

A Guide to Benefit Fraud, the Verification Framework and VF Visits

Benefit Fraud

Every year local authorities receive and process thousands of claims for Council Tax Benefit and Housing Benefit.

Spending on benefits has risen now to £109 billion per year, but losses through fraud and error continue to present serious problems to the Government and the taxpayer.

A recent report by the National Audit Office (NAO) reckons that £3 billion was paid in benefit to people who were not entitled to receive it in 2003/4 - an amount almost equivalent to 1p on the basic rate of Income Tax.

The Government has introduced measures to deter fraud by making it more difficult to commit, improving detection, making the penalties more severe, and publicising successful prosecutions. Whilst these measures have had an impact on fraud, local authorities have had to do more processing manually.

Verification Framework

The Department for Work and Pensions (DWP) has produced a set of guidelines and instituted procedures for the administration of Council Tax Benefit (CTB) and Housing Benefit (HB) by local authorities.

The procedures are based upon existing legislation and are known as the Verification Framework (VF). They have been designed expressly to prevent, or at least minimise, fraud and error, while ensuring that claimants receive the correct amount of benefit. The approach is rigorous and should lead to greater accountability.

Local authorities must meet the minimum standards set by the Verification Framework when they process benefit claims. In particular, emphasis is placed on proof of identity and residency, and on proof of income and capital, supported by valid, original documents. Benefit cannot be paid on a new claim until the information prescribed by the framework has been collected and verified.

Claimants have a legal duty to tell the local authority about changes of circumstance that might affect their entitlement to benefit, such as a rise in income.

Overpayments are made when material changes of circumstance are undisclosed or concealed. The effect is compounded as time progresses.

However, the Verification Framework does not rely exclusively on such passive notifications, but searches actively for likely cases of fraud and error among live claims by using data matching and risk analysis, since early detection and intervention save public money.

The Housing Benefit Matching Service

Legislation permits the DWP and other government departments to supply information about claimants to local authorities so that they might prevent, detect and investigate fraudulent and erroneous claims, and prosecute cases of fraud.

The Housing Benefit Matching Service (HBMS) was set up in 1996 to help track down fraudulent and erroneous claims.

Each month the HBMS collects data that relate to CTB/HB claims from local authorities. By collating this data with data from other approved sources (according to an evolving set of rules), the HBMS is able to identify errors and inconsistencies that might indicate fraud. Afterwards, other additional checks are applied manually to ensure the quality and integrity of the results.

Since dates of birth (DOB) and National Insurance numbers (NINOs) are key elements in the collation of data, it is important that they are recorded accurately. Incorrect and inconsistent values undermine the whole process.

The information returned to local authorities each month falls into two categories:

- Referrals
- Risk-scored Reviews.

The Verification Framework stipulates that local authorities should intervene and review actively the claims notified thus.

The Government has set targets for these interventions based upon a snapshot of the caseload for benefit claims, and encourages local authorities to exceed their targets. There are separate targets for:

- annual interventions (data matches and reviews)
- minimum interventions per month (for 10 out of 12 months)
- annual visits.

Referrals take priority; the balance of annual interventions comes from risk-scored reviews.

Referrals

Referrals arise from data matching. Each one is given a unique reference number. Originally, referrals were presented on paper in red folders, but these "red files" are being phased out in favour of electronic versions.

A local authority that has adopted the Reviews module of the Verification Framework is expected to resolve the problems raised by data matching within two months (8 weeks) of

notification. While one such problem might be resolved simply by correcting minor errors, others may call for a full review. A full review could lead to the suspension or cancellation of a claim, the start of a fraud investigation, and perhaps culminate in prosecution.

To resolve a data match, the local authority must return the HBMS Results Sheet to the HBMS within two months (8 weeks) of receipt, indicating that

- the underlying cause of any apparent discrepancy has been found, or
- the amount of benefit payable has been shown to be correct, or
- what was incorrect has been put right, or
- a fraud investigation has begun, or
- payment of the claim has been suspended.

Resolving a data match counts towards the annual target for interventions.

Risk-scored Reviews

Every month the HBMS compiles a list of claimants taken from the caseload of each local authority, gives them all a score based upon how likely they are to receive an overpayment of benefit, and publishes the top 40%. Each local authority receives its own information in a Microsoft Excel workbook on CD-ROM.

The risk score is a measure of the likelihood of overpayment and is based upon a statistical analysis of claimant profiles. High scores neither imply nor prove dishonesty; rather, they are associated with changes of circumstance, and claimants whose circumstances have changed are more likely to be overpaid.

The Reviews module of the Verification Framework does not insist that local authorities should use the DWP risk analysis provided by the HBMS if they have a better, more accurate method of their own, but this is considered unlikely.

The purpose of a risk-scored review is to ensure that the correct amount of benefit is being paid to the claimant, and that he/she is entitled to receive it. There is no time limit set, but it is clear that a review should be completed as soon as possible to avoid overpayment.

Risk-scored reviews may be pursued by telephone, by letter, by interview in the office, or by visiting claimants at home. Typically, visits account for about 40% of the interventions made each year. A phone call or postal review might lead subsequently to a visit to complete the verification process, especially since a phone call does not allow the claimant to attest any changes with a signature. As far as the targets are concerned, this counts as one intervention. As a minimum, a risk-scored review should verify any changes in the main elements of entitlement since the claim began, or since the last review.

