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Department for Work and Pensions

Minimising the cost of administrative errors in the benefit system

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Department for Work and Pensions

Minimising the cost of administrative errors in the benefit system

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This report covers administrative errors made by the Department, termed "official error" in publications by the Department. It estimated that administrative error led to £1.1 billion of overpayments in 2009-10 (0.7 of a per cent of expenditure) and underpayments of £500 million (0.3 of a per cent of expenditure).

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Summary

1   In 2009-10 the Department for Work and Pensions (the Department) paid out £148 billion in benefits and pensions to its customers. The benefit system is large, encompassing over 27 different benefits and a total caseload of around 20 million people. The scale of this task increases further when changes in family circumstances and financial conditions are also taken into account. Benefit payments are typically dependent on the accuracy of the underlying information, such as an applicant's financial status, health and residential arrangements. Mistakes occur when processing such a large volume of payments.

2   The extent of fraud and error has been a longstanding issue for the Department. When we compared the performance of the Department against that of similar organisations in other countries in July 2006, we found that the Department demonstrated better awareness through its measurement of error and of what might be done to prevent and correct such mistakes. At that time, the Department was at the forefront of developing estimates of losses and in measuring fraud and error more comprehensively than other comparable countries. We rely in part on that measurement system for our audit of the Department's resource accounts. The Department estimates that it made £3.1 billion of overpayments and £1.3 billion of underpayments as a result of fraud and error in 2009-10. As the amounts are an estimate (based on data for the period October 2008 to September 2009), the actual figures are likely to be within a range: between £2.7 billion and £3.8 billion for overpayments and between £900 million and £1.8 billion for underpayments. For brevity we do not refer to the range each time we specify an estimated error amount in this report, except where there are any comparisons of one year against another. The central estimate of fraud and error is nevertheless the best measure currently available. 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 acknowledged the significant work undertaken by the Department to reduce fraud and error within the benefit system in recent years.

3   Underpayments or overpayments can arise when:

- the Department pays benefit incorrectly due to inaction, delay or mistaken assessment, which we term an administrative error;

- where a customer inadvertently makes an error, termed customer error; or

- where a customer deliberately seeks to mislead the Department (fraud).

4   This report covers administrative errors made by the Department, termed "official error" in the publications by the Department. The Department estimated that administrative error led to £1.1 billion overpayments in 2009-10 (0.7 of a per cent of expenditure) and underpayments of £500 million (0.3 of a per cent of expenditure). Underpayments due to administrative error put an unfair burden on people whereas overpayments represent a direct loss to the taxpayer as the amounts are not normally recoverable.

5   Responsibility for minimising the cost of administrative error rests with the Department and its two agencies: Jobcentre Plus and the Pension, Disability and Carers Service. Local authorities administer Housing Benefit and Council Tax Benefit on the Department's behalf, which accounts for 17 per cent of overall benefit expenditure and for just under 25 per cent of the overall level of administrative error. In 2007 the Department published a strategy entitled: *Getting welfare right: Tackling error in the benefit system*. The strategy acknowledged that too many customers received incorrect payments, and it set out a series of initiatives to pursue over the next five years (see **Figure 1**). This report examines the value for money of how the Department has managed its interventions to reduce administrative error. 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 of initiatives so that priorities can be periodically reviewed; and

- timely interventions to limit the extent of any under or overpayments arising from an error.

Figure 1
The Department's initiatives to minimise the cost of administrative error

Prevention	Simplification of benefit rules and business processes.
	Information technology system fixes and enhancements to reduce the occurrence of specific errors.
	Improvements in the way data is used.
Compliance	Accreditation schemes for decision-makers to apply across the Department by 2012.
	Improved guidance for staff on how to process benefits.
	Improved training to increase staff knowledge of benefits.
Correction	Targeted case cleansing exercises.
	Deployment of error action teams.

Source: National Audit Office summary of the Department's 2007 strategy to tackle fraud and error

6	The Government published a new fraud and error strategy covering the Department for Work and Pensions in October 2010, *Tackling fraud and error in the benefit and tax credits systems*. The lessons learned from our examination of the implementation of the 2007 strategy will be important to the success of the new approach.

Key findings

There is no clear evidence that the Department's commitment to reducing administrative error has led to a significant improvement in performance

7	In our meetings with the Department, officials reiterated their commitment to tackling administrative error. The Department published its strategy *Getting Welfare Right: Tackling Error in the Benefit System* in 2007 and there has been a regular and constant management oversight of progress.

8	The Comptroller and Auditor General reported in the Department's 2009-10 resource accounts that the complexity of the benefits system means that benefits will always be subject to some degree of error – human error can and does occur even in the best designed systems. Complexity in the benefit system has been a matter of concern to the Government for a number of years. It is not a new issue, and is largely the result of an accumulation of years of legislative change from successive governments designed to try to keep pace with the changing social and economic circumstances of the Department's customers. The Department is of the view that its customers' circumstances have changed more frequently than in the past, and these have added to complexity in the benefit system; we have been unable to substantiate this. These problems are compounded by the fact that many of the Department's IT systems are relatively old and difficult to change. As a result, the evolving benefit systems and the challenge in responding promptly generate the risk of error.

9	Simplification can be difficult to achieve without reform of the welfare system. The Government's recent announcement of the introduction of Universal Credit is an opportunity to simplify many of the regulations, but such changes will take a long time to implement. In the meantime, the onus remains on the Department to keep the costs of mistakes to a minimum.

10	The 2007 strategy led to a range of initiatives to tackle administrative error, including:

- Jobcentre Plus set up dedicated action teams to clear data matching backlogs and deal with complex cases where error was more likely to occur.

- The Pension, Disability and Carers Service established a programme of case-load cleansing and an enhanced checking regime.

- The Department introduced a number of IT system enhancements, such as a customer information system to share common data across existing IT systems in order to reduce the risk of administrative error.

11   Despite these efforts, the Department's commitment has served only to hold the level of error steady, not to reduce it. Between 2006-07 and 2009-10 there has been no discernible decrease in the estimated cost of overpayments or underpayments due to administrative error as a percentage of benefits expenditure. The cost of overpayments as a percentage of expenditure has remained at 0.7 of a per cent. Underpayments as a percentage of expenditure have changed from 0.4 of a per cent in 2006-07 to 0.3 of a per cent in 2009-10, but this difference may simply be due to the sampling process used – it is not sufficient to show any trend.

12   In practice the absence of any discernible deterioration in performance reduction may, however, represent progress by the Department. The recession posed a significant challenge as the Jobseeker's Allowance caseload almost doubled within 12 months. In April 2008 there were 188,000 applications but this had increased to 365,000 in May 2009 and necessitated the Department having to assign additional staff to handle the extra workload. As recruitment takes time, the Department had to transfer existing staff to retrain them to handle the increased workload on Jobseeker's Allowance. The fraud and error measurement undertaken between October 2008 and September 2009 does not show any significant increase in the error rate for this benefit.

