National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 704
SESSION 2010–2011

21 JANUARY 2011

Department for Work and Pensions

Reducing losses in the benefits system caused by customers' mistakes

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Department for Work and Pensions

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

18 January 2011

In total, an estimated £1.1 billion of overpayments and £0.8 billion of underpayments arose in 2009-10 because of mistakes or omissions in the information customers had provided to the Department.

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Summary

Introduction

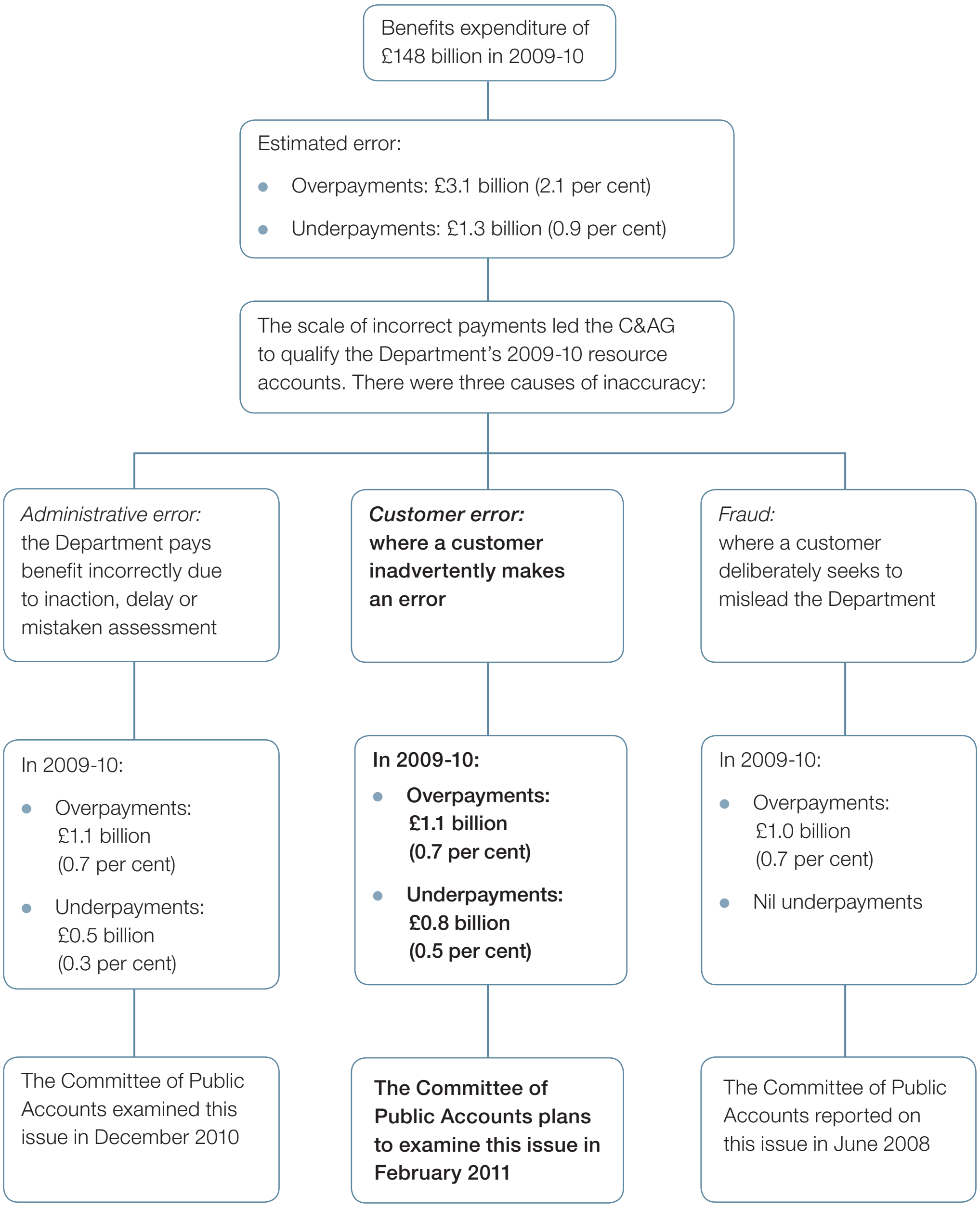
1 The Department for Work and Pensions (the Department) paid £148 billion in benefits to its customers during 2009-10. Seen against the background of a caseload of 20 million people, for each of whom changes in family circumstances and financial conditions can impact on how much individuals are entitled to claim, it is not surprising that mistakes occur or that some people fraudulently claim more than entitled. The Department estimates that due to fraud and errors, it made £3.1 billion overpayments (2.1 per cent of expenditure) and £1.3 billion underpayments (0.9 per cent of expenditure) in 2009-10.[1] The National Audit Office has previously reported on fraud in 2008, and more recently on errors due to administrative error in November 2010 (**Figure 1**).

2 Customers have a responsibility, as a condition of receiving benefit, to provide the Department with accurate and complete information, and to tell the Department promptly about any changes in their personal circumstances that might affect the amount of benefit to which they are entitled. This report focuses on errors arising from mistakes or omissions made by customers that are not considered to have fraudulent intent. Each benefit claim calculation typically depends on the financial status of the claimant, as well as information on their dependents, health and mobility. If a customer does not supply the correct information from the outset, or fails to notify the Department of a subsequent change in their circumstances, the calculation of benefits due may be incorrect.

3 Approximately a third of the cost of overpayments and two-thirds of the value of underpayments in 2009-10 are due to customer error. In total, an estimated £1.1 billion of overpayments and £0.8 billion of underpayments arose in 2009-10 because of mistakes or omissions in the information customers had provided to the Department. Overpayments and underpayments due to customer error represented an estimated 0.7 per cent and 0.5 per cent, respectively, of total benefit expenditure in 2009-10. The rate of error differs between benefits. Customer error has consistently been highest for Housing Benefit, which is administered on the Department's behalf by local authorities, and which in 2009-10 amounted to £420 million overpayments and £220 million underpayments.

1 These estimates are provisional, based on sampling undertaken between October 2008 and September 2009 but applied to 2009-10 benefit expenditure. Final estimates for 2009-10, based on sampling for that year, are expected to be published in early 2011.

Figure 1
This report focuses on overpayments and underpayments due to customer error



NOTES
1 Because of rounding differences total overpayments do not sum to £3.1 billion and percentage underpayments do not sum to 0.9 per cent.
2 Based on sampling undertaken between October 2008 and September 2009.

Source: National Audit Office

4 As the amount of overpayments and underpayments are an estimate (based on statistical analysis of data for the period October 2008 to September 2009), the actual figures are likely to be within a range around the estimate we quote in this report. For brevity we do not normally refer to the range each time we specify an estimated error amount in this report, although we highlight it where there are comparisons of one year against another. The published figures for fraud and error are statistically validated and represent the best estimate currently available.

5 The scale of incorrect payments each year has led the Comptroller and Auditor General to qualify the Department's resource accounts for over 20 years. The Comptroller and Auditor General's report on the Department's resource accounts for 2009-10 nonetheless acknowledged the substantial work undertaken by the Department to reduce fraud and error within the benefits system in recent years.

6 Our report *International benchmark of fraud and error in social security systems* published in July 2006 compared the performance of the Department against that of similar organisations in eight other countries. We found that the Department demonstrated better awareness than many other countries of the level of error, and of what might be done to prevent and correct such mistakes. Direct comparisons of performance are difficult because of the different measurement systems in different countries, but we found that the Department stands out for its attention to customer error and administrative error, as most countries concentrate on fraud.

7 Reducing customer error is made more difficult when there are so many regulations and requirements that need to be understood and followed by the Department's customers. Our report *Minimising the cost of administrative errors in the benefit system* published in November 2010 noted that the complexity in the system is not a new issue, and is largely the result of an accumulation of years of legislative change from successive governments. Simplification can be difficult to achieve without reform of the welfare system. The Government's recent White Paper on the proposed Universal Credit published in November 2010 is an opportunity to simplify many of the regulations. New claims for Universal Credit are expected to be taken on from October 2013. In the meantime the onus remains on the Department to keep the costs of customer mistakes to a minimum within the existing benefits framework.