It is important that the date of the last review be recorded by whatever system the local authority uses to administer benefit claims, to avoid the premature reappearance of cases that have been reviewed recently. Normally, three years should elapse between reviews for pensioners and six months for claimants of working age. However, notwithstanding this

interval, local authorities are expected to follow up cases where a claim reappears in a data match, since this implies that an earlier problem has not been resolved fully, or that a new one has come to light.

A risk-scored review begins when an attempt is made to contact the claimant, and ends when

- it can be shown that the claimant is entitled to benefit at the current rate, or
- that a change of circumstance has been taken into account, or
- the claim has been terminated, or
- a fraud investigation has begun.

VF Visits

The Verification Framework requires that a proportion of claimants be visited at home by Visiting Officers (VO) to prove residency and confirm the details of their claims. Therefore, when a local authority implements the VF Visiting Module, it must decide which claimants to visit to meet its targets.

In theory, data matches should come under scrutiny first since they must be resolved within two months (8 weeks) to comply with the Verification Framework, but in practice they contribute rarely to the total of VF Visits. The reason is that fraud investigations tend to come from this group, though not entirely.

Fraud Investigators become involved, rather than Visiting Officers, if a data match turns out to be more than just a symptom of fraud. Very few claimants are interviewed at home in fraud cases; normally, interviews take place at the office. Fraud Investigators go out on "visits" when they need to carry out risk assessments, undertake covert surveillance, or interview witnesses.

Consequently, in nearly all cases, visits at home by Visiting Officers are drawn from the list of risk-scored reviews. This implies that a review conducted by means of a home visit ends in one of the ways described for risk-scored reviews.

In most cases the local authority will notify claimants in advance so that they can prepare for their visit, since it is clear that visits that are notified make the best use of a Visiting Officer's time. However, some visits should be made without prior warning, to maintain an element of surprise and catch claimants unawares, especially where fraud is suspected. Similarly, the timing of the visits should be varied to prevent a casual observer from recognising an habitual pattern.

Risk Scores

The Housing Benefit Matching Service provides each local authority with its monthly list of risk-scored reviews in a Microsoft Excel workbook, and in a text file as comma separated values (CSV).

For each claimant they state:

- Name, address and postcode
- Date of birth
- National Insurance number (NINO)
- Housing Benefit reference number (claimant number)
- Date of the last recorded review.

Also, included originally were:

- The “raw” score
- Estimated probability,

but these are being replaced by

- Priority and rank
- Possible causes of error.

The claimants appear in descending order of “risk” in both formats. This means that the first row of the Excel worksheet is the most “risky”, and so on until the last row, which has the least risk of overpayment.

Priority and Rank

The priority and rank are expressed jointly as a 7-digit number, in which the leading digit is the *priority* (from 1 to 6) and the remainder is the *rank*.

For example, take a claimant who is deemed to be priority 1 and ranked twenty-third; the number 1000023 would represent this.

1	0	0	0	0	2	3
Priority=1	Rank = 23					

Cases marked with a priority of 1 should be given the highest priority, and so on. Under normal circumstances it is expected that claimants with a priority of 5 or 6 will not be reviewed.

Priority	Likelihood of Overpayment (%)
1	47
2	33
3	22
4	16
5	9
6	7

The rank begins with 1 and indicates the order in which the reviews should be undertaken; numerically, the lower the rank, the more important is the review.

Possible Causes of Error

The new format presents the three most likely causes of error or overpayment for each claimant as a string of three digits (e.g. 432). Each digit is an error code, whose importance diminishes from left to right.

Error Code	Relates to
1	Amount of rent eligible, tenancy details or rent liability
2	Earned income of claimant, partner or non-dependents
3	Capital or other income
4	Living together as husband and wife (LTAHW), Number of non-dependents
5	Not resident
6	Income derived from other benefits

Scheduling of VF Visits

Despite the due care and diligence applied by the HBMS and the local authority, the monthly list of risk-scored reviews, from which a schedule of visits will be prepared, is inevitably out of date when it arrives, since there will have been changes to the benefit caseload in the period between the extraction and presentation of the data. There are a number of valid reasons, including the ending of several claims, for instance.

Therefore, to meet Government targets and make the best use of Visiting Officers' time, it is preferable to exclude claimants from the schedule for whom a visit would be unnecessary or undesirable.

Duplicate instances count as one intervention, so HBMS referrals should be excluded from the list of risk-scored reviews to avoid working ineffectively; referrals take priority.

Optionally, these might include some, or all, of the following categories:

- HBMS Risk Analysis Exceptions
e.g. no live claim, or outstanding VF Review
- Suspended claims
- Second Adult Rebate claims - working age and over-60
- Claimants who are undergoing a fraud investigation currently (to avoid compromising the investigation), or those who have been investigated recently
- Claimants who have had a VF Review or VF Visit in the last few months (typically, 6 months)
- Recent claims (typically, less than six months old)
- Pensioners
- Top 10 most "risky" claims - pass to fraud investigators
- Hostel dwellers, whose stay is temporary and short-lived
- Self-employed - since they are likely to have complicated and time-consuming claims that would be better suited to postal review
- The Potentially Violent - since their visits should be managed carefully with Health and Safety in mind
- Postal reviews - a fairly large group taken from the end of the list of risk-scored reviews, since they have the least risk of overpayment.

Furthermore, claimants falling into some of these categories could be added to the list of postal reviews so that they would not be overlooked.

Most claimants remaining in the list should be suitable candidates for visiting. Nevertheless, it might be necessary to check the latest status of each claim to ensure that a VF Visit would be appropriate. This can be done by querying the system that the local authority uses to administer benefits.