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Richard Bacon Esq MP
House of Commons
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Dear Mr Bacon,

THEFT OF PERSONAL IDENTITIES

Thank you for your letter of 12 May about the theft of personal identities from the Department for Work and Pensions.

My staff have kept a close watch on developments since the end of November last year when the issue of fraudulent tax credit claims using the stolen identities of DWP staff came to light.

A joint investigation by DWP and HM Revenue and Customs confirmed that the number of stolen identities was around 8,800, all of whom worked in the London Region of Jobcentre Plus; so all the stolen identities were of staff employed by the DWP. Some 6,800 identities were then used to make fraudulent tax credit claims, around 4,100 of which were intercepted by HMRC before any payment had been made. Some 2,700 fraudulent claims were successful and went for payment. Not all the claims had been accepted when the fraud was discovered, though £2.7m had been paid before the rest of the claims were stopped.

As soon as the incident came to light the Tax Credit E-Portal, through which the fraud was perpetrated, was closed. The Metropolitan Police were notified and a criminal investigation has been launched.

DWP investigators have established that the most likely source of the stolen data is an extract of data from Jobcentre Plus' payroll sent to their London regional office, which was produced specifically to support the staff appraisal process. The information contained names, National Insurance numbers and dates of birth. The investigation confirmed that there had been no penetration of the Department's mainframe IT systems.

The Department are taking steps to:

- Re-educate staff about the proper security of paper and electronic data;
- Ensure that the combination of data in the payroll extract does not appear in any future reports and that only the minimum necessary personal details are used;
- Ensure that both electronic and paper data with personal details is in future used and stored securely; and
- Ensure that access to both electronic and paper data is properly controlled.

My staff will be examining the implementation of these measures as they continue to evaluate the security of the Department's IT systems as part of their audit of the annual resource accounts.

In January 2006 the Paymaster General told the House that HMRC were subjecting around 30,000 claims for tax credits to detailed further investigation. This included the use of staff information stolen from Network Rail, which then led to bank accounts being created for Network Rail employees under false pretences. At that time the investigations had led to at least 16,000 claims being stopped.

HMRC's Organised Tax Credit Fraud Strategy Board is currently overseeing investigations into 40 separate organised tax credit fraud cases, the majority of which involve multiple claims based on hijacked or false identities. The Department cannot yet give a precise figure for the overall sums involved, but initial indications are that half of the cases involve sums in excess of £250,000 each. HMRC is conducting further work with a view to establishing firmer estimates of the extent of the frauds and whether prosecutions are possible in some or all of the cases.

My staff will be examining the outcome of these investigations and looking at the Department's actions to address the risks of organised crime, including that arising from stolen identities.

I can confirm that no further evidence has come to the attention of my staff of the systematic theft of personal identities of staff in any other organisations that we audit.

There are clearly wider lessons to be learned about the secure handling of personal data. I will be reporting on the whole issue when I have further details including the outcome of the police investigation.

I hope this is helpful. I am sending a copy of this letter to the Chairman.

Yours sincerely,
John Bourn

JOHN BOURN