8 The Department launched a five-year strategy for tackling error in January 2007 which included an emphasis on informing customers of their responsibilities to provide accurate and up to date information. There is no clear evidence whether the strategy led to a significant improvement in performance. There has been no discernible decrease between 2006-07 and 2009-10 in underpayments and overpayments due to customer error as a percentage of total benefits expenditure. The estimated cost of overpayments as a percentage of expenditure was 0.8 per cent in 2006-07 and 0.7 per cent in 2009-10. Because the error rate is estimated from a statistical sample, the difference is not enough to show any trend, either upward or downward. Underpayments have remained at 0.5 per cent over the same period.

9 The Government published a new Department for Work and Pensions and HM Revenue and Customs joint strategy in October 2010, entitled *Tackling fraud and error in the benefit and tax credits systems.* The strategy is based on five key elements: prevention, detection, correction, punishment, and deterrence, and it aims to secure a reduction of over 25 per cent in existing levels of fraud and error. The difference it makes will depend on successful implementation. Our examination has therefore focused on the impact of measures implemented under the 2007 strategy so that the lessons learned can be applied to the new strategy. Accordingly, value for money depends upon:

- sufficient information to understand the reasons why errors occur, in order to target initiatives to best effect;
- regular monitoring of the cost and impact of initiatives so that priorities can be periodically reviewed; and
- timely interventions to limit the extent of any underpayments or overpayments arising from an error.

Key findings

Customer error overpayments can only be recovered from those cases where the individual has been identified and their mistake quantified

10 The total £1.1 billion cost of overpayments due to customer error in 2009-10 is an estimate based on sample testing, whereas overpayments can only be recovered from those cases where the individual has been identified and their mistake quantified. In 2009-10 the Department identified specific overpayments with a cumulative value of £376 million, excluding errors on Housing Benefit, due to customer error. The Department writes off debts up to £65 arising from customer error, but for higher values initiates action to reclaim overpayments made due to customer mistakes. There is inevitably a gap between identified and estimated overpayments. Given the difficulty in identifying and recovering overpayments, it makes sense that the Department focuses on preventing errors from arising in the first place.

11 It is in customers' own interests to avoid mistakes because errors can lead to underpayments and the customer losing money. The estimated £0.8 billion value of underpayments in 2009-10 does not represent a direct cost to the taxpayer, but it does adversely impact on those families affected. We examined a sample of 586 errors in Income Support and Jobseeker's Allowance identified by the Department in 2009-10 arising due to customer error. The average weekly underpayment on Income Support was nearly £24, equivalent to 29 per cent of the average weekly payment. The average underpayment was lower for Jobseeker's Allowance (less than £15), but it still represented approximately 24 per cent of the average weekly claim for this benefit. Legislative restrictions on backdating decisions arising from customer error mean that repayments cannot normally be made in respect of changes notified over a month after the change occurred.

The Department does not yet have a systematic approach to deciding how much effort to devote to customer error

12 We have previously welcomed the Department's drive to reduce fraud and error. Our report in January 2008, *Progress in tackling benefit fraud*, acknowledged that reducing levels of fraud is a key priority for the Department. Similarly, our report in November 2010, *Minimising the costs of administrative errors in the benefit system*, concluded that the Department and its senior officials are clearly committed to reducing the cost of such mistakes.

13 Based on the examples we looked at, we could find little evidence that all relevant parts of the Department had been consulted to assess the potential impact on customer error when the Department had made changes to routine business processes, such as revisions to call centre scripts, standard letters and written guidance. We found no examples where impact assessments carried out in advance of changes to processes or standard forms and letters considered whether the changes would affect customer error.

14 The controls and checks in routine business processes can help reduce error. Processing claims by telephone, for example, allows the Department to prompt customers directly to tell them all relevant information. The Department's two agencies, Jobcentre Plus and the Pension, Disability and Carers Service, have both also initiated additional measures aimed at improving customer service and reducing customer error. Some of these interventions cover fraud and administrative error as well as customer error. We found that Jobcentre Plus had recently rolled out one intervention specifically targeted to identify and correct customer error in Income Support and Jobseeker's Allowance cases. This initiative, which started in June 2010, involves staff contacting customers to check for undeclared changes in their circumstances. Over the next two-to-three years the Department plans to contact the majority of existing customers for these two benefits to ensure they are complying with benefit requirements.

15 The establishment of the Fraud and Error Council and the Fraud and Error Stakeholder Engagement Group similarly demonstrates a commitment to tackle fraud and error in the benefits system. Our examination of the Department's central oversight of activities to tackle fraud and error nonetheless found little evidence that there had been much attention at this level to reducing losses due to customer mistakes prior to the publication of the 2010 strategy. We reviewed the minutes of meetings and the papers considered by the Fraud and Error Council (a group of senior officials established by the Department to oversee progress in tackling fraud and error). The records show that there has been little discussion in the Council about customer error, although this is now changing following the introduction of the 2010 strategy and initiatives to identify the causes of error for each benefit.

16 The Council does receive a 'dashboard' report that provides a brief summary of monthly trends in the value of overpayments due to customer error as well as the values due to administrative error and fraud. The Council has not received data on trends in underpayments or information on other factors (such as customer complaints and queries, analyses of how customers have used the website, or responses triggered by letters or publicity campaigns) that might enable the Council to gauge the Department's progress in tackling customer error and provide advice which helps the Department to focus resources strategically.

As with administrative error, in the absence of sufficient data we could not establish that the Department had consistently targeted its resources and initiatives to best effect

17 The Department's Error Reduction Delivery Board did not have overall oversight of measures to tackle fraud, administrative error and customer error. It received information about individual projects, but did not consider all the initiatives together as a coherent programme. The Fraud and Error Council has instigated a systematic review of each benefit to better understand the causes of error and what action might be taken. The Department expects this to represent a substantial exercise and it is not due to complete until April 2011. This initiative is clearly a step in the right direction.

The nature of customer mistakes

18 Our report on administrative error[2] highlighted the importance of collating and analysing data to identify why errors arise. In April 2010 the Department revised how it records the results of its sample testing but, as before, this process is primarily designed to estimate the level of error, not to diagnose what caused mistakes to occur in the first place. We therefore reviewed the Department's externally commissioned and internal research, and analysed the customer error data it holds to establish why customers make mistakes. The Department's research[3] identified three main issues:

- Customers are generally unaware of rules on capital, investments or redundancy payments, and do not easily understand deductions for non-dependents, especially where non-dependents are making no financial contributions.
- In 2009, 70 per cent of claimants out of a sample size of 1,000 thought they did not have to report short-term changes, and 40 per cent had little or no knowledge of their reporting requirements.
- Many customers believe incorrectly that reporting changes to one local or central government body will result in all relevant parts of the Department being automatically updated.

2 *Minimising the cost of administrative errors in the benefit system.* National Audit Office, 25 November 2010, HC 569, Session 2010-11.

3 *Reporting changes in circumstances: factors affecting the behaviours of benefit claimants.* Department for Work and Pensions, Research Report 544, February 2009.

19 A large percentage of the costs of customer error come from a relatively small proportion of claimants. Commercial organisations rely on risk assessments to identify patterns or trends and such an approach could be applicable to the benefits system. The Department introduced a risk assessment for Housing Benefit in 2003. It revised risk scores for Housing Benefit in 2008 and introduced a similar assessment for Income Support in 2010 with the aim of identifying those customers more likely to make a mistake during their claim. The Department evaluated the impact of the Housing Benefit risk score model and concluded that it more than doubled the success rate of interventions to reduce fraud and error. The Income Support risk score model is being evaluated. The Department has not yet extended this analysis to other benefits, so currently lacks the information to establish whether there are common patterns or similarities that would enable it to target possible interventions more effectively across all benefits.

20 The 2010 fraud and error strategy sets out the Department's intention to establish an integrated risk and intelligence unit in 2013. This unit will coordinate the collection and analysis for data on fraud, error and debt. Analysts will use existing data matching techniques and private sector best practice to prevent fraud and error entering the system through targeting high risk cases. Although the development of the integrated risk and intelligence unit is not very advanced yet, the Department's aim is that once fully operational it will help target resources more effectively.

The progress and impact of ongoing initiatives

21 The 2007 strategy led to a range of initiatives to reduce customer error. There were updates on individual projects, but the Fraud and Error Strategy Division did not consider all the activities planned or under way to tackle customer error until March 2010. The Department then compiled a list that comprised 52 separate initiatives that will impact on customer error, but it included little information on where each activity was targeted, progress made or criteria by which its effectiveness could be judged.

