Department
for Work &
Pensions

From the Permanent Secretary

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Meg Hillier MP
Chair of the Committee of Public Accounts

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Dear Chair

COVID-19, Universal Credit Advances and Fraud & Error

Thank you for your letter of 26 May 2020 requesting updates on the Department's position in addressing fraud and error risks during the COVID-19 response. I have provided answers to the five questions posed, which reflect the sensitivities around fraud and error. In line with the UK Stats Authority Code of Practice for Statistics, we are unable to provide any data which is not already in the public domain in conjunction with the Statistics and Registration Services Act 2007. But if you feel you would find more detail in this area helpful, I would be happy to discuss how we can provide that to you privately.

Please write to us to confirm whether you have risk assessed and documented all COVID-19 related fraud and error risks, and associated decision making, during your response to the pandemic and set out how you have used these in combatting benefit fraud and error.

1. In order to respond to the unprecedented demands on the Welfare System, we invoked the Department's business continuity plans, and I instructed my Chief Risk Officer to collate and record key decisions taken across the Department, ensuring effective oversight and monitoring of the impact of those decisions.

2. As we have taken decisions through the pandemic period, we have taken into account the costs, including any implications for fraud and error, and we have consulted with the Treasury as appropriate. We have maintained a central decision log, and are carefully monitoring the implementation of those decisions.

3. This process has enabled us to understand and take into account the risks of fraud and error in our response to the pandemic. It has enabled us to work up plans to mitigate additional risk, although accepting that we have had to accept a higher risk appetite in some cases in order to enable us to meet the unprecedented increase in demand during the response to the pandemic. One example of this is the way we have developed new methods of ID verification during a period in which face-to-face verification has not been possible.

Please write to us to set out how much fraud and error you have detected during the lock-down, how the nature of this fraud and error has changed, and what steps you are taking to tackle new forms of fraud and error.

4. There has been an increase in suspected cases of fraud referred by DWP colleagues, but this increase is largely proportionate to the increased number of claims we have received.

5. We have seen similar trends in fraud detected in other ways. In order to improve the speed and effectiveness of our processes to detect fraud and error, we brought together specialist teams to form the Integrated Risk and Intelligence Service (IRIS). This team has enabled us to identify broader sets of threats, identifying opportunistic and organised fraudsters who have attempted to exploit the changes in interactions with the Department.

6. With this intelligence of specific suspicious claims and of broader threats we have been able to respond by changing operational processes. For example, we are able to identity multiple claims and unfeasible or high risk changes of circumstance. These have been addressed and the claims corrected. And increasingly sophisticated data analytics have been able to identify potentially fraudulent claims as they are made.

7. In recognition of the risk of increased levels of fraudulent claims the department continued its Serious and Organised Crime activities, while other mitigations were introduced at pace once suspicious activity was identified.

Please write to us to set out how you have maintained your capacity to investigate fraud and error through the COVID-19 crisis, how many cases you have been able to investigate during the lockdown, and how long you predict it will take to investigate all referrals made during the lockdown.

8. Core functions in investigating fraud and error which were maintained through the pandemic period included serious and organised crime, economic crime, risk, analysis and cyber security, and intelligence. Compliance and investigation work was reduced as staff were deployed to assist with benefit payment work, and has gradually increased again as staff have moved back.

9. We stood up a specialist enhanced checking team to triage claims identified as potentially fraudulent by DWP staff and IRIS. This team has undertaken preview on nearly all of the referrals received and fully completed half of the reviews. Of those fully completed over three quarters have been found to be fraudulent, have a fraudulent element, or we have not been able to make contact to verify the information. In each of these scenarios, we have been able to prevent overpayments. We expect to have completed work on all these referrals by November 2020.

10. There will be a longer period before we can resume all normal activity on Criminal Investigations, not least due to the constraints around face to face activities with social distancing measures. We have been able to complete around one quarter of our normal compliance interviews by phone.

Please write to us to set out how much of the advances fraud you have recovered, your plan for recovering the rest, the time you think this will take, the cost of the recovery, and how this compares to the recovery of debts from other forms of fraud and error.

11. Recovery of fraudulent advances will be made through a mixture of warning letters, administrative penalties and criminal prosecutions.

12. We have now recommenced sending of warning letters to those with a single wrongful claim and have expanded this to include those with a second instance. This will allow us to deal with the main body of these cases in a timely manner and focus on the more serious cases.

13. As we begin to see the results of the warning letters, and as we are able to resurrect prosecution activity, we will be better able to give an estimate of timescales, recovery rates and costs, and I would be happy to write to you privately at this point.

Please write to us to set out how many cases have now been assessed for their eligibility to return to legacy benefits, and how many have been permitted to do so. Please can you explain what effort you have made to ensure that all genuine victims have been returned as quickly as possible to their legacy benefits.

14. The Department endeavours to take swift action once we become aware of such cases. Considerations need to take account of whether, or the extent to which, an individual has been involved.

15. As the recent NAO report makes clear, where there is evidence to suggest an individual has had their identity used without their participation or knowledge and their details have been used to make a fraudulent claim, the Department is able to consider the reinstatement of legacy benefits and/or Tax Credits, taking the circumstances of each case and the underlying regulations into account.

16. I have ensured protocols and processes are in place in order to make an assessment of cases being subject to suspected identity fraud and set up a centralised team to support information gathering and reinstatement of legacy benefits as quickly as possible.

17. We have, based on internal management information to mid-March 20, reviewed 2,138 cases and returned 195 of these to legacy benefits where that has been possible and appropriate. I will be able to provide a more up to date figure shortly as our analytical function resumes in full.

Yours sincerely
Peter Schofield

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