Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Investigation into misuse of the Flexible Support Fund in Plaistow
Our vision is to help the nation spend wisely.
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Investigation into misuse of the Flexible Support Fund in Plaistow

Report by the Comptroller and Auditor General

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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

5 July 2016
This report examines how the Department for Work & Pensions responded to allegations of misuse of the Flexible Support Fund in Plaistow jobcentre in East London in 2013.

Investigations
We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.
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This report can be found on the National Audit Office website at www.nao.org.uk

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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).
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).

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

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).

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).

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).
Part One

Background

1.1 The Department for Work & Pensions (the Department) introduced the Flexible Support Fund (the Fund) in 2011-12. The Fund replaced several discretionary funds and schemes aimed at helping benefit claimants move into and remain in work. In this part we set out the Fund’s aims and how it is used.

Payments to remove barriers to work

1.2 The Fund aims to remove barriers that prevent a claimant from searching for work, or from accepting a job offer. In 2013-14, the Department spent £75.8 million on the Fund (Figure 1). Jobcentres can use the Fund in different ways:

- Grant funding and ad hoc procurement payments allow jobcentres to pay for training or support that is not covered by existing contracts or local provision. This report does not cover these two types of payments.

- Barriers to work payments allow jobcentres to pay individual claimants directly to overcome barriers to work, covering costs such as travel expenses, training and clothing for interviews (Figure 1). In 2012, the Department estimated that 93% of barriers to work payments were for £100 or less.

Local discretion over spending

1.3 The Department introduced the Fund as part of a wider set of local flexibilities for jobcentres under an initiative known as the Jobcentre Plus Offer in 2011. It sets the total national budget for the Fund, and budgets for jobcentre districts based on past spending and the number of active claimants. District managers decide local spending priorities, including the balance between grants and barriers to work payments.
### Figure 1
About the Flexible Support Fund

#### Recent spending on the Fund

<table>
<thead>
<tr>
<th></th>
<th>2011-12 (£m)</th>
<th>2012-13 (£m)</th>
<th>2013-14 (£m)</th>
<th>2014-15 (£m)</th>
<th>2015-16 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget</strong></td>
<td>62.4</td>
<td>82.9</td>
<td>94.3</td>
<td>135.0</td>
<td>65.1</td>
</tr>
<tr>
<td><strong>Outturn</strong></td>
<td>42.7</td>
<td>81.5</td>
<td>75.8</td>
<td>72.1</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barriers to work</td>
<td>Not available</td>
<td>31.6</td>
<td>27.9</td>
<td>28.5</td>
<td>17.9</td>
</tr>
<tr>
<td>Grant funding and ad hoc procurement</td>
<td>Not available</td>
<td>49.9</td>
<td>47.9</td>
<td>43.6</td>
<td>40.2</td>
</tr>
</tbody>
</table>

#### Breakdown of spending, 2014-15 (Barriers to work only)

<table>
<thead>
<tr>
<th>Spending (£m)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of equipment</td>
<td>15.1</td>
</tr>
<tr>
<td>Travel for:</td>
<td></td>
</tr>
<tr>
<td>Attending job interviews</td>
<td>5.5</td>
</tr>
<tr>
<td>Attending jobcentre adviser interviews</td>
<td>3.9</td>
</tr>
<tr>
<td>Other costs</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28.5</strong></td>
</tr>
</tbody>
</table>

**Notes**

1. The Department introduced the Fund in April 2011 with funding set at £543 million over the spending review period to March 2015. The Department has revised the Fund budget during each year.
2. Barriers to work payments are made directly to claimants and aim to improve their chances of employment. Grant funding and ad hoc procurement is used to buy training or support not covered by existing contracts or local provision.
3. Figures do not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions financial data
1.4 Discretionary payments allow front-line jobcentre staff to tailor support to individual needs and target small but significant barriers to work.\(^1\) Greater local flexibility also creates challenges for the Department:

- **Managing overall spending.** The Department has underspent against its budget each year since it introduced the Fund. It is difficult to forecast levels of discretionary spending and spending may depend on staff judgements and familiarity with the process. In November 2013, the Department identified: a perceived lack of flexibility about what the funds could be spent on; advisers lacking confidence in making decisions about spending money; and a perception that the process was slow and complex.\(^2\)

- **Reliance on overall performance measures.** Our February 2013 report, *Responding to change in jobcentres*, found that the Department increasingly relied on tracking off-flow from benefits to measure performance, and that it needed to improve how it tracked and evaluated performance in light of increased flexibilities.\(^3,4\)

- **Consistency of support for individuals.** Discretion inevitably brings the risk that jobcentres will not support claimants consistently.

- **Control over spending.** Greater discretion and flexibility makes it more difficult to control spending and prevent misuse, particularly where information on spending is not closely monitored. In our 2013 report, we noted the risks of perverse incentives to use flexibilities to meet off-flow targets. However, our analysis of overall off-flow performance did not identify any signs of widespread misuse.

1.5 Later in this report we describe specific allegations of misuse of the Fund. The Department’s response to these allegations illustrates how it is managing the challenges created by flexibility and discretion in jobcentres.

**Reliance on local controls**

1.6 The Department relies firstly on local oversight and control over Fund payments. Processing claimants’ applications to the Fund involves three roles. No individual should perform more than one role in the process.