22 Much of the Department's work to tackle customer error is integral to the other duties of staff. In order, however, for the Department to assess the initiatives in its work programme, it requires reliable estimates of the costs involved and the potential benefits. The Department analysed the cost effectiveness of some of its interventions in 2009 and it reported a positive net return on each activity, but the costs were not measured on a complete or consistent basis. We were unable to establish all associated overheads, such as accommodation, management oversight or amortised IT costs, and for some interventions only direct staff costs were included. Our analysis of the Department's work programme found that it does not have sufficient consistently measured data on the costs and benefits of interventions. The Department told us, however, that it is now looking to compare the costs and benefits of each of its interventions as part of its new benefit review process which it expects to complete by Spring 2011.

23 The Department's Customer Charter includes a commitment to deal with cases quickly and to keep individuals notified of progress. The legislation for each benefit does not specify a time frame for processing applications, but unnecessary delays could leave families in hardship. As the Department is unable to validate all the information on each application form, it requires each customer to confirm that the information they have provided is correct and that they will report any subsequent changes in their circumstances. Without downplaying customers' own responsibilities, the Department's 2010 strategy acknowledges that this approach is too passive as it largely relies on customers notifying them of changes with little or no prompting by officials.

24 As part of the new fraud and error strategy, customers will be required proactively to confirm that their circumstances are correct, and that they will keep them correct, before their claim can continue. Such an approach could increase the strategy's impact in reducing customer error. Making progress will require attention to the same systemic issues which the Department is focusing on in response to previous National Audit Office reports, namely:

- improving the Department's understanding of its customers, their knowledge of the benefits system, and the customer experience;
- having a more developed measurement regime in place in order to know the extent to which actions taken are delivering the desired results; and
- improving knowledge sharing mechanisms to enable sharing of good practice, lessons learnt and to facilitate joint working.

Conclusion on value for money

25 Whereas the Department was able to demonstrate a firm commitment to tackling administrative error, its determination to resolve customer error has been less evidently a priority. Errors arising from customers' mistakes are difficult for the Department to detect, correct and prevent without affecting the quality of the service provided because of the difficulty in keeping up to date with changes in circumstances which can impact on how much individuals are entitled to claim. As things stand, the scale of overpayments leads to substantial unrecovered losses for the taxpayer, while underpayments may cause hardship for individuals, so there is a clear imperative for improvement.

26 We have concluded that the Department does not yet have sufficient evidence to demonstrate value for money across its existing activities to reduce customer error. As we found with the Department's approach to tackling administrative error, the Department lacks the quality of information needed to target initiatives to tackle customer error effectively, and there are insufficient data on the causes of customer error or on the costs and impacts of initiatives necessary for effective programme management. Without this data the Department has been unable to measure the impact of changes to routine business processes, to assess the relative costs and benefits of alternative initiatives targeting customer error, or to be confident that there is the right balance of effort between measures focused on reducing fraud, administrative error and customer error.

Recommendations

27 Our recommendations focus on improving the information available to the Department to make well-informed decisions, including how far to prioritise efforts to reduce customer error, so as to strengthen the Department's capability to implement its new fraud and error strategy.

Because overpayments can only be recovered in those instances where an individual has been identified, reducing losses to the taxpayer also depends on preventing errors occurring in the first place. In order to demonstrate it is putting sufficient resources into preventative work the Department should:

a identify which interventions most successfully address each underlying reason for error to allow the agencies to select the most appropriate response to address the errors; and

b require Jobcentre Plus and the Pension, Disability and Carers Service to explicitly assess the likely impact on customer error risk when planning how they implement changes in the welfare system or introduce changes to routine benefits processing.

The Department does not yet have a systematic approach to deciding how much effort to devote to customer error. The Department should:

c determine the proportion of resources available for fraud and error initiatives that should be directed to customer error in the next financial year;

d translate the 2010 strategy into a coherent action plan by maintaining an accurate schedule of all ongoing and planned initiatives, their cost, timing, expected impact, and accountability for delivering them;

e strengthen the ability of the Fraud and Error Council to give strategic direction to how resources are used to tackle customer error, relative to administrative error and fraud, by providing it with the data it needs to support well-informed decision making. In order to do this the Council will need regular information on key aspects of performance. This information should include, where cost effective, data on the volume and nature of complaints or queries raised by customers, feedback from quality control teams on common issues, or data on the performance of contact centres, as well as robust and timely data on the cost and impact of initiatives; and

f in order to help embed a culture of challenge, include in the formal terms of reference of the Fraud and Error Council the explicit responsibility of members to scrutinise and challenge the effectiveness of activities in reducing customer error, focusing on problem solving and generating learning and sharing best practice.

The Department has insufficient data to be confident it is targeting its resources and initiatives to best effect. The Department should:

g fully cost all existing and planned initiatives to address customer error; and

h establish performance measures quantifying the impact of interventions, so as to assess how they each contribute to reducing customer error.

Part One

Introduction

1.1 The Department for Work and Pensions (the Department) paid £148 billion in benefits to its customers during 2009-10. The benefits system is complex, encompassing over 27 different benefits and a total caseload of around 20 million people.

1.2 Mistakes occur when processing so many payments. Errors may arise in the following situations:

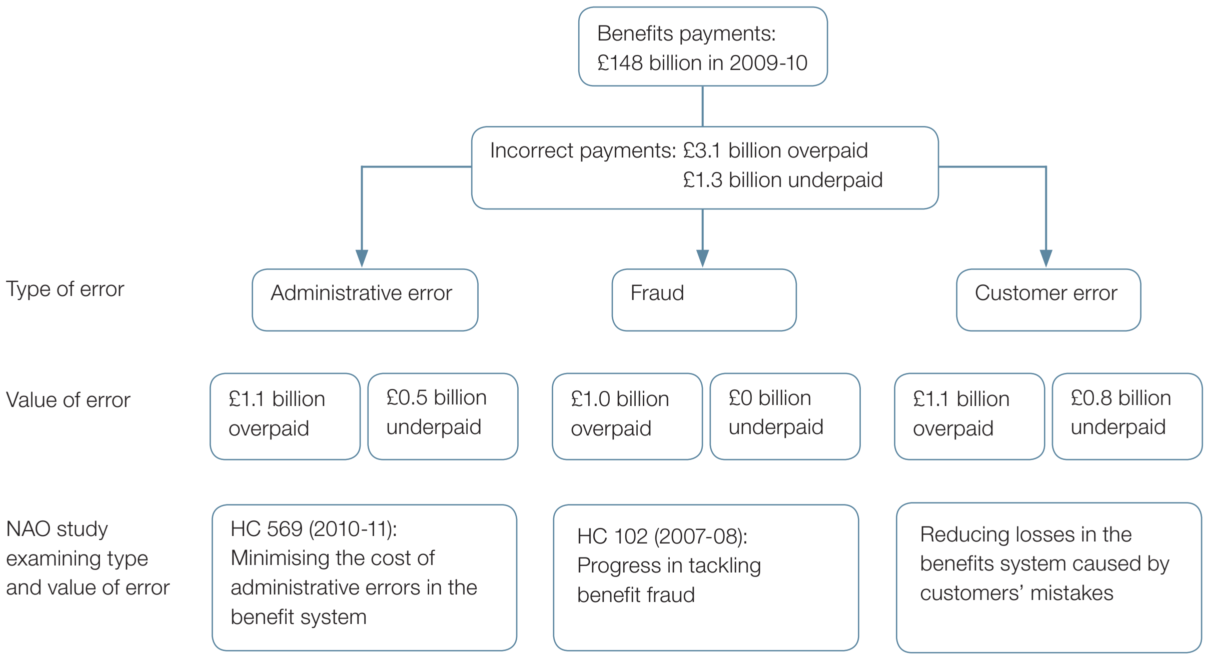
- **Administrative error** – when a benefit is paid incorrectly due to inaction, delay or mistaken assessment.
- **Fraud** – when a customer deliberately seeks to mislead the Department.
- **Customer error** – when the customer has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the customer's part.

1.3 The scale of incorrect payments each year has led the Comptroller and Auditor General to qualify the Department's resource accounts for over 20 years. We examined the Department's progress in tackling fraud in 2008, while we reported on administrative error in November 2010. This report examines whether the Department's initiatives for tackling customer error have so far delivered value for money (see **Figure 2** overleaf).

1.4 Customer error arises when the customer provides inaccurate or incomplete information, or fails to report a change in their circumstances, but there is no fraudulent intent on the customer's part. **Figure 3** on page 15 illustrates how errors can arise when customers initially apply for a benefit or when someone is already in receipt of a benefit.