13   The overall rate of administrative error for overpayments and underpayments (0.7 of a per cent and 0.3 of a per cent, respectively) represents an average across all benefits and masks wider variations in specific benefits. The costs of administrative errors are proportionately higher in means tested or disability related benefits where entitlement depends on collating and assessing a wider range of information. There was a relatively low rate of error in processing the State Retirement Pension, which comprised 45 per cent of benefits expenditure in 2008-09, whereas State Pension Credit, which is a more complex benefit, had an error rate of 1.8 per cent for overpayments and 1.2 per cent for underpayments.

14   There are also noticeable variations in the accumulated overpayments that customers can receive. In 2009-10, for example, 19 per cent of the £53 million new debt registered for Income Support that year was for accumulated overpayments of more than £10,000 per claim. The Department recorded 268,876 overpayments resulting from administrative error in 2009-10, and in that year wrote off administrative error debts to the value of £143 million.

The Department does not have sufficient data on why errors have occurred

15   The Department relies on the testing of a sample of approximately 30,000 payments a year to estimate the volume and value of error. The report by the Committee of Public Accounts on *Progress in Tackling Benefit Fraud* previously recognised that the Department was better placed to quantify levels of fraud and error than other national social security agencies. Our follow-up examination has found that whilst the testing process provides better estimates of administrative error than most other public and private sector bodies, it has not been designed to provide much information on why the mistakes occurred:

- The testing process allows the Department to categorise each error according to the type of mistake made, but we found the results difficult to analyse. There were too many error category codes to allow helpful analysis. The error codes provided details about the nature of the error, but gave little information on where in the process the error occurred, or the reasons why it arose. In April 2010 the Department revised its error coding structure. The revisions simplify the number of codes available and better explain what each category means, but the process will only ever give limited insight into the underlying causes of each mistake.

- The Comptroller and Auditor General in his report on the Department's 2009-10 Resource Accounts acknowledged the planned work to systematically review each of the Department's current fraud and error reduction initiatives to ensure that they are focused on the root causes of fraud and error and ensure that resources are directed to maximum effect. This exercise is expected to be complete in Spring 2011. We had reviewed similar exercises previously, but this was the first time the Department had committed to a systematic review of each benefit and is clearly a step in the right direction.

- The problems facing staff in processing a claim could prove valuable in monitoring the reasons why errors occur. Jobcentre Plus has an internal advice line, for example, which receives around 5,000 calls per month from staff seeking advice or clarification on how to handle specific claims. In 2009 the Agency started to record the nature of the enquiries to its helpline, but it has not yet been able to generate management information from this data.

16   Both agencies operate extensive checking frameworks where errors are identified at local level and, in the case of the Pension, Disability and Carers Service, through a National Accuracy Support team. Jobcentre Plus reviewed nearly 541,000 transactions in 2008-09 through its quality assurance arrangements, but the information collected does not enable comparisons between different parts of the delivery chain. Unlike the arrangements in the Pension, Disability and Carers Service, each checking team is resourced locally and therefore not independent of the local office.

17 In order to develop our own understanding of why administrative errors arise we undertook a series of workshops, focus groups and interviews in September 2009 with the Department's staff. We surveyed all the 82 Managers at Benefit Delivery Centres and Pension Centres, invited over 50 staff to workshops and interviewed a further 106 staff (such as team leaders and benefit processors) to seek their views on the causes of error and possible remedial actions. Whilst staff views are qualitative in nature and represent the perceptions of a small group of representatives, they did, however, raise some broad reasons why errors might occur. Amongst the reasons for administrative error put forward were the following:

- Different computer systems were used to process benefits but they did not communicate well with each other.

- Training was considered inadequate – learning and development for new staff was criticised for poor delivery; training facilitators lacked technical expertise; and training packages were described as being out of date, incomplete and did not mirror the real work.

- Staff commented that the guidance did not always give them the help needed to get things right. Support for staff was not always readily available when they encountered problems.

- Concern for the targets which offices and individuals work towards did not always encourage accurate processing. The staff noted that they thought local offices were working towards conflicting targets and that there was an imbalance between quality and quantity.

- Staff reported that human error was also a key factor in administrative errors. By this they meant a transcription or typographical mistake in data entry.

18 Such views need to be treated with caution without more robust evidence to support the points made. The comments did offer an insight into staff attitudes, however, so we provided the Department with more detailed information on our findings from this work in early 2010. Officials confirmed that the information was used to help define the revised fraud and error strategy published in October 2010.

In the absence of data we could not establish that the Department had consistently targeted its resources and initiatives to the best effect

19 The Department analysed the cost effectiveness of some of its interventions in 2009 and it reported a 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 some interventions included direct staff costs only. In the past the Department has not regularly compared the costs and benefits of each of its interventions, but the Department told us that it is now looking at this type of analysis as part of its new benefit review process.

20 The Department does not, however, take into account the cost subsequently incurred in correcting the error. The cost of such re-work varies between cases, depending on the nature of the error and the type of benefit. As the Department estimates that there were nearly a million administrative errors in Income Support, Jobseeker's Allowance and State Pension Credit alone in 2008-09, such costs could be considerable.

21 The Government published a new fraud and error strategy in October 2010, which places a greater emphasis on preventing errors from arising in the first place. Such an approach could increase its impact in reducing administrative error, but progress will depend upon:

● translating that strategy into a clear set of actions that everyone in the Department and its agencies is committed to implementing; and,

● having a clear measurement regime in place in order to know whether the actions taken are delivering the desired results.

Conclusion on value for money

22 The Department and its senior officials are clearly committed to reducing the cost of administrative error, and it is frustrating that there has been no discernible reduction since 2007. Their existing approach, however, lacks the information needed to target initiatives effectively and thus the sophistication needed to achieve a significant reduction. The Department has yet to develop a consistent method of assessing the cost effectiveness of its interventions and lacks costing data on the consequences of error such as re-works. Accordingly, the Department does not have sufficient evidence to demonstrate that existing activities to reduce administrative error have been value for money.

Recommendations

23 The Department's publication of a revised fraud and error strategy in October 2010 is an opportunity to re-assess existing priorities, to assign clear responsibilities at operational level, and to put in place a more systematic approach to minimising administrative error and monitoring progress. Accordingly we recommend that the Department should:

a **Collect data to improve understanding of costs and benefits of different interventions.** This should involve:

● developing a systematic costing model that would include the indirect as well as the direct costs of each intervention. Such a model would be helpful at the business case stage and for subsequent monitoring of progress; and

● developing an approach to estimate the full costs of re-working administrative errors so as to provide a better understanding of the costs and consequences of such errors.

b   Collate better information on why administrative errors arise. The Department has already confirmed that it is undertaking a more detailed examination of errors to determine their underlying cause. This should not be the only source of information, however, and this information should be supplemented by:

- instigating more systematic feedback from quality assurance teams on where errors have arisen and why the mistakes occurred. This should include regular reports on the nature of staff enquiries to internal helplines; and

- drawing on the results of our workshops to capture staff perceptions by encouraging staff feedback or suggestions on how quality can be improved.

c   Assigning clear responsibilities at operational level so that the Department and its agencies understand their role in minimising administrative error. This should involve:

- developing a methodology to hold managers to account by monitoring the progress made by each operational manager in improving levels of accuracy;

- specifying processing accuracy targets at operational level so that each centre can fully understand its own contribution to error reduction; and

- regular monitoring so that any decline in performance automatically triggers remedial action.