- **Approver:** a work coach (formerly jobcentre adviser) proposes making the award to the applicant.

- **Authorising officer:** a more senior work coach or team leader decides whether it is reasonable to make the award.

- **Paying officer:** usually a local jobcentre administrative officer who releases the funds via the Department’s Central Payments System (CPS).

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\(^{1}\) In some cases claimants are entitled to payments, for example to pay travel costs when they are required to sign on daily at jobcentres.


\(^{3}\) An off-flow is defined as the end of a claim for a particular benefit.

1.7 The Department expects work coaches to take into account national and local guidance, individual circumstances, other sources of funding and value for money when proposing awards. They are responsible for ensuring correct procedures are followed and that funds are not used inappropriately. Once authorised, payments are usually made into claimants’ bank accounts.

1.8 The Department expects claimants to provide receipts to show that the money was used for the approved purpose. Jobcentres issue up to two reminder letters when claimants do not provide receipts. If receipts are still not provided the jobcentre records the amount as a loss and reports it in a quarterly losses return to the Department. Current guidance states that if a claimant does not provide receipts further awards should not be made to them.

1.9 Accountability for the Fund currently sits at group level (for example, London and the Home Counties) and is delegated to district managers (see Appendix Two). Nationally, the Fund has had a senior responsible owner since February 2014.

1.10 Districts analyse spending and performance information on a monthly basis. The Department currently collects returns from districts about their checks on Fund spending and looks at electronic records of payments. The Department’s finance team sends a monthly update on spending to the work services director. Given the low level of spending, information on budgets and spending at national and district levels is not a business plan indicator nor is it reported to the Department’s executive team in performance reporting data.

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5 Awards can also be made in cash or through a framework of suppliers who provide retail goods to claimants. When the framework is used funds are not given directly to claimants.
Part Two

Misuse of the Fund in Plaistow in 2013

2.1 Plaistow jobcentre is one of 16 jobcentres in the East London district. In August 2013, a customer complaint led to the Department for Work & Pensions (the Department) identifying misuse of the Flexible Support Fund (the Fund). The Department dismissed two members of staff. It also investigated several other staff. In this part we examine how the Department investigated concerns of misuse in Plaistow. In later parts we consider its response to wider allegations of misuse (Part Three) and management pressures (Part Four).

Dismissals for misuse of the Fund

2.2 In August 2013, a claimant at Plaistow jobcentre complained about an interruption in her Housing Benefit payments. The interruption in Housing Benefit was caused by closure of her Jobseeker’s Allowance claim. The claimant had not found work or chosen to close her claim. She stated that a member of staff at the jobcentre said her claim had been closed due to IT problems.

2.3 The claimant reclaimed Jobseeker’s Allowance immediately, which led to a one-week gap in benefits. The claimant also received a payment from the Fund that was similar to the sum she would have received in Jobseeker’s Allowance had her claim remained open. The claimant did not recall applying for the payment but stated she was told the jobcentre would cover losses in benefits due to her claim being closed.

2.4 After an investigation the Department concluded that an adviser in Plaistow jobcentre had closed the claimant’s Jobseeker’s Allowance claim to meet performance targets for off-flow. It also concluded the adviser misused the Fund payment to compensate the claimant for the gap in her Jobseeker’s Allowance claim and had falsified the Fund application form. The Department later identified wrongful payments totalling around £300 from the Fund in July 2013 to the claimant that complained and four other claimants involving the same adviser. Plaistow made payments from the Fund totalling £13,400 that month.

2.5 The Department dismissed two members of staff in Plaistow jobcentre for being involved in falsely awarding Fund payments. As well as the adviser at the centre of the original complaint, the Department also dismissed the adviser’s manager for falsely completing a document and failing to check the complainant’s claim thoroughly (Figure 2). The Department dismissed both staff on the basis of findings made on the balance of probabilities, the standard of proof required in such cases.
Investigation into misuse of the Flexible Support Fund in Plaistow  Part Two  13

Approach to the original investigations

2.6 The two dismissed members of staff raised concerns about the Department’s handling of their cases. They questioned whether investigators had: followed procedures in the early stages of the investigation; fully considered evidence; and recognised mitigating circumstances or previous performance in decisions and appeals. They alleged that the staff involved in handling their cases were not independent of each other. The Department told us that movement of staff creates the risk that they will have worked together previously. However, it noted that processes are in place for concerns about conflicts of interest to be raised.

2.7 The dismissed members of staff raised concerns that they were not initially made aware of the referral to internal investigations. In cases of potential fraud this is in line with guidance and departmental processes.

2.8 The dismissed members of staff also raised concerns about how investigators took a statement from the complainant. The Department told us that after it received the complaint the investigator spoke to the claimant by telephone. They checked whether she had anything more to add. There is no record of this call. The investigator then asked a Plaistow manager to interview the claimant and take her statement.

2.9 The Department told us they did this to reduce the risk of office staff becoming aware of the investigations. The Department’s guidance states that investigators should carry out such interviews. Internal investigations undertook all other interviews with claimants affected by misuse.
2.10 The extent of evidence that investigators gather in each case will differ. In Plaistow, the investigation team considered various sources of evidence (Figure 3). There is no minimum length of an investigation, but these cases took 94 hours on average to complete compared with an average of 83 hours for all investigations that led to a dismissal in 2014-15.