Figure 2

This report focuses on the £1.1 billion overpayments and £0.8 billion underpayments attributed to customer error



NOTE

1 There are some rounding differences in this figure.

Source: National Audit Office, based on Department for Work and Pensions Resource Accounts 2009-10

The level of customer error

1.5 The Department relies upon sample testing to estimate the value and volume of reported customer error in the benefits system. The Department estimates the overall level of fraud and error using a programme of routinely testing a sample of payments made for five of the largest benefits (Jobseeker's Allowance, Income Support, Pension Credit, Incapacity Benefit and Housing Benefit), and by reviewing other benefits periodically. The testing is undertaken to standards overseen by the UK Statistics Authority. The Department estimates that overpayments arising from customer error cost £1.1 billion in 2009-10, and that it also underpaid customers by some £0.8 billion. Overpayments and underpayments due to customer error represented an estimated 0.7 per cent and 0.5 per cent, respectively, of total benefit expenditure in 2009-10.

Figure 3
Examples of the ways in which customer error may typically occur

Stage of the process	Examples of error	Reason for customer error
Initial application	A customer is asked how much capital they have. To save for their funeral they have bought a Funeral Bond and do not understand that the Department considers the bond to be a capital asset.	**Undeclared capital:** The customer discloses incomplete information as they do not understand what is expected.
Subsequent receipt of benefit	A 20-year old customer is declaring regular part time work of 10 hours per week to the Department. They are paid at the National Minimum Wage, and on their 21st birthday the Minimum Wage increases. The customer never checks their pay slips, so is not aware of this change and does not report the change in net earnings to the Jobcentre each time they sign on as unemployed.	**Part time earnings:** The customer is not fully aware of the changes that have to be reported, or struggle to apply the requirements to their real life situation.
	A customer wins £25,000 on a lottery scratchcard. This change in the amount of capital they have is not reported to the Department as the customer believes that a gambling windfall did not need to be declared. The money is deposited into their bank account and the customer is no longer entitled to any Jobseeker's Allowance.	**Undeclared capital:** The customer was not fully aware of the need to report all changes in circumstances, including capital and savings regardless of their source.
	A customer's son notifies the Local Authority that his mother had moved into a Nursing Home. He thought the Local Authority would advise the Pension, Disability and Carers Service of the change but this was not done. The customer's property is subsequently sold and the customer has capital of £79,000, which excludes her from Pension Credit.	**Undeclared capital:** The customer assumed that the Department would be aware of changes notified to other parts of government.

NOTE
1 These are illustrative examples only.

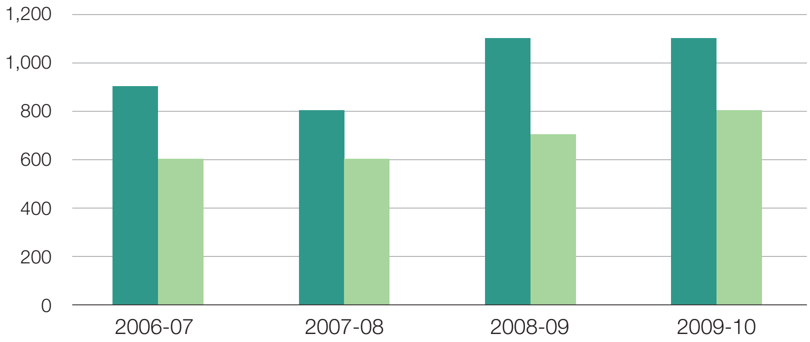
Source: National Audit Office

1.6 Figure 4 shows the estimated value of overpayments and underpayments between 2006-07 and 2009-10. In cash terms, the estimated value of overpayments has fluctuated while the estimated value of underpayments has tended to increase. These trends can be explained, in part, by changes in total spend. Measured as a percentage of benefit expenditure there was no discernible upwards or downwards trend in the estimated value of overpayments and underpayments over this period as a whole, particularly bearing in mind the statistical margin of error inherent in the sampling methodology.

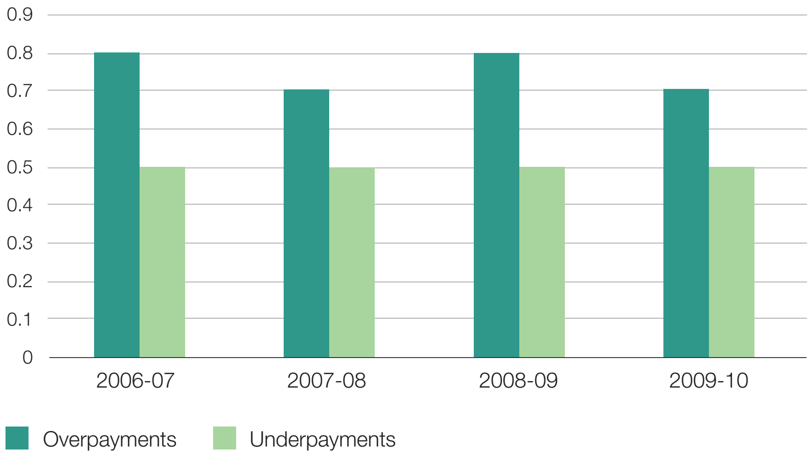
Figure 4

Estimated overpayments and underpayments due to customer error, 2006-07 to 2009-10, by value and as a proportion of expenditure

The value of overpayments and underpayments due to customer error (£m)



Customer error as a percentage of benefit expenditure



NOTES

1 This table includes estimates for all benefits.

2 The data for 2009-10 are interim figures based on sampling from October 2008 to September 2009.

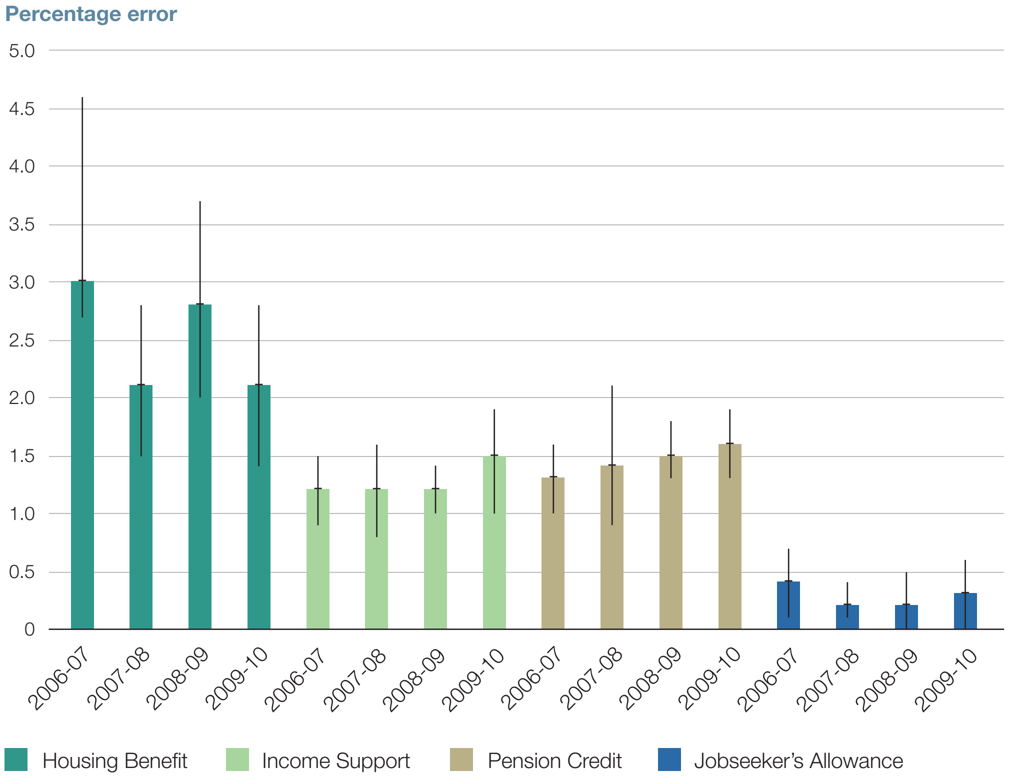
3 The reported figures are estimates extrapolated from a sample of over 32,000 cases and much of the difference between each year may be due to the margin of error in the sample selected.

Source: Fraud and Error in the Benefit System: October 2008 to September 2009. Department for Work and Pensions, May 2010.

