

The Commons Public Accounts Committee (PAC) publishes its 15<sup>th</sup> Report of Session 2012-13 which addressed the issue of fraud in contracted employment programmes.



The Department for Work & Pensions (DWP) spends approximately £900m annually on work programmes to support and assist unemployed people to find and sustain work through its contracts with companies and charities. The PAC focussed on a case concerning A4e, one of the DWP's major contractors. In the case of A4e, emails had been sent to the PAC by whistle-blowers along with a report from internal auditors about the company, which set out a significant number of potential cases of fraud and malpractice within it. In the period between April 2006 and March 2012, the PAC learned that there had been 126 cases of potential fraud reported to the DWP about its contractors and where there was evidence of potentially serious criminality made in the allegation.

The PAC noted that whilst the "Work Programme" is new, previously the "New Deal" programmes ran from 1998-2012 and those accounted for 82% of all reported fraud cases. The PAC concluded however, that it was inevitable that *"many of the previous employment providers who worked on previous welfare to work programmes and against whom some allegations have been made are now contractors in the new Work Programme."* One of the main issues was the nature of the test that determined when payment to a provider was triggered *viz.* whether an individual has been placed in work that "might last 13 weeks", which was open to abuse.

The PAC appeared to criticise the DWP for its haste in reaching a decision that it did not have sufficient information in most of the reported fraud cases to start an investigation but where it reached this conclusion without checking whether the PAC had any more information to pass on and that might help. The DWP was also unable to say whether it pursued employers of clients that had gone into liquidation even though the administrator or receiver might hold relevant information. The PAC was led to the conclusion that the DWP had not exercised sufficient oversight of its contractors to identify potential fraud and improper practice and that if the right questions had been asked of providers, some of the previous allegations of fraud would have come to light.

In the case of A4e, the DWP launched an investigation of the company's controls designed to prevent and detect fraud. Although it concluded that no further cases of fraud were evident, it found that the controls in at least one contract were insufficient and consequently terminated that contract in May of this year. The DWP's investigation of controls had not sought to assess wider controls of ownership and governance arrangements, or the operation of audit committees and internal audit. There was also no assessment of whether the company was 'fit and proper' to do business with or any attempt to define the criteria for this. Curiously, there was no definition of what 'systemic fraud' was despite the DWP stating that it would remove A4e's contracts if this was discovered.

It was further noted that the DWP's primary vetting staff, the 'provider assurance team', were not professionally qualified in audit or accountancy and did not as a matter of course ask providers for copies of all previous internal audit reports. In the A4e case, this resulted in a report prepared by

its internal auditors in 2009 that alleged a large number of allegations of fraud and malpractice not coming to the attention of the DWP.

The PAC recommended inter alia, that the DWP should be reassessing the role and expertise of the provider assurance team, obtaining copies of all relevant previous internal audit reports for providers, conducting unannounced visits and sample checks and publishing data early so that any variance in practice between providers became obvious.

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