2.11 After internal investigators establish the facts of a case they pass their findings on to a decision maker. Decision makers must be at least one grade higher than the subject of an investigation and at least of senior executive officer grade in gross misconduct cases. The decision maker in the cases of the two dismissed staff members was a manager responsible for another East London jobcentre.

2.12 The Department dismissed the members of staff for gross misconduct on the recommendation of the decision maker. The decision maker made their recommendation on the basis of findings made on the balance of probabilities, the standard of proof required in such cases. There are four possible outcomes following a finding of gross misconduct: no action, line management action, a written warning, or dismissal. The decision maker considered the investigator’s reports, interviewed the members of staff, and completed the necessary decision checklists.

**Figure 3**
Evidence considered by the Department in its original investigations

<table>
<thead>
<tr>
<th>The internal investigation team considered a variety of sources of evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Method of investigation</strong></td>
</tr>
<tr>
<td>Walk through of the relevant processes</td>
</tr>
<tr>
<td>Assess risk of other misuses of the Fund by staff under investigation</td>
</tr>
<tr>
<td>Reviewed documents and records relating to the suspicious payments</td>
</tr>
<tr>
<td>Interviews with</td>
</tr>
</tbody>
</table>

Source: National Audit Office analysis of internal investigations into the dismissed members of staff
2.13 The dismissed members of staff raised concerns that the decision maker had not considered mitigating circumstances. Both members of staff exercised their right to appeal the dismissal decisions citing pressure from managers and a lack of training as mitigation. Both were unsuccessful in their appeals, on the basis they were aware of the appropriate action to take in such circumstances but failed to do so. The dismissed members of staff told us they had raised their concerns informally within the jobcentre.

2.14 In September 2014, one of the two dismissed staff members took the Department to an employment tribunal alleging unfair dismissal. The member of staff represented themselves. The judge in the case decided in March 2015 that the dismissal was procedurally and substantively fair.

Investigations of wider misuse at Plaistow jobcentre

2.15 In interviews we carried out for this investigation the dismissed members of staff raised concerns that misuse of the Fund was widespread at Plaistow jobcentre. They claimed that managers encouraged aggressive approaches to improve off-flow. They alleged that the Department did not fully investigate wider problems with jobcentre practices and instead blamed individual staff members and presented problems as isolated incidents. The dismissed members of staff made similar allegations prior to their dismissals but after the Department had completed its initial investigations.

2.16 The Department has carried out several other investigations related to misuse of the Fund by staff in Plaistow jobcentre. The investigations arose from three sources: a whistleblower, a customer complaint and an intelligence exercise conducted by the Department in response to the original concerns.

2.17 In total the Department investigated 10 members of staff across 14 separate investigations (Figure 4 overleaf). The average time spent by the internal investigations team on its investigations was 59 hours, which was similar to its overall average in 2014-15. Including the two dismissed staff, the Department found that six staff misused the Fund at Plaistow jobcentre. Failings identified by the investigations included: staff not undertaking required checks when countersigning applications for the Fund; staff making awards that did not fit the Fund criteria; and staff awarding amounts higher than their approval limits.

2.18 The Department did not dismiss any other staff at Plaistow jobcentre. Two received written warnings. One member of staff’s line manager was sent a letter telling them to discuss the misconduct informally with their member of staff. One received no penalty. The Department has stated that it took disciplinary action in all cases where evidence indicated misuse of the Fund.

2.19 One decision maker raised concerns about consistency in the harshness of penalties in the different cases. The employment tribunal considered this concern. It concluded that no unfairness arose from the fact that the Department did not dismiss the two managers who countersigned the Fund application form.

6 To reduce the risk of disclosing the identity of individuals who have been the subject of investigations we have used the term manager in this report to describe staff at team leader grade and above.
### Figure 4
Outcomes of Plaistow jobcentre investigations

The Department conducted a total of 14 investigations into ten members of Plaistow jobcentre staff