1.7 There are substantial differences in the rate of customer error between benefits. **Figure 5** shows the rates of error for continuously measured benefits over the period 2006-07 to 2009-10, although apparent trends should be treated with a degree of caution because these are estimated figures. Error appears likely to be highest for Housing Benefit, and lowest for Jobseeker's Allowance. In 2009-10 customer error on Housing Benefit represented £420 million overpayments and £220 million underpayments. Housing Benefit is administered by the claimant's relevant Local Authority rather than directly by the Department. Undetected errors affecting other benefits administered by the Department, can, however, also lead to errors on Housing Benefit claims. This is because receipt of income related benefits such as Jobseeker's Allowance or Income Support can be used as evidence that claimants are entitled to Housing Benefit.

Figure 5

Levels of customer error overpayments for continuously measured benefits, 2006-07 to 2009-10, with 95 per cent confidence intervals



NOTES

1 Although five benefits are measured continuously, data are only available for the four benefits shown for the period under review. The Department started to measure Incapacity Benefit continuously from 2008-09. Prior to this, Incapacity Benefit customer error and fraud were last reviewed in 2000-01 through the National Benefit Review exercise, whereas official error short term benefit reviews have been carried out each year between 2000-01 and 2009-10.

2 The confidence intervals shown by the black lines above represent the range in which, on average, we can be 95 per cent confident the actual error rate will fall.

Source: Fraud and Error in the Benefit System: October 2008 to September 2009. Department for Work and Pensions, May 2010.

1.8 The recession posed a significant challenge to the Department. The Department noted that the substantial increase particularly in Jobseeker's Allowance claims (from £2.9 billion to £4.7 billion between 2008-09 and 2009-10) increases the risk of customer error as many new claimants unfamiliar with the benefits system have contacted the Department for the first time. In April 2008 there were 188,000 applications for Jobseeker's Allowance, and this had increased to 365,000 by May 2009, although we were unable to confirm from the Department's data what proportion of the additional customers were new to the benefits system. Despite these pressures, the estimated rate of customer error has not increased to any statistically significant extent.

1.9 We reviewed a sample of 586 cases of customer error identified from the Department's testing in 2009-10 within Income Support and Jobseeker's Allowance. The average weekly overpayment identified on Income Support was over £28 a week (equivalent to 38 per cent of the average payment). The average weekly overpayment on Jobseeker's Allowance was higher, at over £32 a week (equivalent to 53 per cent of the average payment), but the cumulative cost is typically lower as such mistakes were unlikely to have gone unnoticed for as long as those on Income Support. The average weekly underpayment, £24 for Income Support and less than £15 for Jobseeker's Allowance, was typically lower than the value of overpayments, but the sums still represented 29 per cent of the average weekly Income Support payment and 24 per cent of the Jobseeker's Allowance payment.[4]

1.10 Because of the length of time it can take to recover overpayments caused by customer error, to minimise loss to the taxpayer it is important that the Department stop potential errors before they occur. In 2009-10, the Department identified some £376 million of overpayments caused by customer error. Overpayments of less than £65 are written off. Regulations allow a maximum deduction of £9.90 per week to recover overpayments from those who continue to claim income related benefits. The Department seeks recovery from those no longer claiming benefit but without causing undue hardship and, in reality, the amount that can be reclaimed is often low.

4 Within the sample, for Jobseeker's Allowance overpayments ranged between £0.54 and £100.95 per week, and the median was £26.25; underpayments ranged between £0.04 and £61.65 per week and the median was £7.00. For Income Support overpayments ranged between £0.02 and £246.44 per week and the median was £17.00; underpayments ranged between £0.02 and £241.60 per week and the median was £12.73.

The scope of our report

1.11 The Department launched a five-year strategy for tackling error in January 2007, and the Government published a new Department for Work and Pensions and HM Revenue and Customs joint strategy, *Tackling fraud and error in the benefit and tax credits systems*, in October 2010. This report examines the value for money of how the Department has managed its existing suite of initiatives on customer error so that the lessons can be applied to the implementation of the new strategy. The report focuses on benefits administered directly by the Department, and does not look in detail at Housing Benefit which is processed on the Department's behalf by local authorities. Our methodology is summarised in Appendix One. Value for money depends upon the Department having:

- sufficient information on the reasons why errors occur in order to target initiatives to best effect;
- regular monitoring of the cost and impact on initiatives so that priorities can be periodically reviewed; and
- timely interventions to limit the extent of any underpayments or overpayments arising from an error.

Part Two

What the Department has done to understand and address customer error

2.1 The Department's 2007 strategy focused on informing customers of their responsibilities so that claimants can avoid the mistakes or omissions that lead to overpayment or underpayment of benefits. The principle underpinning this approach is that 'by providing clearer information to our customers, we will move them towards greater compliance with the benefit rules, and this will improve our levels of customer service'.[5]

2.2 This part of the report examines the progress made by the Department to:

- understand why customers make errors; and
- develop initiatives that are effective in tackling the major causes of error.

The Department is starting to systematically use the information it collects to understand why customers make mistakes

2.3 The Department estimates the value of errors through the work of its Performance Measurement Team.[6] Officers examine a sample of benefit payments and contact the customer to verify the information provided. The Department categorises errors, using a set of 86 distinct customer error codes. Our examination found that the error codes for 2008-09 provided very detailed information about the type of the error, but little accessible information on where or why the error occurred.

2.4 The Department introduced new error codes in April 2010 that are designed to provide deeper insights into customer error. The new error codes are structured around identifying the type of error that has occurred. The Department expects to produce management information using these new codes in 2011. The measurement process provides better estimates than most other organisations, including other comparable countries, but it has not been designed to provide much information on why mistakes occurred.[7]

5 *Getting welfare right: Tackling error in the benefits system.* Department for Work and Pensions, January 2007, paragraph 4.3.
6 *Minimising the cost of administrative errors in the benefit system.* National Audit Office, 25 November 2010, HC 569, Session 2010-11.
7 *International benchmark of fraud and error in social security systems*. National Audit Office, 20 July 2006, HC 1387, Session 2005-06. This report compared the UK with Australia, Canada, France, Ireland, the Netherlands, New Zealand, Sweden and the USA.

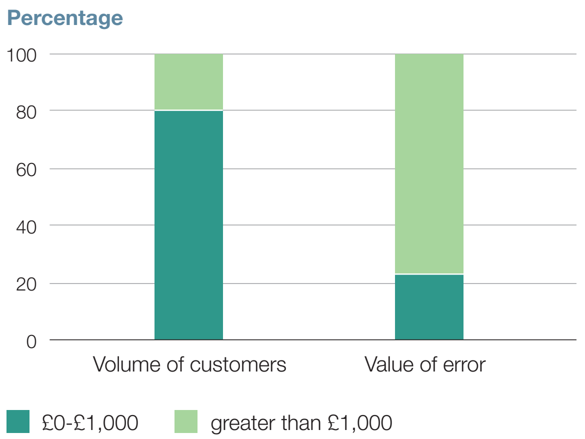
2.5 In 2009, the Department's Performance Analysis Unit attempted a systematic review of the data recorded for each error code and estimated that fewer than one in four errors were likely to have occurred when a customer originally applied for the benefit. The majority of mistakes arose subsequently as the customer had not notified the Department of a change in their circumstances. This picture is consistent with the experience of staff, who told us that mistakes they encountered in routine benefits processing work had typically occurred because customers had not properly notified the Department of changes in their personal circumstances.

2.6 The Department does not fully make use of available information from its own Debt Management function to understand the patterns and trends in customer error. Our analysis of debt management data for Income Support, Incapacity Benefit, Pension Credit and Jobseeker's Allowance found that a minority of customers are responsible for a substantial amount of the value of debt arising from overpayments. Our analysis shows that 80 per cent of the value of all debt arising from customer error (including low value debts which are, in practice, written off) is attributable to only 20 per cent of identified cases (**Figure 6**). Systematic analysis of internal data would allow the Department to better understand where high value customer error is likely to occur, and target interventions in response. The Department's Debt Management function receives case information of those customer error overpayments that are identified in the course of normal business processing and then seeks to recover the amounts owed. In November 2010 the Performance Analysis Unit started to receive regular feeds of the data held by the Debt Management function, to help it better understand the pattern of error between benefits. Routinely using information from the Debt Management function will enhance the Department's approach to tackling customer error.