24   Improving quality control arrangements to prevent errors arising in the first place is likely to be a more effective approach. Instigating such a strategy should involve:

- introducing an accreditation system for staff in Jobcentre Plus responsible for quality checking in order to determine common standards of approach;

- reviewing training provision and staff feedback mechanisms to inform the development of guidance, interventions and procedures; and

- timely interventions to limit the extent of any underpayments or overpayments arising from an error.

Part One

Background

The scale of the challenge

1.1 The Department for Work and Pensions (the Department) paid out £148 billion in benefit payments in 2009-10.[1] The benefits system encompasses over 27 benefits, each with differing statutory requirements and administrative arrangements, and involving a total caseload of around 20 million people. Mistakes occur when processing such a large volume of payments, in part due to the complexities within the benefits system, such as the need to collect detailed information on an applicant's financial status, health and residential arrangements.

1.2 Complexity in the benefit system has been a matter of concern to the Government for a number of years. It is not a new issue, and is largely the result of an accumulation of years of legislative change from successive governments designed to try to keep pace with the rapidly changing social and economic circumstances of the Department's customers. The Department is of the view that its customers' circumstances have changed more frequently than in the past, and that these have added to complexity in the benefit system; but we have been unable to substantiate this. These problems are compounded by the fact that many of the Department's IT systems are relatively old and difficult to change. As a result, the evolving benefit systems and the challenge in responding promptly generate the risk of error.

1.3 The Department estimates that it made £3.1 billion of overpayments and £1.3 billion of underpayments as a result of fraud and error in 2009-10. As the amounts are an estimate (based on data for the period October 2008 to September 2009), the actual figures are likely to be within a range: between £2.7 billion and £3.8 billion for overpayments and between £900 million and £1.8 billion for underpayments. For brevity we do not refer to the range each time we specify an estimated error amount in this report, except where there are any comparisons of one year against another. Underpayments or overpayments arise when:

● the Department pays benefit incorrectly due to inaction, delay or mistaken assessment, which we term an administrative error;

● where a customer inadvertently makes an error, termed customer error; or

● where a customer deliberately seeks to mislead the Department (fraud).

1   Note 13 to the Department's 2009-10 Resource Accounts shows a gross programme cost of £149.5 billion. Excluding the £1.5 billion cost of employment programmes leaves £148 billion expenditure on benefits.

1.4 This report covers administrative errors made by the Department. Administrative errors, termed "official error" in the publications by the Department, are directly within the Department's control.

1.5 In view of the high volume of claims administered through the benefits system, the Department relies on sample testing to estimate the volume and value of errors in the benefit system. The Department estimates that overpayments arising from administrative errors cost £1.1 billion in 2009-10 (0.7 per cent of benefits expenditure) and underpayments amounted to £500 million (0.3 of a per cent). **Figure 2** overleaf shows the estimated value and percentage of overpayments and underpayments between 2006-07 and 2009-10. There is no clear trend in the data as the results each year are within the margin of error for the sample and none of the change is significant. The Comptroller and Auditor General qualified his opinion on the Department's 2009-10 resource accounts because of the material level of overpayments and underpayments due to fraud and error.[2]

1.6 The recession has increased the volume of benefit claims. This posed a significant challenge as the Jobseeker's Allowance caseload almost doubled within 12 months. In April 2008 there were 188,000 applications, but this had increased to 365,000 in May 2009 and necessitated the Department having to assign additional staff to handle the extra workload. As recruitment takes time, the Department had to transfer existing staff and to retrain them to handle the increased workload on Jobseeker's Allowance. The testing undertaken between October 2008 and September 2009 does not, however, show any significant increase in the administrative error rate for Jobseeker's Allowance.

1.7 **Figure 3** on page 15 shows that the cost of administrative errors for overpayments was relatively small for State Retirement Pension and higher for Incapacity Benefit and Jobseeker's Allowance. The value of underpayments exceeded 1 per cent of expenditure for State Pension Credit. The Department estimates that at any one time there were approximately a million administrative errors in Income Support, Jobseeker's Allowance and State Pension Credit, with State Pension Credit accounting for 82 per cent of the total volume of these errors.

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2   *Department for Work and Pensions Resource Accounts,* HC 296, 27 July 2010, page 46.

Figure 2
Estimate of underpayments and overpayments due to administrative error

The value of overpayments and underpayments due to administrative error (£m)
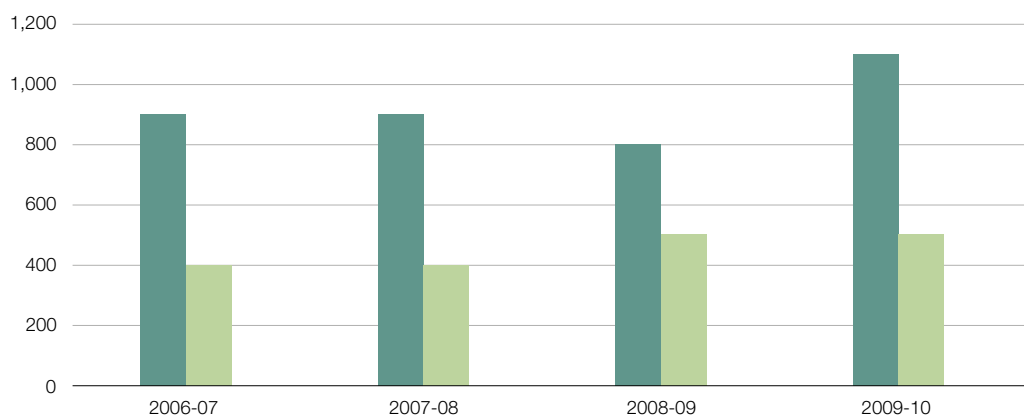
Administrative error as a percentage of benefit expenditure (%)
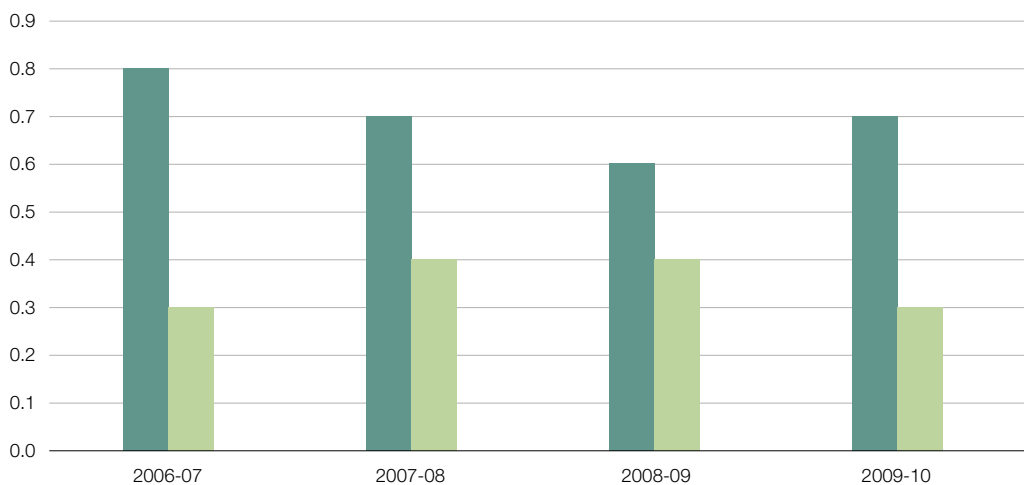
■ Overpayments   ■ Underpayments

NOTES

1   The above tables include estimates for all benefits.

2   The Department's methodology for producing the estimates changed in 2005-06 so we have restricted the comparison to the period 2006-07 to 2009-10. The data for 2009-10 are based on the interim figures for October 2008 to September 2009.