<table>
<thead>
<tr>
<th>Job title</th>
<th>Investigation date</th>
<th>Investigators</th>
<th>Origin</th>
<th>Allegation</th>
<th>Classification</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager¹</td>
<td>Sep 2013 to Apr 2014</td>
<td>Internal investigations</td>
<td>Claimant complaint</td>
<td>Falsifying a Fund claim form</td>
<td>Serious professional misconduct</td>
<td>Dismissed for gross misconduct after appeal</td>
</tr>
<tr>
<td>Adviser</td>
<td>Sep 2013 to Apr 2014</td>
<td>Internal investigations</td>
<td>Claimant complaint</td>
<td>Falsifying five Fund claim forms</td>
<td>Serious professional misconduct</td>
<td>Dismissed for gross misconduct after appeal</td>
</tr>
<tr>
<td>Adviser</td>
<td>Jan 2014 to Mar 2014</td>
<td>Internal investigations</td>
<td>Whistleblower</td>
<td>Irregularities in a Fund payment</td>
<td>Data</td>
<td>Evidence did not support the allegation</td>
</tr>
<tr>
<td></td>
<td>May 2014 to Apr 2015</td>
<td>Internal investigations</td>
<td>Intelligence exercise</td>
<td>Making a number of payments that did not fit the Fund criteria</td>
<td>Serious professional misconduct</td>
<td>First written warning</td>
</tr>
<tr>
<td>Adviser</td>
<td>Apr 2014 to Jul 2014</td>
<td>Internal investigations</td>
<td>Claimant complaint</td>
<td>Dealing with family, friends or acquaintances</td>
<td>Serious professional misconduct</td>
<td>No penalty imposed¹</td>
</tr>
<tr>
<td>Adviser</td>
<td>Jun 2014 to Jul 2014</td>
<td>Internal investigations</td>
<td>Claimant complaint</td>
<td>Countersigning a Fund form without carrying out proper checks</td>
<td>Serious professional misconduct</td>
<td>Letter sent to line manager</td>
</tr>
<tr>
<td>Manager¹</td>
<td>Jun 2014 to Jul 2014</td>
<td>Internal investigations</td>
<td>Claimant complaint</td>
<td>Countersigning a Fund form without carrying out proper checks</td>
<td>Serious professional misconduct</td>
<td>Final written warning</td>
</tr>
<tr>
<td>Manager¹</td>
<td>Jun 2014 to Feb 2015</td>
<td>Human resources</td>
<td>Whistleblower</td>
<td>Threatening and inappropriate behaviour directed against staff and claimants</td>
<td>Bullying and harassment</td>
<td>No penalty imposed after appeal¹</td>
</tr>
<tr>
<td></td>
<td>Jul 2014 to Mar 2015</td>
<td>Internal investigations</td>
<td>Whistleblower</td>
<td>Directing staff to misuse the Fund</td>
<td>Serious professional misconduct</td>
<td>Evidence did not support the allegation</td>
</tr>
<tr>
<td></td>
<td>Dec 2014 to Mar 2015</td>
<td>Internal investigations</td>
<td>Whistleblower</td>
<td>Travel and subsistence irregularities</td>
<td>Travel and subsistence irregularities</td>
<td>Letter sent to line manager</td>
</tr>
<tr>
<td>Manager¹</td>
<td>Jun 2014 to Jan 2015</td>
<td>Human resources</td>
<td>Whistleblower</td>
<td>Threatening and inappropriate behaviour directed against a member of staff</td>
<td>Bullying and harassment</td>
<td>Evidence did not support the allegation</td>
</tr>
<tr>
<td></td>
<td>Jul 2014 to Mar 2015</td>
<td>Internal investigations</td>
<td>Whistleblower</td>
<td>Directing staff to misuse the Fund</td>
<td>Serious professional misconduct</td>
<td>Evidence did not support the allegation</td>
</tr>
<tr>
<td>Adviser</td>
<td>Jun 2014 to Jan 2015</td>
<td>Human resources</td>
<td>Whistleblower</td>
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<td>Evidence did not support the allegation</td>
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<tr>
<td>Adviser</td>
<td>Jul 2014 to Jan 2015</td>
<td>Internal investigations</td>
<td>Intelligence exercise</td>
<td>Irregularities in two Fund payments</td>
<td>Serious professional misconduct</td>
<td>No penalty imposed¹</td>
</tr>
</tbody>
</table>

**Notes**

1. To reduce the risk of disclosing the identity of individuals who have been the subject of investigations we have used the term manager to describe staff at the grade of team leader and above.
2. In three cases, investigators concluded there was evidence to support the allegation. Decision makers decided not to impose disciplinary penalties in these cases. Paragraphs 2.11 to 2.12 of this report describe the role of decision makers.

Source: National Audit Office analysis of Department for Work & Pensions documents
Investigations restricted by the evidence available

2.20 The Department’s ability to fully investigate allegations depends on the information available. Investigators cannot form conclusions without clear evidence, and often allegations cannot be investigated fully.

2.21 Applications and approvals for Fund payments to claimants involve paper forms kept in jobcentres. This creates opportunities for documents to be lost or destroyed. This problem did not affect the investigations into the two dismissed members of staff. However, they raised concerns about missing documents.

2.22 The Plaistow jobcentre finance officer who checked Fund awards during part of 2013 also told us that paperwork for Fund payments had gone missing. The payments were made between July 2013 and October 2013 for travel. The officer had identified them for further checks by the jobcentre manager because the amounts awarded were unusual. The officer had concerns that advisers were signing off claimants who had genuine job offers one to two weeks before their expected start dates to help meet off-flow targets. The advisers would then cover claimants’ benefits using the Fund.

2.23 The jobcentre finance officer raised her concerns in writing in July 2014 in a statement given as evidence to an employment tribunal (see paragraph 2.14). She also told us she raised her concerns informally with a district operations manager. Her concerns were brought to the attention of investigators during the internal investigation into management involvement in alleged misuse of the Fund at Plaistow some time between July 2014 and March 2015. The Department decided not to interview her. It did not seek to find out who was responsible for this missing evidence at Plaistow jobcentre.

2.24 The Department’s investigators noted that documents were missing in one of their investigations at Plaistow. 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. Investigators also noted in a wider review of Fund payments in East London (see paragraphs 3.2 to 3.12) that paperwork was missing for some questionable awards in Plaistow. Paperwork was also found to be incomplete. Where records were available it was sometimes unclear who had completed forms.
Part Three

Risks of wider misuse of the Fund

3.1 The concerns raised about the Flexible Support Fund (the Fund) included the allegation that misuse occurred in other jobcentres. In this part of the report we examine how the Department for Work & Pensions (the Department) has managed the risk of the Fund being abused in other jobcentres.