Figure 6

Around 20 per cent of customers making an error leading to an overpayment cause 80 per cent of the value of debt arising

Volume and value of customer error debt, 2009



Source: National Audit Office analysis of the Department's debt management figures

2.7 The Department's research programme also provides some information on why customers might make mistakes when claiming benefits. In 2007 the Department established a Customer Insight function to improve the quality of the service it provides to customers. It is a team of approximately 20 full time equivalent staff who have commissioned a number of research projects in order to better understand how customers interact with the Department and the difficulties they face. The Department has also commissioned several research projects on customer service, such as a footfall study in Jobcentre Plus and a report on 'reporting changes in circumstances'. We reviewed these projects to identify why customers might make mistakes which lead to overpayments or underpayments. There appear to be three main factors that lead to customer error:[8]

a **The benefits system is complex for customers to navigate.** The Department's research found that customers are generally unaware of rules on capital, investments or redundancy payments, and do not easily understand deductions for non-dependents, especially where non-dependents are making no financial contributions.

b **Customers do not readily recognise that they have to report any changes in their circumstances:**

- The Department's research in 2009 found that 70 per cent of a sample of 1,000 claimants thought they did not have to report short-term changes and 40 per cent had little or no knowledge of their reporting requirements. Despite this material being included in the Department's literature, many customers still obtained information by word-of-mouth from family and friends, as well as from official media.
- Customers can find it difficult to recognise when their circumstances have changed. Customers do not find it easy, for example, to identify when a gradual improvement or deterioration in their medical condition has become a change significant enough to impact on their benefit entitlement.

c **Customers do not notify all relevant agencies of changes to their circumstances.** Many customers believe incorrectly that reporting changes to one local or central government body will result in all relevant parts of the Department being automatically updated.

2.8 The complexity of the benefits system has been a matter of long-standing concern to the Government, as well as the Committee of Public Accounts. However, the Department has not developed a methodology for assessing complexity within the benefits system. In 2005 we reported on the complexity of the benefits system and this led to the establishment of the Benefit Simplification Unit in 2006 as a check on increasing complexity. Prior to this there was no central function that challenged policy staff to consider the complexity of the benefits system. The Benefit Simplification Unit has implemented incremental changes which should make benefits design simpler. For example, the Department developed a new process to improve customer service and efficiency in November 2010. The change allows customers already in receipt of certain working age benefits to transfer onto State Pension when they reach pension age without being required to make a separate claim.

8 *Reporting changes in circumstances: factors affecting the behaviours of benefit claimants.* Department for Work and Pensions *Research Report 544, February* 2009.

The Department does not yet maintain a coordinated programme of initiatives to tackle customer error

2.9 The Department and its agencies have put in place a range of initiatives, including business as usual activity, which could have an impact on customer error. For example, Jobcentre Plus has begun risk scoring to identify customers claiming Income Support and Jobseeker's Allowance who are more likely to make a mistake. This is a new project, within which Jobcentre Plus plan to contact 1.16 million 'high risk' customers each year from 2010-11 until 2014-15 to review their circumstances, identify changes and remind customers of their responsibilities. To do this, more than 500 staff will be involved in checking the details of existing customers and an office, referred to as a 'Benefit Integrity Centre', will be dedicated to this activity. The Department estimates that this activity will lead to Annually Managed Expenditure savings of up to £110 million a year. In 2006 Jobcentre Plus introduced a Customer Compliance team to address fraud and customer error in the benefits system. Cases are referred to the Customer Compliance team by benefits processing staff if they suspect claims may contain fraud or customer error. A member of the Customer Compliance team will visit the customer to conduct a face-to-face interview. As well as checking compliance, during the interview the customer will be reminded of their responsibility to comply in the future with requirements to keep the Department updated on changes in their circumstances. In 2009-10 more than 416,000 customer interviews were undertaken. These interviews uncovered 39,231 overpayments (value of £39.8 million) and 1,677 underpayments (value of £1.65 million).

2.10 When the Department introduced its error reduction strategy in 2007, it tracked progress against individual projects but did not consider all the initiatives together as a coherent programme. In March 2010 the Department asked Jobcentre Plus and the Pension, Disability and Carers Service to compile a list of those initiatives that were under way or were planned. The list of initiatives was not an exhaustive list of all the activities under way in the two agencies, in that it excluded some checks built in to routine benefits processing systems, but it was a helpful starting point for the Department's Fraud and Error Council. This list comprised 52 separate initiatives that are intended to reduce customer error:

a **The Department had instigated 16 initiatives.** The projects included, for example, fraud and error proofing activities to minimise the risk and procedures leading to an increased risk of customer mistakes, and refinements to the existing measurement system for customer error. Twelve of the initiatives identified were already under way and four had yet to be implemented. Only one of the ongoing initiatives sought to quantify the benefits it might deliver.

b **The Pension, Disability and Carers Service were responsible for 20 initiatives.** The projects included, for example, a 'pension credit pilot' to determine whether more detailed case reviews would detect a higher value of error, and error awareness sessions to help staff to identify where customers might have failed to provide information. Eleven of the initiatives did quantify the expected benefits, but the majority of the initiatives focused on identifying and correcting errors rather than preventing them from occurring in the first place. Of the 11 initiatives for which an attempt to quantify benefits had been made, one focused on compliance and correction, seven on correction, and three on prevention. The Department did not assess the potential benefits in a consistent way, so no comparison of the relative value of the different initiatives, measured in terms of financial savings, can be made.

c **Jobcentre Plus had seven initiatives.** The projects included, for example, IT solutions to prevent and remove error in Income Support, and a text messaging pilot to remind customers to report any changes in circumstances.

d **Six initiatives were to support local authorities administering benefits on behalf of the Department.** The projects included, for example, providing guidance to local authorities so that they can concentrate their reviews on cases more likely to contain fraud and error, and providing information packs to improve their communications and advertising campaigns.

e **A further three projects were jointly owned by Jobcentre Plus and the Pension, Disability and Carers Service.** The projects included, for example, an analysis of a sample of errors found on the system, and referrals from the General Matching Service covering the top errors at Pension Centres and Jobcentre Plus. The initiatives typically focused on the identification and correction of errors rather than prevention.

2.11 There remains scope for the Department to make more use of the data it already holds to understand why customer error occurs, and to focus action to address it. The list of initiatives compiled in March 2010 provided little information on targeting, progress or effectiveness. The Department does not appear to have targeted its initiatives to maximise their effectiveness. For example, there were 11 initiatives in the work programme that appeared to focus predominantly on Pension Credit whereas there were only six aimed at Housing Benefit, which has typically had the highest rates of customer error.[9] The impact of these initiatives on customer error is unclear based on the evidence presented in the work programme.

2.12 The Department had found a way of measuring the potential monetary saving of only 20 of the 52 activities in the work programme. The largest potential monetary saving recorded was by Jobcentre Plus, which expects to save up to £110 million per annum through calling Income Support claimants to check their details are correct.

9 The list of initiatives compiled by the Department does not take account of local activities that may be undertaken by local authorities.

2.13 The majority of the Department's initiatives were designed to detect, rather than to prevent, error. We found that 33 of the 52 activities listed in the Department's work programme in March 2010 would not help raise customers' awareness or understanding of the benefits system, reduce complexity, or help identify changes in customers' circumstances and that they would not, therefore, reduce the risk of error occurring in the first place. The Department did not attempt to estimate the value of overpayments or underpayments avoided by preventative work in assessing the likely net benefit of investment in new preventative measures.

2.14 In addition to the initiatives identified above, the Department has fundamentally changed its approach to communicating with customers. The Department has reduced the number of customer information leaflets to 47 from 245, following past recommendations from the National Audit Office and the Committee of Public Accounts, and has made them simpler and easier to understand. The exercise was primarily aimed at improving customer information and should also reduce the number of customer contacts with the Department. The leaflets inform customers of their entitlements and responsibilities. Informing customers of their responsibilities was the key focus of the Department's error reduction strategy, but we found little evidence that consideration was given to assessing the impact revised leaflets would have on customer error. The Department commissioned independent research in 2008 to help understand how customers use the website. The results informed improvements to website design, particularly as content migrated to www.direct.gov.uk as Jobcentre Plus and The Pension Service websites closed during 2009.

2.15 The Department is also implementing a 'Tell Us Once' project which aims to reduce the number of times a customer needs to report a death, birth or change of address to different government departments. The Department is working with local authorities and HM Revenue and Customs on the project and expects it to be completed by March 2011. The Department is in the process of evaluating the project, which it expects to have reduced the likelihood of customer error arising from confusion about how to notify government departments of these three events.

2.16 The principle of better coordination and communication between different benefits systems, which underpins the 'Tell Us Once' project, could have a significant beneficial impact. The Department is implementing a project that will enable the transfer of data on benefit entitlement between central government and local authorities responsible for Housing Benefit. The Automated Transfers to Local Authority Systems (ATLAS) project will potentially have a significant impact on customer error as automatic updates on any changes in a customer's entitlement to Income Support, Jobseeker's Allowance or other benefits will have a direct impact on their entitlement to Housing Benefit. The Fraud and Error Strategy Division are represented on the programme board and the steering committee for the project.