3   The reported figures are estimates extrapolated from a sample of over 30,000 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, Tables 3.1 and 3.2, p 17 and 18

Figure 3

Estimated overpayments and underpayments due to administrative errors by type of benefit in 2009-10[1]

Benefit	Total overpayment (£m)	(%)	Total underpayment (£m)	(%)
Housing Benefit	200	(1.0)	60	(0.3)
State Pension Credit	150	(1.8)	100	(1.2)
Incapacity Benefit	130	(2.1)	60	(0.9)
Income Support	120	(1.4)	60	(0.7)
Jobseeker's Allowance	110	(2.3)	10	(0.3)
Disability Living Allowance	90	(0.8)	10	(0.1)
Council Tax Benefit	50	(1.0)	10	(0.3)
Retirement Pension	30	(0.1)	110	(0.2)
Carer's Allowance	10	(0.6)	0	(0.0)
Other	160		50	
Total	**£1.1bn**	**(0.7)**	**£0.5bn**	**(0.3)**

NOTES

1   Complete data for 2009-10 will not be available until December 2010. We have therefore used the interim data (for the period October 2008 to September 2009 as a proxy measure.

2   Columns do not sum to totals due to rounding.

3   The figures for Pension Credit and Jobseeker's Allowance overpayments are taken from Figure 2, Note 43 of the Department for Work and Pensions Resource Accounts 2009-10.
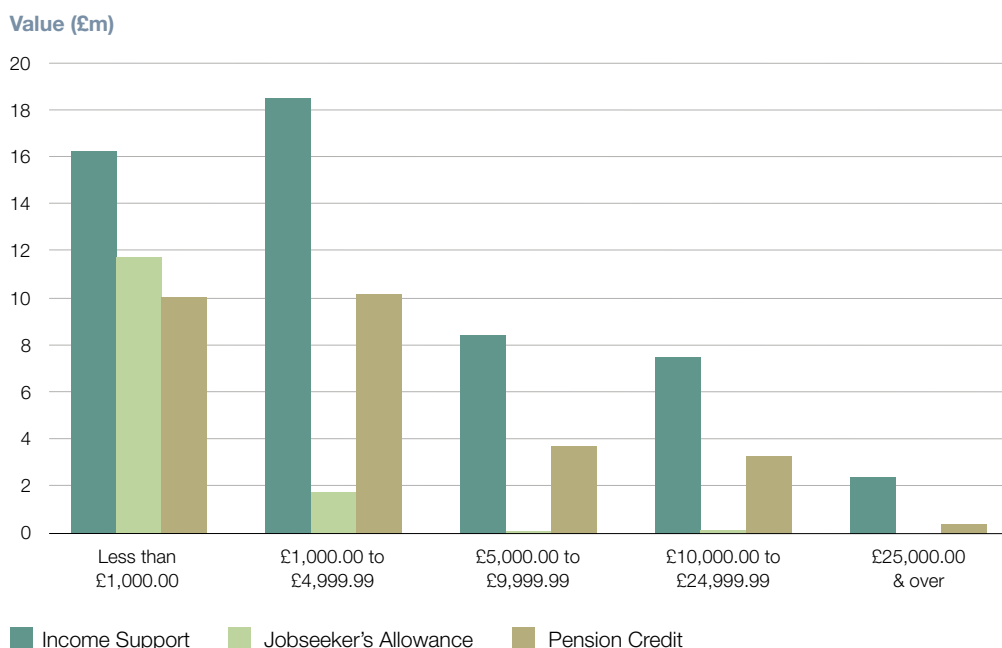
Source: National Audit Office summary of data from the Department for Work and Pensions, Fraud and Error in the Benefit System – October 2008 to September 2009, Table 2.1 and 2.2

Administrative errors represent a loss to the taxpayer

1.8   Administrative errors by the Department can cause hardship to customers who are underpaid and unfairly reward others who are overpaid at additional cost to the taxpayer. **Figure 4** shows that as errors can take time to identify and correct, their cumulative impact can be considerable. In 2009-10, some 19 per cent of the value of identified overpayments for Income Support were over £10,000.

1.9   Overpayments resulting from administrative errors are not generally recoverable by the Department under Social Security legislation and constitute a loss of public funds. The right of the Department to recover an administrative error overpayment where the award of benefit was wrong has been challenged in a Judicial Review. The case was heard by the Supreme Court in October 2010. The Department has stopped seeking to recover such overpayments pending the judgement of the court. The Department continues to seek to recover administrative error overpayments that are not part of an award, for example where a customer was paid the same week's benefit twice. The Department recorded 268,876 overpayments resulting from administrative error in 2009-10, and in that year wrote off administrative error debts to the value of £143 million.

Figure 4

The cumulative value of the overpayments identified in 2009-10 for Income Support, Jobseeker's Allowance and Pension Credit

Value (£m)

Source: National Audit Office analysis of Department for Work and Pensions data

1.10 The Committee of Public Accounts concluded in 2005-06 that the value of errors by staff in making benefit payments was too high (see Appendix 2).[3] It concluded that organisational changes had resulted in staff moving into unfamiliar roles which, together with the introduction of new methods of working, increased the risk of administrative errors. It recommended that the Department developed a strategy to tackle the problem, and that it placed a greater emphasis on preventative measures. Similar concerns were raised by the Work and Pensions Select Committee (see Appendix 3). The Committee concluded that overpayments due to administrative errors were far too high in 2008-09, and it was concerned that this figure had risen significantly since 2000-01.[4] It was equally concerned by the increase in the total amount of underpayments resulting from administrative error recorded since 2004-05.

The Department has demonstrated a commitment to tackling administrative error

1.11 The Department's response was to establish an Official Error Taskforce in 2006 to coordinate initiatives to tackle administrative error. The taskforce developed a number of interventions including analysing data to identify the top errors by value. In January 2007 the Department published a strategy for improving quality and reducing errors in the benefits system.[5] The strategy acknowledged that too many customers received incorrect payments, and it included a series of initiatives to pursue over the next five years:

i) Prevention

- Simplification of benefit rules and business processes.

- Information technology system fixes and enhancements to reduce the occurrence of specific errors.

- Improved use of data.

ii) Compliance

- Accreditation systems for decision-makers to apply across the Department by 2012.

- Improved guidance for staff on how to process benefits.