Intelligence exercises

3.2 In December 2013, the Department carried out an intelligence exercise looking into Fund payments made by Plaistow jobcentre and two nearby jobcentres, East Ham and Canning Town. It did this to establish whether misuse of the Fund was more widespread in the East London district. The Department later carried out a second exercise in Dalston, Hackney and Hoxton. It did this because a team leader, who had worked at Dalston jobcentre, told the Department’s internal audit team that it was common practice for staff to misuse the Fund to meet operational targets (Figure 5).

3.3 The Department selected East Ham, Canning Town, Hackney and Hoxton as the extra sites because it considered they had similar customer bases to Plaistow and Dalston. It told us it was also aware that a large number of staff had moved from Dalston jobcentre to Hoxton jobcentre. It did not select the sites based on any analysis of patterns in Fund spending. The Department’s first exercise examined payments made between June 2013 and May 2014. This period included July 2013, when it found misuse of the Fund had occurred. The Department’s second exercise reviewed payments made in the year before the exercise started in November 2014.

3.4 The intelligence exercises show the Department explored whether there was wider misuse of the Fund. Its internal investigations team spent around 340 hours in total on the exercises. Through these intelligence exercises the Department identified two of the members of staff investigated for misusing the Fund. Both staff members were at Plaistow jobcentre (see Figure 4). The Department identified no misuse at other jobcentres, including Dalston where specific concerns had been raised.
Approach to the intelligence exercises

3.5 The Department told us the intelligence exercises followed the same steps as the investigations into the two dismissed members of staff. The original investigations followed a specific complaint by a claimant so involved checking awards involving particular members of staff. The process involved four steps:

- reviewing the Department’s Labour Market System, which holds records of Fund payments to claimants, to identify any awards close in time to the claimant signing off;
- reviewing whether any of the claimants identified reclaimed Jobseeker’s Allowance after receiving a Fund payment;
- examining these claimants’ ES40 booklets, which record why they ended their benefit claims; and
- interviewing claimants to verify the stated reason for ending their claim.

Figure 5
Fund payments sampled through the two intelligence exercises

The Department carried out two exercises to look for evidence of further misuse of the Fund in East London jobcentres

<table>
<thead>
<tr>
<th>Jobcentre</th>
<th>Period covered</th>
<th>Advisers covered</th>
<th>Fund payments in period</th>
<th>Payments checked</th>
<th>Percentage of payments checked</th>
<th>Payments later investigated as misuse</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First exercise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canning Town</td>
<td>Jun 2013 to May 2014</td>
<td>27</td>
<td>2,013</td>
<td>891</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td>East Ham</td>
<td>Jul 2013 to Apr 2014</td>
<td>17</td>
<td>405</td>
<td>318</td>
<td>76</td>
<td>0</td>
</tr>
<tr>
<td>Plaistow</td>
<td>Jun 2013 to May 2014</td>
<td>22</td>
<td>1,694</td>
<td>636</td>
<td>38</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>66</td>
<td>4,112</td>
<td>1,845</td>
<td>45</td>
</tr>
<tr>
<td><strong>Second exercise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dalston</td>
<td>Nov 2013 to Nov 2014</td>
<td>31</td>
<td>588</td>
<td>588</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Hackney</td>
<td>Nov 2013 to Nov 2014</td>
<td>14</td>
<td>988</td>
<td>395</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Hoxton</td>
<td>Nov 2013 to Nov 2014</td>
<td>17</td>
<td>569</td>
<td>318</td>
<td>69</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>62</td>
<td>2,145</td>
<td>1,301</td>
<td>61</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td></td>
<td></td>
<td>128</td>
<td>6,257</td>
<td>3,146</td>
<td>50</td>
</tr>
</tbody>
</table>

Note
1. The Department checked records of payments proposed by advisers as recorded in the Department’s Labour Market System. Actual transactions were not checked.
2. These two payments were later investigated as misuse. During the investigations further questionable payments were identified for review, resulting in identification of other non-compliant payments.

Source: National Audit Office analysis of Department for Work & Pensions documents
3.6 In the intelligence exercises investigators reviewed a large number of records in the Department’s Labour Market System. The Department said investigators looked for Fund payments made to claimants who:

- signed off close to off-flow target dates; or
- reclaimed benefit within a week or so of their claim ending.

3.7 The Department told us investigators also looked for staff who had made large numbers of Fund payments. Investigators checked paper records for 14 payments at two of the six jobcentres reviewed. No claimants were interviewed as part of the intelligence exercises. The Department spoke to two claimants during one of the two investigations that followed.

3.8 Staff who worked in Plaistow jobcentre in 2013 have alleged that claimants who had genuine job offers were being signed off one to two weeks before their expected start dates to help meet off-flow targets. The claimants’ benefits would then be covered using the Fund. This type of misuse is different to the misuse identified in the cases of the two dismissed members of staff.

3.9 In December 2013, a whistleblower also alleged misuse of this kind. They alleged that a claimant had been signed off a month prior to a job start. The Department opened an investigation in January 2014 and closed it after a brief review in March 2014, finding that the evidence did not support the allegation. The Department told us it confirmed with HM Revenue & Customs (HMRC) that the claimant had started work.

