



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Work & Pensions

Investigation into misuse of the Flexible Support Fund in Plaistow

What this investigation is about

1 The Department for Work & Pensions (the Department) helps people to search and prepare for work through its network of Jobcentre Plus offices. Staff in jobcentres help people to find work by giving advice, and referring them to training or employment programmes. Staff can also provide discretionary funding for items such as clothing or travel through the Flexible Support Fund (the Fund).

2 In November 2015, the Rt Hon. Stephen Timms MP contacted us with concerns about misuse of the Fund in Plaistow jobcentre in East London and pressures on staff to falsely inflate performance measures. These concerns were prompted by two former Jobcentre Plus staff members who had been dismissed for misusing the Fund. They also raised concerns with us about the Department's investigations of these issues since they were first identified in 2013.

3 In this report we examine how the Department:

- responded to allegations of misuse of the Fund in Plaistow jobcentre;
- has managed the risk of more widespread abuse of the Fund; and
- has monitored incentives and pressures within jobcentres.

4 This report sets out how the Department has responded to concerns about misuse of the Fund and incentives in jobcentres. We have reviewed investigation reports and source evidence; interviewed members of the Department's internal investigations, internal audit, finance, operational, strategy and human resources teams; and interviewed staff who worked in Plaistow jobcentre in 2013.

5 We also reviewed documents about the dismissal proceedings for the two former Jobcentre Plus staff members who first raised their concerns with us. These documents and our discussions with the former Jobcentre Plus staff have been valuable in alerting us to the issues and highlighting some of the challenges involved in managing the Fund. We have not, however, reconsidered individual employment decisions and have not evaluated the original dismissal decisions or subsequent employment tribunal findings.

6 Some of the concerns raised during this investigation cover alleged misuse of other departmental processes, including benefit sanctions. In a separate value-for-money report (forthcoming) we will review the administration of benefit sanctions.

Summary

Key findings

1 The Flexible Support Fund allows jobcentre staff to make payments to benefit claimants to help reduce barriers to work. The Department for Work & Pensions awarded £27.9 million of Fund payments to jobseekers in 2013-14. Most payments are for less than £100. They aim to help jobseekers with the costs of equipment, training and travel. Because use of the Fund is discretionary the Department faces inevitable challenges in balancing flexibility with effective control over payments (Part One).

Misuse of the Fund in Plaistow in 2013

2 Following a customer complaint in August 2013, the Department dismissed two members of staff for misuse of the Fund in Plaistow jobcentre. After investigating the Department concluded two members of staff were involved in falsely awarding Fund payments to inflate off-flow, a measure of jobcentre performance. Five claimants were affected across the two cases. The Department dismissed both members of staff for gross misconduct in May 2014 (paragraphs 2.2 to 2.5).

3 The Department based its decisions on investigations into the actions of both dismissed members of staff. The members of staff raised concerns about the Department's approach. In particular they questioned whether investigators: followed correct procedures; fully considered evidence; and recognised mitigating circumstances. The Department's internal investigations team recorded that it had spent an average of 94 hours on each of the two cases, compared with an average of 83 hours for all investigations that led to a dismissal in 2014-15 (paragraphs 2.6 to 2.10).

4 An employment tribunal upheld the Department's decision when challenged by one of the dismissed members of staff. One of the two dismissed staff members took the Department to an employment tribunal alleging unfair dismissal. The judge in the case concluded in March 2015 that the dismissal was procedurally and substantively fair (paragraph 2.14).

5 The dismissed members of staff raised concerns that misuse of the Fund was widespread and the Department had not investigated fully. They claimed that managers encouraged aggressive approaches to improve off-flow, including falsely signing claimants off benefits and using the Fund to cover gaps in benefit payments. They alleged the Department covered up wider problems with jobcentre practices by blaming individual staff members and presenting problems as isolated incidents (paragraph 2.15).

6 The Department investigated several other staff members for misuse

of the Fund. It investigated eight further members of staff in Plaistow and found that four contributed to misuse of the Fund. Failings included: staff not undertaking required checks when countersigning applications for the Fund; making awards that did not follow the Fund's rules; and awarding amounts higher than their approval limits. Two of the four staff members received written warnings. None were dismissed. Although a decision maker raised concerns about consistency in the harshness of penalties in different cases, the employment tribunal concluded that no unfairness arose (in the one case it considered) because the two managers who countersigned the Fund application form were not dismissed (paragraphs 2.16 to 2.19).