- Improved training to increase staff knowledge of benefits.

iii) Correction

- Targeted case cleansing exercises.

- Deployment of error action teams.

3   Fourth Report of Session 2005-06.
4   Decision making and appeals in the benefits system First Special Report of Session 2009-10.
5   Getting Welfare Right: Tackling error in the benefit system; Department for Work and Pensions.

1.12 The Department's commitment to tackling administrative error has also been demonstrated through the establishment of further management oversight bodies to review progress. An Error Reduction Delivery Board was set up and in 2008-09 the Department strengthened management oversight by establishing a Fraud and Error Council which reports directly to the Permanent Secretary. **Figure 5** summarises the responsibilities within the Department.

The scope of our report

1.13 This report examines the value for money of how the Department has managed its existing suite of initiatives on administrative error so that the lessons can be applied to the implementation of the new strategy. We focused our examination on three benefits (State Pension Credit, Jobseeker's Allowance and Income support) because each has relatively high levels of error in relation to other benefits. State Pension Credit is administered by the Pension, Disability and Carers Service, and Jobseeker's Allowance and Income Support are administered by Jobcentre Plus. Our original fieldwork was carried out in August and September 2009, but we have also examined some of the initiatives the Department has put in place in the intervening period. Our methodology is summarised in Appendix 1. 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 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.

Figure 5

Roles and responsibilities for fraud and error reduction in the Department

Governance and oversight

> **Fraud and Error Council**
> - Includes directors across the department
> - Reports to the Permanent Secretary

> **Fraud and Error Stakeholder Engagement Group**

Strategic Implementation

> **Fraud and Error Strategy Division**
> - Develops and implements strategies to set the overall direction for fraud and error activity
> - Analyses corporate performance

> **Performance Measurement Team**
> - Estimates the level of national error

Operational Delivery

> **Jobcentre Plus**

> **Error Reduction Team**
> - Analyses and monitors performance
> - Devises error reduction initiatives

> **Operations**
> - Process benefits
> - Local checking, prevention, and correction
> - Gather information and labour market interventions

> **Pension, Disability and Carers Service**

> **National Programme Protection**
> - Develops strategies
> - Analyses performance
> - Devises error reduction initiatives

> **National Accuracy Support Team**
> - Checks for error
> - Monitors accuracy
> - Provides data

> **Operations**
> - Process benefits
> - Local checking, prevention, and correction

Source: National Audit Office

Part Two

Identifying the principal reasons for administrative errors

2.1   In general, the greater the data requirements to establish entitlement to a benefit, the more complex it is to administer and therefore the higher the inherent risk of an administrative error being made. The most common types of administrative error relate to recording the level of a claimant's income, complex additional premiums being wrongly applied, or by establishing the claimant's status incorrectly (such as their fitness for work, single status etc). Errors of this type by the Department will occur for a number of reasons, from simple transcription errors in recording data from a claim, to individual instances of non-compliance with procedures, through to the incorrect interpretation or calculation of complex entitlements. Such errors may occur at least partially due to the limited interfaces between benefit systems that contain information on one benefit claim and that may be directly relevant to the entitlement to another. This will tend to increase the extent of judgement and manual input, consequently increasing the requirement for adequate training and resource to ensure the correct processing of the more complex claims.

2.2   The Committee of Public Accounts has previously reported how successive changes to benefit systems risks adding to complexity and therefore the likelihood of errors.[6] A fundamental reform of the welfare system, such as Universal Credit, is an opportunity to simplify many of the regulations, but such changes will take a long time to implement. This part of the report therefore focuses on how more immediate improvements might be achieved by examining the adequacy of the information collected by the Department on the performance of its existing systems.

6   *Tackling the complexity of the benefits system*, Committee of Public Accounts, 36th Report of Session 2005-06, HC 765.

The Department does not have sufficient data on where and why errors have occurred

2.3   The Department estimates the value of errors through the work of its Performance Measurement team. Officers examine a sample of benefit payments to check the calculations and compliance with regulations. Each administrative error is categorised according to the type of error found. It takes time to investigate and analyse each case. The results are published by the Department twice a year-in May and November, approximately eight months after the testing was completed, although there is a monthly data feed to both agencies. The preliminary figures for 2009-10 are based on the testing undertaken up to September 2009, the results of which were published in May 2010.

2.4   In 2008-09 there were 607 different error category codes available of which 316 (52 per cent) were not utilised during the testing of Income Support, Jobseeker's Allowance and State Pension Credit. Many of the codes used had fewer than five errors recorded against them and thus the Department clusters the data into broader categories for meaningful analysis. **Figure 6** overleaf summarises the main types of error by value.

2.5   The error codes for 2008-09 provided details about the nature of the error, but little information on where it occurred or the reasons why it arose. Thus, the Department attributes a financial value for overpayments and underpayments in respect of, for example, the recording of incorrect income details of a customer, but it has not systematically analysed why its staff make the error. Similarly, many of the potential underlying causes cannot readily be picked up by testing individual transactions. If a member of staff misinterprets a specific regulation, for example, this would be coded but it would not determine whether the guidance, training and management checking was satisfactory. Reducing administrative errors depends upon addressing these indirect factors as well.

2.6   In April 2010 the Department revised its error coding structure. The revisions simplify the number of codes available and better explain what each category means.

2.7   In addition to the information generated from the testing carried out to compile national statistics, the Department also relies on its quality assurance arrangements for information. We examined the arrangements in place for Income Support, Jobseeker's Allowance and State Pension Credit.

Figure 6

Summary of common types of overpayment by value between
October 2008 and September 2009

Type of error	Typical errors	Explanation	Overpayment (£m)
Income and other Benefits	The Department records an incorrect amount of income.	If the income is affected by other benefits, inadequate interfaces between IT systems may cause errors. The benefit processor may make arithmetic or transcription errors.	83
Conditions of entitlement	The Department makes an error when assessing the customer's circumstances against the criteria for entitlement to a benefit.	The customer's circumstances change and they are no longer entitled to the benefit. The Department does not update the information that is basic to the claim. The processor may inaccurately record or calculate information about the customer (such as their capital), which precludes their right to a benefit.	78
Retirement Income Provision	The Department makes an error when allowing for personal income in the Pension Credit calculation.	The processor does not correctly record the retirement income held by the customer.	49
Capital	The Department does not correctly account for capital when calculating benefits.	The processor may inaccurately record or treat the capital of customers.	26
Premiums/ additional amounts	The Department makes an error when calculating an additional element of the benefit payment, such as the severe disability premium on Income Support.	Some information needed to calculate the benefit is reliant on other data held by the Department on different IT systems. The lack of interface between the IT systems can cause errors.	22

Source: Fraud and Error in the Benefit System, October 2008 to September 2009 Table 6.3

2.8 In April 2007 Jobcentre Plus introduced a Quality Checking Framework to identify error within local offices and to inform the training and development needs of individual members of staff. Although Jobcentre Plus reviewed nearly 541,000 transactions in 2008-09 in order to identify areas of risk, the information collected does not provide the means to compare the performance of individual offices. The data held centrally are not in a format to enable the management team to draw out statistically reliable information on the performance of each of its local offices. This data can be helpful in identifying local factors contributing to administrative errors.