3.10 The first intelligence exercise identified two cases where a claimant with a genuine job offer was signed off benefit before their job start date. The cases involved two different members of staff (see Figure 4):

- A claimant was awarded an amount for travel that investigators found was exactly the same as one week’s Jobseeker’s Allowance. Investigators concluded there was evidence to support the allegation of misuse. The decision maker imposed no penalty.

- Another claimant’s job started several days after the last date of their claim. During the investigation that followed the Department identified three claimants who had lost a portion of their benefit due to early closure of their claims. Investigators concluded Fund guidance had not been followed. The decision maker imposed a first written warning.

3.11 The intelligence exercises would not have identified Fund payments to claimants with genuine job offers who signed off before their job start but did not sign off close to an off-flow target date. It is difficult to identify whether misuse has occurred in such cases without contacting HMRC, the claimant or the employer to confirm job start dates for each individual.
3.12 The Department did not document the criteria it used for the intelligence exercises. There is no documented methodology explaining how investigators selected payments for review and why sample sizes differed between jobcentres. The Department could not explain why its criteria led investigators to check 100% of Fund payments made in Dalston between November 2013 and November 2014. We have not reperformed the Department’s analysis to test how it carried out the exercises.

Recognised limitations in controls

3.13 The Department’s internal audit team has reported four times on the use of the Fund since 2011. Internal audit told us it plans work based on its assessment of departmental risks. It told us this assessment is informed by a range of information on risk management and control, including intelligence from sources such as internal investigations. Its four reports on the Fund reflect the high volume, mostly discretionary nature of payments made using the Fund.

3.14 The internal audit reviews have recognised limitations in the control of Fund payments. 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 (Figure 6 overleaf).

3.15 Not including Plaistow, the Department identified 10 cases of misuse of the Fund between March 2013 and February 2016:

- Seven of these cases involved staff diverting money into their own or associates’ personal bank accounts. The Department dismissed six members of staff. One member of staff transferred to another government department prior to the conclusion of the investigation. The Department referred the case to the police and gave its investigation report to the other government department for disciplinary action.

- Three cases involved staff awarding or benefiting from a Fund payment to their partner or someone they knew. The Department gave two members of staff a final written warning. In the other case the Department found the evidence did not support the allegation.

3.16 In 2012-13, in our work as external auditor of the Department we identified local variation in processes and controls in jobcentres. These variations did not appear to be fully understood by the centre of the Department, which aims for a standard approach to processing. The Department’s operations, finance and internal audit teams have been seeking to improve the compliance of jobcentres with Fund processes.
The Department’s internal audit team has reported four times highlighting weaknesses in the Department’s control over the Fund since 2011.

<table>
<thead>
<tr>
<th>Date</th>
<th>Level of assurance</th>
<th>Main findings and recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2011</td>
<td>Limited</td>
<td>Roles and responsibilities have been defined and certain checks are being undertaken but not on the propriety of spending.</td>
</tr>
<tr>
<td>March 2013</td>
<td>Reasonable</td>
<td>Controls and processes are sufficient to ensure staff cannot obtain monetary or non-monetary gain. Information about spending is adequate and available at a local level. At a national level, performance and financial information is limited.</td>
</tr>
<tr>
<td>September 2014</td>
<td>Limited</td>
<td>Controls and mandatory checks are not consistently applied. Roles, responsibilities and accountabilities lack clarity.</td>
</tr>
<tr>
<td>April 2016</td>
<td>Limited</td>
<td>Controls: regularity and propriety has improved, but more work on validation of payments is required. Information and validation of outcomes needs improved guidance to enhance financial control.</td>
</tr>
</tbody>
</table>

Notes
1. Internal audit also reviewed grant funding and ad hoc procurement through the Fund in March 2015. It provided limited assurance due to its concerns over controls, roles, responsibilities, accountabilities, and information.
2. "Limited" is defined as "There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective". In March 2013, "reasonable" was defined as "Governance, risk management, and control arrangements operated provide reasonable assurance that material risks are identified and managed efficiently and effectively. Remedial action is required to improve the control environment".

Source: National Audit Office analysis of Department for Work & Pensions internal audit reports

### Changes made but continuing challenges

**3.17** The Department provided information on changes it made between September 2014 and April 2016 to improve controls over Fund spending. For example, it has appointed a senior responsible owner for the Fund and issued revised guidance on roles and responsibilities. Other checks the Department told us it carries out include monthly random checks on 5% or 10% of payments on four of twelve Fund account codes by jobcentre districts, via the Department’s Business Control System. A local jobcentre team manager randomly selects the payments to be checked. They confirm that signed paper records match electronic records, and whether payments are made in line with guidance on approval limits and recorded on the correct account code.
3.18 The Department has to balance the cost of checking compliance with Fund processes with the amount of money at risk. It also has to manage the risk that those checks affect use of the Fund to support claimants into work. The Department issued revised guidance from February 2016 on the percentage of checks required. This included the option to increase checks to 100% of awards where a risk has been identified. For example, if a member of staff is new in post. Results of the checks, including the names of districts which do not perform them, are sent to the Department and other staff responsible for oversight of the Fund.