7 Missing documents meant the Department could not fully investigate all

allegations. The jobcentre's finance officer who performed checks on Fund applications during part of 2013 told us about missing documents. Although missing documents did not affect their cases the two dismissed members of staff raised similar concerns. The Department's investigators also noted that some documents were missing in one of its investigations. The investigation led to the Department taking disciplinary action. It is unknown what impact the missing documents would have had on the severity of that disciplinary action (paragraphs 2.20 to 2.24).

Risks of wider misuse of the Fund

8 The Department carried out an intelligence exercise looking at Fund payments

in other jobcentres. The Department took a sample of 1,845 payments (45%) made by Plaistow and two other East London jobcentres in 2013-14. The Department selected the two other jobcentres based on them having a similar customer base to Plaistow, not on any analysis of patterns in Fund spending. The exercise identified two further cases of misuse in Plaistow. No misuse was identified at the other jobcentres. The exercise also led to the later identification of other non-compliant Fund payments in one of the two investigations that followed in Plaistow. There was no documented methodology for the exercise (paragraphs 3.2 to 3.12).

9 The Department's internal audit team has highlighted limitations in the Department's control of Fund payments.

Internal audit has reported four times on the Fund since 2011. One internal audit report in March 2013 found that processes and controls were in place to ensure that staff did not make inappropriate payments and could not gain any advantage from misuse of the Fund. Subsequently the Department found that financial controls were not consistently applied (paragraphs 3.13 and 3.14).

10 The Department has introduced several changes aimed at strengthening control over payments.

Since 2014, it has appointed a single responsible owner for the Fund, and changed the guidance on roles and responsibilities. Districts carry out monthly checks on payments under the Fund, and the central department collects management information on spending by districts (paragraph 3.17).

11 The Department continues to face challenges in ensuring the Fund is used appropriately. It has to balance the cost of checking compliance with Fund processes with the amount of money at risk. In 2016, an internal audit report identified significant work had been done to improve assurance over Fund expenditure. However, testing of 125 cases for the report identified compliance issues, such as paperwork errors (46% of cases) and staff not following up outstanding receipts (54% of cases). The Department told us it did not identify any misuse of the Fund during its testing (paragraph 3.19).

Incentives and pressures in jobcentres

12 Plaistow jobcentre staff have raised several concerns about pressures in jobcentres during and since 2013. They raised concerns about staff capacity and pressures to improve off-flow. Some alleged that managers implicitly or explicitly encouraged advisers to misuse the Fund to increase off-flow. The dismissed members of staff reported other practices including: deliberately booking jobcentre appointments at inconvenient times of day to increase missed appointments and trigger sanctions; being unpleasant or aggressive to encourage people to sign off; and encouraging Jobseeker's Allowance claimants to apply for Employment and Support Allowance. We have not investigated these allegations (paragraphs 4.3 to 4.8 and Figure 11).

13 Following whistleblower concerns, the Department investigated allegations about Plaistow jobcentre managers putting pressure on staff to misuse the Fund. In June and July 2014 it opened internal and human resources investigations into a number of allegations, including bullying and harassment. In 2015, the Department concluded the investigations. None resulted in disciplinary action. The Department's appeals manager identified limitations in the coordination of work between human resources and internal investigations (paragraphs 4.10 to 4.13).

14 The Department's investigations did not directly review wider cultural issues or pressures on staff in Plaistow. Pressure to achieve targets inherently increases the risk of unapproved practices. Investigations focus on specific allegations. They do not consider the effect of wider cultural issues and pressures on staff. The Department has considered pressure on staff as part of its internal audit work. It told us it has not seen any cultural problems such as bullying and harassment in the jobcentres it has visited. It has, however, identified that pressure to achieve targets can lead to some inappropriate customer service behaviours, including giving lower priority to work on claims after target dates (paragraphs 4.14 to 4.16).

15 The Department believes its use of targets for off-flow is appropriate and that they create no significant perverse incentives. The Department's investigations concluded that the misuse of the Fund identified in Plaistow jobcentre was not widespread. It considers further investigation would not be proportionate. The Department investigated whether staff in Plaistow jobcentre were directed to increase off-flow inappropriately. It found the evidence did not support the allegations. In 2013-14, the Department raised its off-flow targets for jobcentres. Initially, Plaistow and some other jobcentres in East London struggled to meet these new targets (paragraphs 4.2 and 4.3).