2.9 The Pension, Disability and Carers Service established a National Accuracy Support Team in April 2008 to provide monthly data on error and accuracy rates in State Pension Credit. This team is independent of the local office. Jobcentre Plus operates a comprehensive quality checking regime, but this is carried out by staff working in each local office. There is no accreditation scheme in place to ensure quality checkers operate on a consistent basis.

2.10 In 2008, the Committee of Public Accounts recommended that the Department should target its training and compliance checks on the local offices and benefits with consistently high error rates. In our discussions with the Department on the importance of root cause analysis, officials explained that they had instigated a review of each benefit in 2010 to identify where errors arise in the system, the cause and what action might be taken. The exercise was expected to be completed by Spring 2011. We had reviewed similar exercises previously, but this was the first time the Department had committed to a systematic review of each benefit. We examined the results of previous root cause exercises undertaken by both agencies. This is clearly a step in the right direction, but the analysis is not particularly helpful. We could not establish whether the main underlying causes were due to software problems, the guidance available, or human error, and the possible actions were not sufficiently specific.

Establishing why errors occur will require a different approach to collecting information

2.11 In order to develop our own understanding of why administrative errors arise we undertook a series of workshops, focus groups and interviews in September 2009 with the Department's staff. We surveyed all the 82 Managers at Benefit Delivery Centres and Pension Centres, invited over 50 staff to workshops and interviewed a further 106 staff (such as team leaders and benefit processors) to seek their views on the causes of error and possible remedial actions. The results are indicative and represent the opinions of a small group of representatives, but they do indicate areas where further investigation may be warranted. Amongst the reasons for administrative error put forward were the following (although not all were identified by all those interviewed):

a Different computer systems are used to process benefits but they do not communicate well with each other.

b A belief that training is inadequate – learning and development for new staff was criticised for poor delivery; training facilitators lacked technical expertise; training packages were described as being out of date, incomplete and did not mirror the real work.

c A reluctance to use existing guidance. Staff commented that the guidance does not always give staff the help they need to get things right. Support for staff is not always readily available when they encounter problems.

d   Concern for the targets which centres and individuals work towards do not always encourage accurate processing. The staff noted that they thought local offices were working towards conflicting targets and there was an imbalance between quality and quantity.

e   Staff reported that human error is also a key factor in administrative errors, for example transcription or typographical error.

2.12 The findings are only one source of evidence, which when used in conjunction with the measurement results, can start to build a picture of what causes errors. The comments did offer an insight into staff attitudes, however, so we provided the Department with more detailed information on our findings from this work in early 2010. Whilst testing may highlight that a specific figure was calculated incorrectly, it is not possible to establish how this arose without interviewing the staff involved. Officials confirmed that the information from our work with the Department's staff was used to help define the revised fraud and error strategy published in October 2010, and the Department has begun to undertake a number of exercises with staff to seek their views.

Part Three

Preventing, detecting and correcting administrative errors

The Department's strategy is not fully embedded across the organisation

3.1 In January 2007 the Department published a strategy for tackling error in the benefit system.[7] This document specified that the Department's strategic aim was to pay the correct amount of benefit to all customers every time. Achieving this aim depended upon preventing new error from getting into the system, reminding staff and customers of their responsibilities, and identifying and correcting errors already in the system. Specifying clear objectives or targets for each part of an organisation helps to clarify responsibilities and increase accountability for error reduction. The strategy did not set any targets for reducing the cost of administrative errors.

3.2 The Department does have an overall target to reduce the proportion of benefit expenditure overpaid or underpaid due to fraud and error. The target is to reduce the proportion of overpayments (by value) from 2.2 per cent of expenditure in 2006-07 to 1.8 per cent by March 2011, and to reduce underpayments from 0.8 per cent to 0.7 per cent. This corresponds to an 18 per cent reduction in overpayments and a 13 per cent reduction in underpayments from 2006-07 over a five-year period, although comparisons over time should be treated with caution given the statistical uncertainties we highlighted in Part One. The Department estimated that overpayments represented 2.1 per cent of benefit expenditure in 2009-10 and underpayments 0.9 per cent.[8]

7   Department for Work and Pensions, Getting Welfare Right: Tackling error in the benefit system.
8   Preliminary figures from Fraud and Error in Benefits System, November 2009.

The overall impact of interventions to prevent error is unclear

3.3 The Department's 2007 strategy had a number of objectives in relation to the prevention of administrative error including simplification, improving information technology and the use of targeted checks and data matching. We have assessed the Department's progress in reducing the cost of administrative errors against three distinct areas:

- Maintaining reliable and robust systems

- Providing support and training to staff

- Improving the quality of management oversight

Maintaining reliable and robust systems

3.4 The Department has approximately 140 core processing systems and many of the computer systems are relatively old and standalone, such that they are difficult to update and information is not readily accessible between the different systems.

3.5 Even relatively small changes to systems can be problematic. For example, we asked the Department to consider the feasibility of introducing a double-keying requirement (a prompt to re-enter values to compare and check for consistency of inputted data) to reduce this error. The Department responded that the changes required would be complex and the feasibility work to provide even a rough estimate of costs would be significant. Benefit processing systems are not designed in a way that allows simple changes to the screen display. To add a screen field would require significant work to ensure the processing code understands the messages being keyed in. Without these routine validation checks on the accuracy of data input, there remains the risk of transcription or typographical error.

3.6 The Department continues to work on system 'fixes' but until it is able to develop a solution to enable integration of its processing systems, the overall impact on administrative errors is likely to be limited. The planned implementation of Universal Credit may provide an opportunity to minimise manual intervention and improve integration.

Providing support and training to staff

3.7 In a complex and diverse environment such as benefit administration, staff need guidance and support when they are unsure of what is required. The revised strategy *Tackling fraud and error in the benefit and tax credits systems* acknowledged that there is more that could be achieved in this area. Feedback from the discussion groups we held with staff in September 2009 highlighted dissatisfaction with the guidance available, which was generally perceived to be incomplete, inconsistent and difficult to access. In our survey, over 60 per cent of the principal manager in each Benefit Delivery Centre and over 70 per cent of the principal manager in each Pension Centre considered that improving the technical guidance would have a big impact.

3.8   Jobcentre Plus and the Pension, Disability and Carers Service have set up internal advice lines to enable staff to clarify existing guidance and procedures. At Jobcentre Plus the advice line receives around 5,000 calls per month with an average call time of five minutes. Information technology issues account for 35 per cent of all calls to the advice line, and a further 21 per cent are requests for clarification on the guidance. Other than volumes and broad categories of advice, however, the advice lines do not generate much management information. As a consequence, there is little feedback on any common patterns in the issues raised by staff. Similarly, the helpline for staff in the Pension, Disability and Carers Service does not gather data on the types of advice. Such information would be helpful in determining how to simplify guidance notes or improvements in learning and development.

3.9   From our site visits and discussions with staff, two factors limited the effectiveness of support and training to staff:

- The staff we met raised concerns that training provided to new recruits did not give them a sufficiently wide understanding of the benefits system. This perception may have been exacerbated by the impact of the recession and the need to move new staff from training to processing benefits in a shorter period than would have otherwise been required.