Part Three

The Department's implementation of a new fraud and error strategy

3.1 The Fraud and Error Council, which includes the operational Directors responsible for tackling fraud and error and representatives drawn from across the Department, reports directly to the Permanent Secretary. This part of the report examines:

- whether the Fraud and Error Council has sufficient information to monitor the extent of customer error;
- whether the Fraud and Error Council is able to target its resources properly;
- whether there is potential for the Department to use predictive modelling to identify customer error; and
- whether there is clear direction and a corporate willingness to tackle customer error.

The Fraud and Error Council does not have sufficient information to monitor the extent of customer error

3.2 The Department sought to strengthen strategic oversight of fraud and error reduction activities by creating the Fraud and Error Council in July 2009. The Council was tasked with identifying and driving new initiatives to reduce fraud and error rates, measure and monitor the implementation of these initiatives and manage risks related to this work as appropriate. There is evidence the Council has facilitated cross-Departmental working and the sharing of knowledge. The Council could play a key role in strengthening the sharing of good practice and lessons within the Department. The Department also established a lower level Fraud and Error Stakeholder Engagement Group in June 2009 as a replacement for the previous Error Reduction Delivery Board. The Fraud and Error Stakeholder Engagement Group reports to the Fraud and Error Council, and is tasked with sharing best practice and highlighting issues for the attention of the Council.

3.3 The Fraud and Error Council, as with the Fraud and Error Stakeholder Engagement Group, is in its infancy and it has not yet had the opportunity to demonstrate a clear strategic direction. The Fraud and Error Council met six times between July 2009 and May 2010 to review emerging risks and to monitor progress in tackling fraud and error. The agenda varied for each meeting, but the Council routinely received a dashboard report which included 'early indicator' measures of the levels of customer error on Housing Benefit, Pension Credit, Income Support and Jobseeker's Allowance. This approach is a pragmatic use of what information is available, but the figures can only be treated as indicative (**Figure 7**).

Figure 7

Information on customer error is not reported in a consistent format and excludes information that would aid decision making

Does reported information contain	Pension, Disability and Carers Service	Jobcentre Plus	Local Authorities
Monthly updates on the value of customer error and as a percentage of benefits expenditure	Partly – figures are provided only for Pension Credit	Partly – no overall assessment but figures are provided for three key benefits (Jobseeker's Allowance, Incapacity Benefit and Income Support)	Partly – the Department receives data on overall levels of customer error, but not detailed breakdowns, for example by Local Authority
Data on the main types of customer error	Partly – there are data on where errors have occurred, but not the circumstances that led to them	Partly – there are data on where errors have occurred, but not the circumstances that led to them	Partly – there is an analysis of the main types of fraud and error, but no specific information was presented to the Council on customer error
Feedback from quality control teams in benefit delivery centres and other relevant teams	No	No	No

NOTE

1 There are supplementary tables published together with the National Statistics which show a breakdown of fraud, customer error, and administrative error by the error causes for Housing Benefit. This information is publicly available but was not specifically presented to the Fraud and Error Council.

Source: Papers presented to the Fraud and Error Council, March 2010

3.4 The dashboard report included a bar chart showing the volume of quality assurance checks undertaken each month by Jobcentre Plus and the Pension, Disability and Carers Service. These graphics are a relatively simple measure of activity, and the Council does not receive any information on performance. The Council does not receive regular information, for example, on the volume and nature of complaints or queries raised by customers, feedback from quality control teams on common issues, or data on the performance of contact centres. Representatives from key parts of the Department and its agencies do attend the meetings and can give an informal update on these issues, but regular monitoring of such issues may give a clearer assessment of progress.

The Fraud and Error Council is not yet able to target its resources effectively

3.5 We examined the papers presented to the Fraud and Error Council on the progress of each of its initiatives to tackle customer error and the associated minutes of the meetings. The Council's predecessor committees had received information about individual projects to tackle levels of error, but did not approach all the initiatives together as a coherent programme across the Department. The Council is a relatively new group, but we found evidence that it is starting to receive systematic and regular progress reports on ongoing initiatives. However, where the Council has received updates on activities that could impact on customer error, the minutes do not reflect any discussions where Council members have sought to quantify or better understand the impact it could have on customer error.

3.6 Our report on the progress made by the Department in minimising the cost of administrative error[10] found that the Department could not accurately measure the cost incurred from its initiatives to tackle error. The position is the same for customer error. The Council has not yet been provided with an assessment of the full cost of initiatives under way. The work programme document the Department prepared in March 2010 listed cost data for only two of the 52 activities which address customer error – the 'Targeting Benefit Thieves' campaign (£5 million in 2010-11, which was subsequently revised down to £4 million) and changes to software which will reduce inaccuracies in Pension Credit (£0.7 million). The cost of a third project on piloting fraud and error awareness sessions for operational staff was simply assessed in terms of the two man years of staff time required to deliver the training events. No information was provided in support of those estimates. In July 2010 the Council received more detailed information on measures targeted at fraud and error in Pension Credit, including estimates of the staff and IT costs needed to implement them. The Council does not yet have access to a comprehensive or fully costed schedule.

3.7 Our report on administrative error similarly found that costs the Department attributed to interventions were in most cases broad estimates of direct staff costs, and that the figures did not include all the associated overheads, such as accommodation, management oversight or IT costs. Without accurate full cost data the Council, or the Department, are not able to make fully informed decisions targeting resources effectively to those activities likely to be most cost effective in tackling error.

10 *Minimising the cost of administrative errors in the benefit system*. National Audit Office, 25 November 2010, HC 569, Session 2010-11.

3.8 The Department assured the Committee of Public Accounts in December 2010 that it expects the Council to take a direct interest in the progress of initiatives. We could find limited evidence that the Department had adopted such a methodical approach to identifying and sharing best practice in the past. In 2003, for example, the Department designed a Housing Benefit risk scoring model to enable local authorities to focus their activities on where error is more likely to occur. This risk score model was then updated in 2008. Drawing on the testing of claims to estimate errors, the risk factors covered the location and demographics of each customer, reliance on other benefits and the financial status of partners and dependents. This project could be very important, as an evaluation of the Housing Benefit risk scoring model demonstrated that it more than doubled the success rate of interventions. The Department has rolled out this initiative to Income Support, and is targeting outbound calls to those customers at greater risk of making an error. However, the Department has not yet extended this analysis to other benefits, so currently lacks the information to establish whether there are common patterns or similarities that would enable it to target possible interventions more effectively across all benefits.

The Department recognises there is the scope to do risk profiling to a greater extent

3.9 Predictive modelling is a form of statistical analysis that allows organisations to extract information from data and to use it to predict future outcomes. More specifically, it captures the relationships between variables in the underlying data and uses them to predict future trends and behaviour patterns. Predictive modelling is used extensively by organisations across the commercial sector for a broad range of purposes, such as preventing fraud and error and identifying patterns in customer behaviour. We asked KPMG LLP to identify best practice and lessons learnt from organisations in the private and public sector that have implemented predictive modelling techniques.

3.10 The Department recognises there is the scope to use risk profiling to a greater extent to better target its interventions at those customers who are most likely to make a mistake. KPMG LLP found that the level of resources required to develop predictive models is typically low and it can have a significant impact on the effectiveness of activities and interventions. The value of any analysis could be enhanced even further by supplementing internally generated data with external data sets. Having undertaken pilot testing of predictive analytics with private sector providers, the Department is exploring the scope to use predictive modelling techniques to predict future trends in fraud and error. This point is also recognised in the Department's 2010 fraud and error strategy, which focuses on preventing customer error by using a wide range of data on customers, drawing on products available in both the public and private sectors.

3.11 Current systems do not enable the Department to understand whether certain groups such as older people, or those suffering from ill health, are disproportionately more likely to make errors. The 2010 fraud and error strategy sets out the Department's intention to develop a new integrated risk and intelligence unit, which will be a hub for data and intelligence on fraud, error and debt. The Department will use data matching techniques and private sector best practice to target its preventative activities on those cases at higher risk of fraud and error. The Department also plans to introduce a new system enhancement between December 2010 and February 2011, termed the 'Centric Project'. The Centric Project is intended to put all the customer account data within one data repository, and provide an opportunity to build customer profiles to identify cases at unusually high risk of fraud and error at the application stage.

