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Fraud inquiry into government jobs scheme

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Rajeev Syal and Toby HelmThe Observer, Sunday 28 June 2009

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Recruitment companies getting tens of millions of pounds of taxpayers' money to find jobs for the unemployed are at the centre of a fraud probe after staff made false claims of getting people into work.

The Observer found that A4e, one of the government's biggest private contractors, is at the centre of the Department for Work and Pensions inquiries. It is understood that at least two other recruitment companies have been probed by the DWP. Last night Yvette Cooper, the work and pensions secretary, confirmed that investigations were under way and said she could cancel multimillion-pound contracts if widespread fraud was uncovered.

The revelation comes weeks after A4e was earmarked for £100m of contracts for the government's Flexible New Deal, in which private companies will be paid for each person they place in a job.

One of A4e's consultants is [David Blunkett](#), a former work and pensions secretary who advocated private involvement in [welfare](#) reform. Blunkett, now a backbench MP, is paid up to £30,000 a year by A4e, which is based in his Sheffield constituency. There is no suggestion of impropriety by Blunkett, but he may be embarrassed by the probe as details of MPs' earnings outside parliament are published this week.

The DWP started its investigation into A4e's Hull office in May 2008, after discrepancies emerged in "confirmation of employment" forms submitted by the company. Two recruiters filled in forms meant for employers who agreed to take on workers. In some cases, employers' signatures were falsified.

One of the recruiters had also entered into a fraudulent deal with a local temp agency. In January, the recruiter was sacked, while the other resigned. "It had the smell of a conspiracy," a source close to the company said.

An A4e spokesman said it had found only 20 fraudulent claims. It remained unclear last night why the DWP investigation has been going for 13 months, when A4e was a bidding for major government contracts. A4e is expected to repay £15,000. Another recruitment company has been asked to repay £48,000 following a DWP inquiry.

The controversy has echoes of the 2001 crisis that forced the government to abandon individual learning accounts, under which training providers were paid for each person given vocational training. The £268m initiative initially fell prey to small-time fraud, but later it was proved that the providers invented phantom claimants to get a "starter fee", costing the government hundreds of millions.

A DWP spokeswoman named no companies in the welfare probe, but said: "Specialist employment organisations help 200,000 people back to work every year. Unfortunately our audit processes have uncovered some specific cases of fraud involving particular individuals who have since been sacked and money paid back. Our investigations found no evidence of systematic abuse."

A4e, with a turnover of £145m, claims on its website to have helped 19,725 people into work. Its spokesman said it had begun its own investigation and was co-operating with the DWP. "While we tackled these matters swiftly and transparently, and have strengthened our anti-fraud proc

- This article was altered on Wednesday 1 July 2009 because the DWP investigation is into the former New Deal Scheme not the Flexible New Deal Scheme.

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