- Perceived pressures to meet workload targets might affect accuracy. Local offices set customer service 'expectations' in terms of the speed of processing benefits and there are also targets to maintain adequate standards of accuracy. Staff told us that there is a risk of a trade-off between the targets: pressure to meet time deadlines means that they do not always have time to consult guidance which adversely affects quality. The Department, however, has undertaken some analysis to measure the impact of different speeds of processing on accuracy rates and reports no relationship.

Improving the quality of management oversight

3.10   The Committee of Public Accounts reported in July 2008 that the United Kingdom had levels of benefit fraud and error similar to those in comparable countries, but the Department appeared to have a better understanding than other national social security agencies of the problems and the means of tackling them.[9] The Committee recommended that the Department should target its training and compliance checks on those local offices and benefits with consistently high error rates. As Jobcentre Plus does not, at present collect sufficient data at operational level, it is not in a position to implement this recommendation.

9   Committee of Public Accounts – *Progress in Tackling Benefit Fraud* Thirty-first Report of Session 2007-08.

3.11 The agencies have sought to improve quality control:

- In 2007, Jobcentre Plus introduced a Quality Checking Framework. This has three strands: weekly random checks; targeted checks; and a period of support and checking for new staff. These checks are carried out by staff in each local office within a framework, but there is no accreditation system in place to ensure consistency. This carries the risk that variations in the experience and skill of the quality assurance teams in each local office may have affected the results of the various checking routines. Differences in the experience and knowledge of quality checkers in local offices may lead to variations in the thoroughness of investigation and in the number of errors that are identified. This could produce potentially perverse results with the more competent quality checker identifying more administrative errors than the less experienced. Conversely, some staff may be reticent to identify errors in case it adversely affects the performance of their local office.

- The Pension, Disability and Carers Service carries out local office checks and it also has a National Accuracy Support Team which operates independently from each local office. This helps to maintain a level of independence and is more likely to produce consistent results.

Interventions to identify and correct error have had variable success

3.12 The Department's main efforts to identify and correct error are focused on data matching and a series of initiatives aimed at tackling the 'top errors' by type.

i)   Data Matching appears to be effective

3.13 The Department regularly compares records held on different systems on a customer's circumstances and benefit payments to identify inconsistencies that indicate an error may have been made. Data matching was developed partly as a result of the Department's information systems not being compatible with each other and not sharing information.

3.14 The Department undertook an exercise in 2009 to assess the cost effectiveness of its interventions on administrative error. It reported that data matching activities provided the best return and suggested that the Department could make better use of its data to prevent error, and that improving IT systems could bring about a step-change in performance.

ii)   Actions to tackle the top errors

3.15 The Department has sought to target the five main types of error with more specific initiatives. The five main types of error are shown in Figure 6 and include, for example, mistakes in recording the correct amount of someone's income. Examples of interventions for 'top errors' include checks on the accuracy of processing prior to payment, additional training, accuracy workshops and full case reviews.

3.16 Whilst it can be difficult to attribute measurable outcomes in error to initiatives such as training or workshops because of other contributory factors, we examined what combined impact they had achieved. We found that the interventions have not reduced the monetary value of overpayments resulting from the top errors. **Figure 7** shows that there has been no discernible reduction since 2006-07. The Department has now instigated further work to address these errors.

3.17 Jobcentre Plus and the Pension, Disability and Carers Service determine the areas to check based on:

- where the highest value errors tend to occur;

- the results from data matching; and

- information from previous checks.

3.18 Jobcentre Plus found that the 191,000 targeted checks between April and September 2008 did not justify the time and resources invested, or support reduction in the monetary value of error. Local error/checking teams were able to decide, based on their understanding of local risk, which of the extensive range of checks they would conduct. However, in practice this resulted in a widespread selection and diluted the resulting management information on which to make decisions on how to reduce administrative error either at a local/regional or national basis.

Figure 7

Amount estimated to be paid incorrectly for each benefit from 2006-07 to 2008-09 due to the five most commonly occurring types of administrative error

Administrative error as percentage of expenditure

■ 2006-07   ■ 2007-08   ■ 2008-09
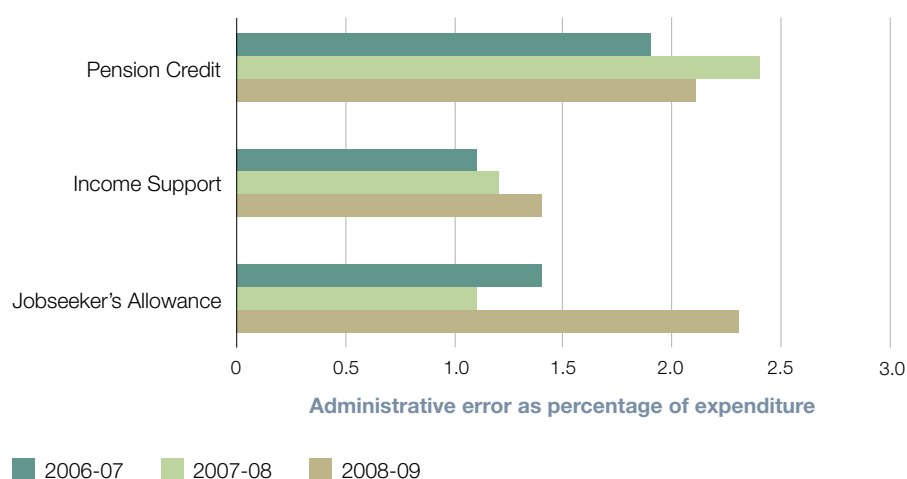
NOTES

1   The percentage refers to the value of error as a proportion of overall expenditure on that benefit.

2   The figures are estimates of amounts incorrectly overpaid.

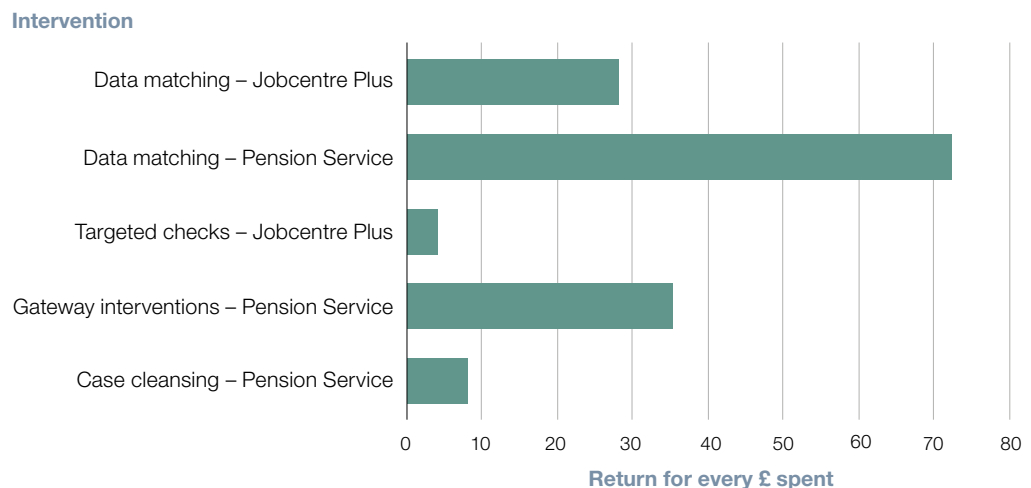*Source: National Audit Office analysis of departmental data*

3.19 In 2009-10, the agency refocused its targeted checks from 64 areas to four national priorities, each containing five targeted checks. The new approach is designed to focus checking activity on elements of high risk (i.e. monetary value and incidence) and achieve better quality management information. For Income Support, these checks include testing on Severe Disability Premium, Tax Credits, Carer's Allowance, and part time earnings. Early results indicate improved returns from this new approach.

