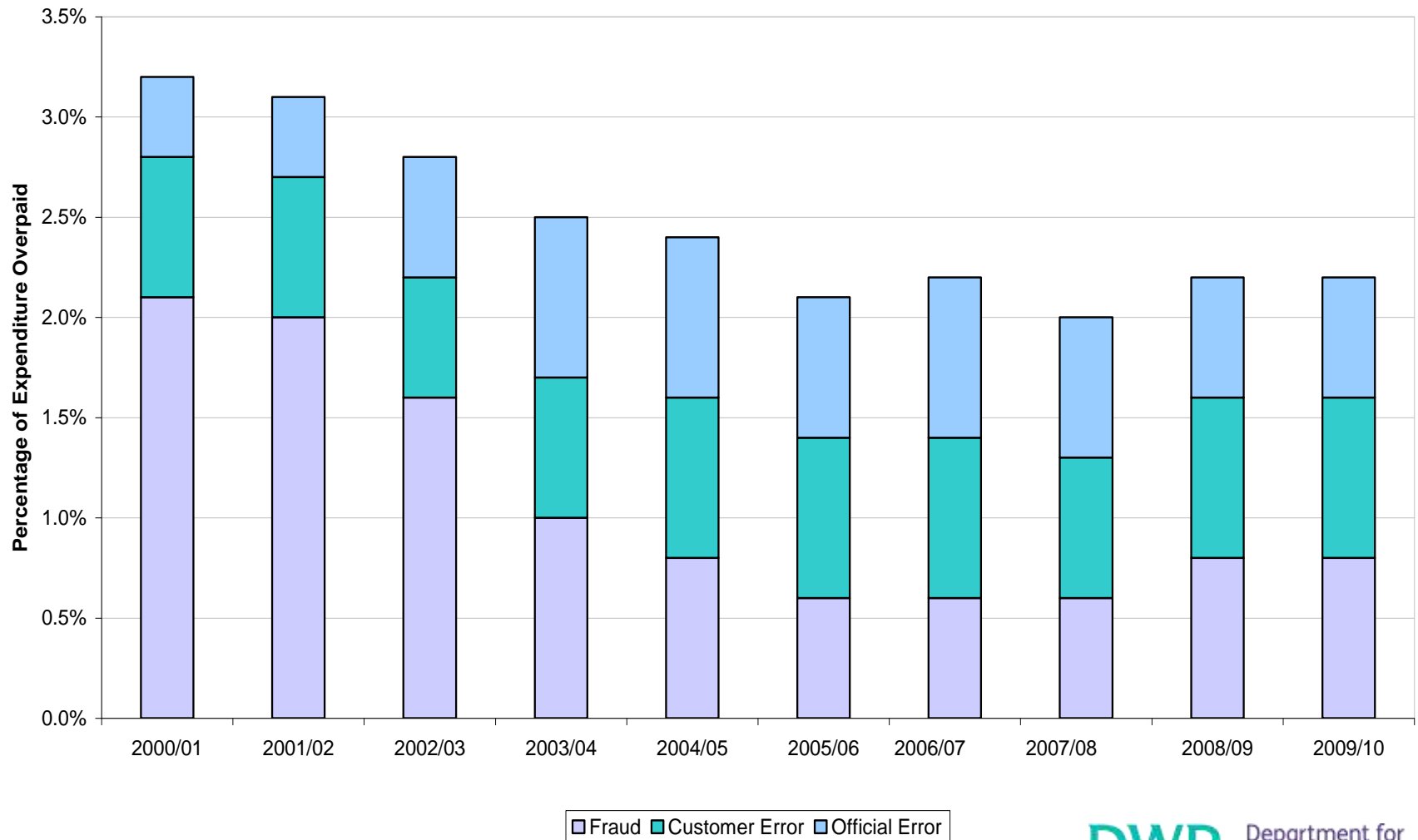
Local Authorities Investigation Group  
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# Why a new strategy?

- Tackling the deficit – first priority to stop leakage of public funds
- Personal interest from Prime Minister
- Exploit new opportunities – best practice in other sectors
- Consistent with 21st Century Welfare
- Levels of fraud and error relatively unchanged in recent years

# MVFE levels against % overall expenditure

Total Estimates of Benefit Overpayments due to Fraud and Error



# New fraud and error strategy

- Integrated
  - fraud and error
  - tackles fraud and error across all welfare spend
- Joined up approach - DWP / local authorities / HMRC
- Aim to deliver 25% reduction by 2015

# An integrated strategy

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

## PREVENT

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

## DETECT

Increasing the likelihood of finding incorrect and fraudulent claims

## CORRECT

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

## PUNISH

Strengthening sanctions for those caught

## DETER

Publicise harsh punishments and the high likelihood of being caught

# Universal Credit - simplifying and automating

## **Simplification and automation are key to achieving this reduction:**

- Wide-ranging benefit reform will drive down error through radical simplification of the benefit system, and will reduce vulnerabilities to fraud
- Designing Universal Credit to ensure common causes of fraud and error are not carried forward
- Greater automation of pre-payment checking, using new sources of data and more sophisticated analysis will prevent and identify fraud and error more quickly
- A modern Pay As You Earn system will remove most earnings incorrectness using real-time data
- Sharpen the distinction between fraud and error - a more straightforward set of obligations will provide customers no excuse for not complying, alongside more punitive sanctions for those who do decide to defraud the system

# Key strategy initiatives

- Creation of a single fraud investigation service
- Employing over 200 new fraud investigators
- Creating a new mobile regional taskforce to investigate claims in high risk areas
- Developing an Integrated Risk and Intelligence Service to act as a hub for data analytics
- Introducing tougher one and two strike rules and introducing a three strike sanction
- Abolishing cautions and imposing a minimum penalty of £350
- Introducing a civil penalty of £50 for customer error where we believe the customer has been negligent
- Naming and shaming fraudsters in local areas

# Single Fraud Investigation Service

- To be established 2013
- Will provide a unified organisation for a largely unified customer base
- Will have 200 extra investigators added to combined DWP / local authority / HMRC force
- Will mean greater consistency, impact and efficiency
- Will still have local as well as regional/ national level teams
- Provides opportunity to design and develop a new investigation service built on the best of existing practice and expertise across the welfare fraud community

# Fraud and Error measures in the Welfare Reform Bill

- Bill introduced to Parliament on 16 February 2011
- Align powers so that a SFIS investigator can investigate and prosecute all benefits and credits
  - During transitional period, there will be some flexibility regarding for fraud investigation for eg, where an LA may have already started a prosecution
  - Ultimately will lead to a cessation of LA autonomous powers to investigate
- Will also align the way similar benefit and Tax Credit fraud offences are dealt with
- Tougher punishments:
  - Remove cautions
  - New administrative penalty of £350. Will also lose benefit for 4 weeks
  - New “strike” powers for those convicted of benefit fraud
    - First conviction = 3 months
    - Second conviction within 5 years = 6 months
    - Third conviction within 5 years = 3 years
    - Immediate loss of benefit for serious organised or identity frauds
- A new civil penalty of £50 customer error due to negligence

## Working together

- Work to date has focused on sketching out the broad scope of each of the initiatives set out in the strategy
- In January we met with the Local Authority Associations to share our early thinking and set out our proposed next steps
- Want to involve local authorities in the design and implementation of the new fraud investigation service
- We will continue to work closely with the Associations as we move into the more detailed design and implementation phases
- Recognise your concerns – local authority cutbacks, TUPE, future for non-benefit related fraud investigations etc
- Keen to involve local authority staff working through expressions of interest