3.19 An internal audit report on the Fund in April 2016 recognised that significant work had been done to improve assurance over Fund spending. However, the discretionary nature of most payments and the large number of staff involved in making decisions create risks of inconsistency or non-compliance. Internal audit identified the Department needs to improve compliance in a number of areas. For example, 46% of the 125 cases tested had paperwork errors and in 54% of cases staff had not taken action to follow up outstanding receipts (Figure 7). The report identified geographic pockets of non-compliance that affected the test results, such as movement or changes of staff. The Department told us it did not identify any misuse of the Fund during its testing.

3.20 The Department’s finance team now looks for and queries suspicious transactions and outlier districts, and makes comparisons between districts based on average spend. Payments to claimants by Plaistow jobcentre peaked in August 2013 (Figure 8 overleaf). Use of the Fund fluctuates and peaks in spending do not necessarily signal wrongdoing.

---

**Figure 7**

Internal audit findings in 2016

<table>
<thead>
<tr>
<th>Error in testing</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases where staff did not take action to follow-up outstanding receipts</td>
<td>54</td>
</tr>
<tr>
<td>Cases with errors in paperwork, such as no details of the journey the Department funded, no bank account details completed, or no authorisation on the form</td>
<td>46</td>
</tr>
<tr>
<td>Cases where the Department’s Retail Trade Framework was not used</td>
<td>17</td>
</tr>
</tbody>
</table>

**Note**

1 Internal audit sampled 125 cases of Fund payments to claimants.

Source: National Audit Office analysis of Department for Work & Pensions internal audit report, April 2016
Figure 8
Flexible Support Fund payments in 2013-14

Payments per Jobseeker’s Allowance claimant by Plaistow jobcentre peaked in August 2013

Source: National Audit Office analysis of Department for Work & Pensions data
Part Four

Incentives and pressures within jobcentres

4.1 Former Plaistow jobcentre staff have told us about incentives and pressures within the jobcentre to misuse the Flexible Support Fund (the Fund) and other jobcentre practices such as sanctions, to improve performance. This part of the report examines how the Department for Work & Pensions (the Department) has monitored wider incentives and pressures in jobcentres.

Targets for off-flow

4.2 In 2013-14, the Department raised its off-flow targets for jobcentres as part of its annual review of their performance. Off-flow targets were increased for jobcentres that were meeting them consistently. Plaistow and some other jobcentres in East London initially struggled to meet these new targets. Performance improved in Plaistow and the rest of East London later in the year (Figure 9 overleaf). In some months Plaistow narrowly missed or achieved its targets.

4.3 Staff who worked in Plaistow jobcentre in 2013 have raised concerns about the pressure created by off-flow targets. The Department considers that its use of targets for off-flow is appropriate and creates no significant perverse incentives. It considers that there are adequate processes in place to check for any wrongdoing.

4.4 In three of the Department’s investigations into misuse of the Fund, investigators found that staff misused the Fund to meet the jobcentre’s targets. The Department’s investigations did not establish how the individuals benefited from the misuse. They did not gain financially. Neither were they personally credited with the off-flow gained.

4.5 Off-flow is one of the primary measures the Department uses to monitor jobcentre performance. Jobcentres are set targets for the proportion of people that stop claiming benefits before specific points in time after their claim starts. While off-flow can indicate positive outcomes, such as finding work, many claimants stop claiming benefits for other reasons, which are often unknown (Figure 10 on page 27). A risk of focusing on this performance measure is that it can encourage target-driven activity that does not benefit claimants.
Figure 9
Performance against off-flow targets, January to December 2013

In April 2013, the Department raised its Jobseeker’s Allowance off-flow targets for East London jobcentres. Plaistow and some other jobcentres initially struggled to meet these new targets.

<table>
<thead>
<tr>
<th>Reporting month</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 week target</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plaistow target</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Other East London jobcentres not meeting target</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

26 week target

| Plaistow target  |     |     |     |     |     |     |     |     |     |     |     |     |
| Other East London jobcentres not meeting target | 0 | 2 | 1 | 10 | 6 | 3 | 2 | 1 | 0 | 1 | 0 | 0 |

39 week target

| Plaistow target  |     |     |     |     |     |     |     |     |     |     |     |     |
| Other East London jobcentres not meeting target | 0 | 1 | 1 | 11 | 14 | 9 | 7 | 6 | 2 | 2 | 0 | 0 |

52 week target

| Plaistow target  |     |     |     |     |     |     |     |     |     |     |     |     |
| Other East London jobcentres not meeting target | 3 | 0 | 1 | 5 | 5 | 4 | 6 | 6 | 2 | 2 | 1 | 1 |

Met
Not met

Notes
1. There were 16 jobcentres in the East London District in 2013, including Plaistow.
2. Targets differ slightly between different jobcentres.

Source: National Audit Office analysis of Department for Work & Pensions performance management data

4.6 In our February 2013 report, Responding to change in jobcentres, we examined off-flow rates over time following the start of a claim. Looking at overall rates at that time we did not find any evidence to suggest off-flow was being materially inflated around key target dates. However, we did identify limitations in the use of off-flow as a performance measure and the need for the Department to better understand the measures it uses to set targets and incentives. The Department is developing different performance measures under Universal Credit.