3.20 The majority of administrative errors resulting in an overpayment appear to arise when adjustments have to be made to existing claims. Most overpayments arise from processing changes in a customer's circumstances rather than when processing a new claim. For new claims, the Pension, Disability and Carers Service operates pre-payment checks to minimise the risk of error entering the system. The process involves undertaking prepayment checks on five types of Pension Credit claims which have a high probability of going wrong.

Data on the cost effectiveness of interventions are incomplete

3.21 The Department estimated the cost effectiveness of its interventions in 2009. As **Figure 8** shows, the Department reports that each of the initiatives generate a greater return than the costs incurred, although returns vary considerably. The Department's analysis does not include indirect costs which, if included, would reduce the returns reported.

Figure 8
Departmental analysis of costs and benefits of its interventions

NOTE

1   The Department's view is that no direct comparison can be made due to variations in claim durations between
different benefits.

Source: National Audit Office analysis of departmental data

3.22 The Department's estimates of the costs incurred in its initiatives to tackle administrative error are only approximate. We examined the data for 2008-09 and established that the figures are a broad estimate of direct staff time and that they do not include all associated overheads, such as accommodation, management oversight or IT costs. As a consequence, the estimated cost of £23 million in 2008-09 shown in **Figure 9** understates the total cost.

Figure 9

Analysis of approximated annual costs in estimating, preventing and controlling administrative errors in 2008-09

Activity	Objective	Cost (£m)
Central Teams		
Performance Measurement	Measure	3.3
Information Directorate (staff costs only)	Analyse	0.7
Fraud and Error Strategy Division (staff costs only)	Policy	0.2
Jobcentre Plus (staff costs only)		
Quality Assurance and targeted checks	Check and prevent	9.0
Error Reduction Action Teams	Check and prevent	4.1
Data Matching	Check and correct	2.7
Operational Delivery Support	Policy and analysis	0.2
The Pension, Disability and Carers Service		
Data Matching	Check and correct	1.1
Gateway Interventions	Check and correct	1.0
Case Cleansing	Correct	0.4
National Accuracy Support Team (apportioned)	Check and prevent	0.3
Totals		**23.0**

NOTES

1   These costs are not directly comparable as some do not include overheads.

2   Does not include all costs of local checking in the Pension, Disability and Carers Service.

Source: Departmental data

3.23 In addition, the estimates do not take account of the costs incurred in re-working cases as a result of administrative error. Each time an error is identified, the case has to be corrected and the resulting amendment checked. The time taken to resolve each error identified will inevitably vary depending on the specific circumstances of each case. If the Department was able to identify and correct a large volume of errors, the costs incurred would be considerable. As **Figure 10** shows, there were an estimated 968,000 errors across the three benefits we examined in 2008-09.

Figure 10
Estimated number of administrative errors 2008-09

Benefit	Overpayments	Underpayments	Total
Pension Credit	403,000	388,000	791,000
Income Support	74,000	61,000	135,000
Jobseeker's Allowance	34,000	8,000	42,000
Total			**968,000**

Source: Departmental data

Appendix One

Methodology

Selected Method	Purpose
1 Data analysis – We reviewed the Department's estimates of the volume and value of administrative error.	To evaluate progress in reducing administrative error.
2 Financial analysis – We analysed the Department's figures on expenditure.	To clarify total expenditure on administrative error programmes and to assess value for money.
3 File review – We reviewed a sample of 26 errors in Income Support, Jobseeker's Allowance and State Pension Credit.	To inform our understanding of how errors occur in the benefit system.
4 Interviews – We held interviews with a range of staff at the Department, and its agencies Jobcentre Plus and the Pension, Disability and Carers Service, and other key stakeholders.	To understand error in the context of processing, successes and barriers to better performance.
5 Managers Survey – We carried out a survey of all the principal Pension Centre and Benefit Delivery Centre Managers.	To establish the views of those delivering the benefits and the role of the Department in supporting the work.
6 Focus groups – We undertook focus groups with benefit processors, team leaders and accuracy teams.	To gather views of those processing and checking benefit transactions.
7 Case studies – We visited two Benefit Delivery Centres, two Pension Centres and a Call Centre.	To gain an insight into error identification and control processes at a local level.
8 Expert panel – We discussed emerging findings with an expert panel.	To critically assess our findings.
9 Literature review – We reviewed academic research and policy papers.	To inform our understanding of error reduction techniques.

Appendix Two

Committee of Public Accounts Recommendations

**Fraud and Error in benefit expenditure –
Treasury Minute of Fourth Report of Session 2005-06 (Extracts)**

PAC Finding/ Recommendation	Department's Response	Assessment of Progress
The Department is still not paying the correct amount of benefit to those who are properly entitled.	The Department has introduced initiatives including specialist checking teams and standard ways to process benefits. It is developing a strategy to reduce loss through error.	The Department is currently not on course to meet its own target in reducing the monetary value of fraud and error.
The Department should benchmark its performance against comparable organisations.	Where possible the Department compares its performance with other countries.	There has been limited progress on benchmarking with the private sector.

Appendix Three

Work and Pensions Select Committee

Second Report of Session 2009-10 (Extracts)

Committee Finding/Recommendation

We commend the Department's performance against its targets for payment accuracy and claim clearance rates for a number of benefits. However, we were surprised to learn that the equivalent data for Jobseeker's Allowance, Employment Support Allowance, Incapacity Benefit or Income Support is not validated and is therefore not suitable for publication. We ask the Department to explain why it does not publish data on payment accuracy and claim clearance rates for these major benefits and recommend that it begins to do so as soon as possible. (Paragraph 34)

We acknowledge the work the Department's agencies are undertaking to address error, including the appointment of "Error Champions" in Jobcentre Plus and pre- and post-payment accuracy checks in the Pension, Disability and Carers Service. We ask the Department to monitor the impact of these measures and to ensure that agencies share information about measures that are successful in reducing levels of official error. (Paragraph 35)

However, we believe that the cost of official error due to overpayments of benefits is still far too high at £800 million in 2008-09, and we are concerned that this figure has risen significantly since 2000-01. We are equally concerned by the increase in the total amount of underpayments resulting from official error since 2004-05. In light of the 1998 reforms of the decision-making and appeals system, which were designed to improve decision making, we ask the Department to explain why levels of official error have risen since 2000-01. (Paragraph 36)

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