The revised fraud and error strategy demonstrates a commitment to minimising customer error

3.12 Part Two of this report highlighted as key issues the need for interventions to be driven by a good understanding of why customers make errors, and the importance of robust performance information in order to allocate resources in the most effective way. **Figure 8** shows how we have highlighted similar systemic issues in other recent reports on the Department.

Figure 8

Systemic issues highlighted by previous NAO reports relevant to tackling customer error

Key issue	Previous NAO reports
The Department needs to improve its understanding of its customers, their knowledge of the benefits system and the customer experience	• Management of benefit overpayment debt (May 2009) • Communicating with customers (May 2009) • Handling customer complaints (July 2008) • Dealing with the complexity of the benefits system (November 2005)
The Department needs to review its performance measurement framework to allow it to better understand the impact and cost effectiveness of its interventions	• Support to incapacity benefit claimants through Pathways to Work (May 2010) • Management of benefit overpayment debt (May 2009) • Progress in tackling benefit fraud (January 2008) • Tackling benefit fraud (February 2003)
The Department needs to improve its knowledge sharing mechanisms to enable sharing of good practice, lessons learnt and to facilitate joint working	• Handling customer complaints (July 2008) • Progress in tackling benefit fraud (January 2008) • Tackling benefit fraud (February 2003)

Source: National Audit Office

3.13 Our report on minimising the cost of administrative error[11] acknowledged that the Department has demonstrated a commitment to minimising such mistakes through revising its fraud and error strategy in October 2010. Much of its attention, however, has been on tackling fraud and avoiding administrative mistakes rather than dealing with customer error.

3.14 The Department is obliged to make decisions about eligibility for benefit on the available evidence even though an undetected element of customer error might be present. There are no benefit regulations dictating the Department's customer service commitment to process benefit claims within a certain period of time, but unnecessary delays could leave families in hardship. The Department would be entitled to take a risk based approach to reviewing customer information so as to focus on preventing errors occurring. The Department's undertaking to pay claimants promptly is driven by its internal processing targets, but does not oblige the Department to treat all claimants as if they are at the same risk of making an error or to subject all claims to an identical level of scrutiny. This is particularly important given the length of time it can take to recover the customer debt that will arise if an overpayment is made.

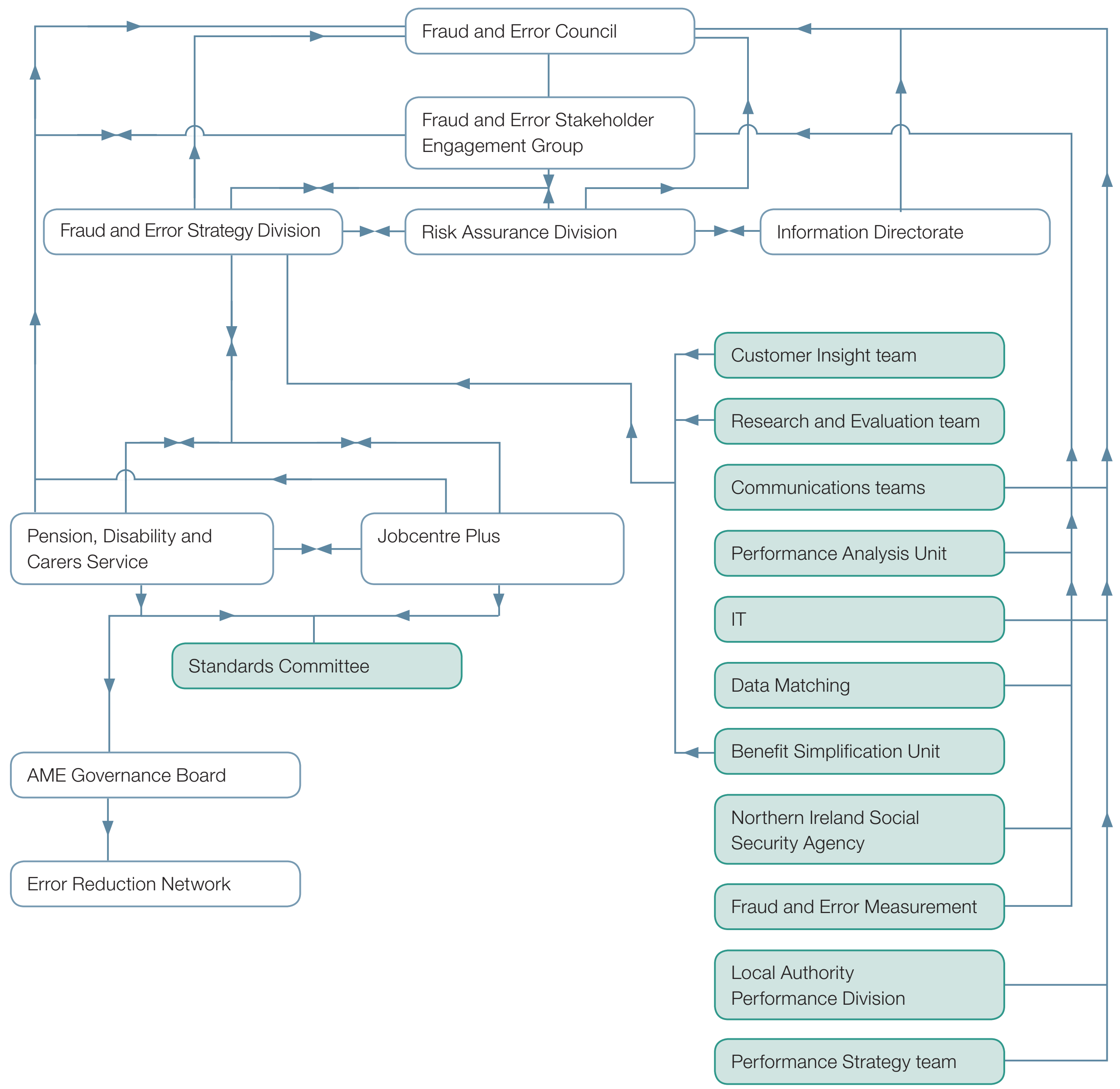
3.15 The establishment of the Fraud and Error Council to oversee initiatives to reduce the extent of overpayments and underpayments, together with the new 2010 fraud and error strategy, is an opportunity to galvanise efforts to tackle customer error. **Figure 9** overleaf shows that the key information flows between different parts of the Department responsible for tackling fraud and error nonetheless remain extremely complex.

3.16 Tackling customer error depends upon operational staff across the whole Department implementing the advice from the Council, taking forward the initiatives, and learning from experience elsewhere in the organisation. There was, however, no specific action plan on customer error to support the 2007 strategy. Now the Department has launched a new strategy, the Council has the opportunity, subject to the availability of good shared information, to provide clear direction for a portfolio of measures that balance measures to tackle customer error together with those focused on fraud and administrative error.

11 *Minimising the cost of administrative errors in the benefit system.* National Audit Office, 25 November 2010, HC 569, Session 2010-11.

Figure 9

Information flows within the Department between people with responsibility for managing and monitoring customer error



NOTES

1 The Pension, Disability and Carers Service and Jobcentre Plus also have direct contact with the teams shown shaded in the figure.

2 This figure is an illustrative example of the complex information flows across the Department.

Source: National Audit Office analysis of Departmental data

Appendix One

Methodology

Selected Method	Purpose
1 **Quantitative Analysis.** We analysed a range of Departmental data including customer error rates, error coding and cost benefit analysis papers.	To inform our understanding of the management information the Department currently uses to make decisions.
2 **Qualitative Analysis.** We analysed strategy documents, minutes from decision making groups, action plans and research undertaken by the Department.	To inform our understanding of the management information the Department currently uses to make decisions.
3 **Interviews.** Semi-structured interviews were conducted with key staff members from across the Department and its agencies.	To establish the views of those driving and delivering interventions.
4 **Case-studies.** We selected eight case-studies from the Pension, Disability and Carers Service and Jobcentre Plus to assess the extent to which customer error is considered when making changes to business as usual processes (such as changes to call centre scripts) that could impact on the level of customer error.	To provide specific examples of how an intervention is developed, how customer error is considered during development and how the impact on customer error is measured.
5 **Benchmarking risk profile work against the private sector.** We commissioned KPMG LLP to identify good practice in the private sector.	To identify good practice and lessons which the Department could learn from as it develops its risk profiling work.
6 **Views from third parties.** We invited comments from a range of third parties through an open letter.	To establish the views of third parties who work with the Department's customers.

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