7 Comptroller and Auditor General, Responding to change in jobcentres, Session 2012-13, HC 955, National Audit Office, February 2013.
Management pressures on staff

4.7 The dismissed members of staff alleged that managers encouraged aggressive approaches to improve off-flow. These allegations were made prior to their dismissals but after the Department had completed its initial investigations. The Department did not accept this as mitigation on the grounds that the members of staff could have taken steps to raise their concerns. It referred the allegations to internal investigations. The referral named four staff. All four staff were investigated by the Department.\(^8\)

The two dismissed members of staff also told us that jobcentre staff used other unapproved practices to improve off-flow (Figure 11 overleaf). The Department told us its initial internal investigations raised generic issues about management so these were not explored at the time.

4.8 In July 2013, 66 staff worked at Plaistow jobcentre. Eight of these staff have described pressure to achieve off-flow targets.\(^9\) The staff reported that, from March 2013, the culture in the jobcentre changed, with a greater focus on targets. Some staff were reported to have been placed on or threatened with being placed on action plans for performance improvement, intended as a mechanism for managing poor performance by staff.

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8 The four staff are shown in Figure 4 as staff members number 3, 5, 7 and 8.

9 These concerns were raised through a number of routes and at various points in time, including: during the course of the Plaistow investigations, appeals and decision-making processes; in the employment tribunal; in correspondence with Stephen Timms MP; and in interviews we carried out for this investigation.
In response to our investigation the Department asked the district operations manager, whose responsibilities included Plaistow jobcentre from May 2013 to March 2014, for their views on the working environment at the time. They recalled no evidence of management pressure or unapproved working practices.

In May 2014, a whistleblower also alleged that jobcentre managers at Plaistow had put pressure on staff to misuse the Fund. This allegation was one of nine that the whistleblower made about management behaviour and practices in Plaistow jobcentre, some of which related to bullying and harassment.

The Department opened investigations into management pressure in Plaistow:

- In June 2014, the Department opened a human resources investigation into several allegations, including bullying and harassment and an allegation that a manager had sent inappropriate emails regarding the use of the Fund. The investigation found evidence to support three allegations of bullying and harassment. These findings were overturned on appeal because there had been more than 30 days between the last incident and the complaint. The appeal manager also identified that the investigation was not sufficiently thorough and robust.

- In July 2014, the Department opened an internal investigation into allegations that a manager had put pressure on staff to misuse the Fund. On the basis of the evidence it reviewed, the Department concluded that there was no case to answer. It decided that an interview with that manager, who had already been interviewed as part of the human resources investigation, was not justified.

- The Department also opened human resources investigations into a manager and an adviser. It found that the evidence did not support the allegations.

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**Figure 11**

Alleged practices at Plaistow jobcentre in 2013

Two dismissed members of staff claimed unapproved practices were used to improve off-flow

- Being unpleasant or aggressive to claimants to encourage them to sign off.
- Shifting Jobseeker’s Allowance claimants onto Employment Support Allowance.
- Giving claimants the cost of a travel card or other items from the Fund in lieu of Jobseeker’s Allowance.
- Referring claimants for sanction after failing to reach them by phone after three attempts, on the grounds they are not available for work.
- Appointments at different times of day and days of the week to increase the chance of claimant non-attendance.
- Weekly rather than fortnightly sign-ins to increase the chance of an appointment being missed (an action that can lead to a sanction).
- Booking claimants’ appointments without their knowledge or at times they might fail to attend (an action that can lead to a sanction), such as early in the morning.
- Refer for sanction any claimant not attending a training session, regardless of any good reason claimed.

**Note**

1 These allegations have not been investigated by the National Audit Office.

Source: National Audit Office interviews with former members of Plaistow jobcentre staff
4.12 Internal investigations reviewed transcripts of interviews conducted for the human resources investigations. Internal investigations undertook no new interviews and no additional evidence was collected.

4.13 During the decision-making process the Department’s appeals manager identified problems in the coordination of the work carried out between human resources and internal investigations. In his decision letter he noted internal investigations had told him their investigation into one of the managers was separate to the human resources investigation and all they did was exchange information. The internal investigations team told us it was not made aware of the appeals manager’s concerns prior to our investigation and did not agree that the cases had not been coordinated.

Wider pressures

4.14 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 of wrongdoing. The work of the internal investigations team does not cover bullying, harassment or discrimination issues (see Appendix Three for an overview of the investigation process). The Department’s human resources department, specifically its mediation and investigation service, investigates these cases. These investigations focused on whether the alleged behaviour of individuals happened as described, and whether it constitutes bullying or harassment. The investigations do not consider whether wider cultural issues and pressures on staff affect the risk of malpractice.

4.15 Four internal audit reports on the Fund (see paragraphs 3.12 to 3.13) have reviewed the effectiveness of controls put in place by the Department to give it assurance over Fund spending. The internal audit team told us it did not see any cultural problems such as bullying and harassment in the 10 jobcentres it visited in June 2014. It is supporting the Department to improve, but considers that misuse of the Fund (and other unapproved practices to achieve targets) is limited. The Department considers that further investigation of allegations would not be proportionate.

4.16 In 2015-16, internal audit reviewed compliance with processes for handling claims across five benefits. The reviews focused on areas such as: processing times and performance variation; quality and accuracy; and capacity and capability. The reviews identified the need to improve compliance with process and quality requirements, while reducing error in the benefit system. Two of the reviews identified that pressure to achieve targets was leading to some inappropriate customer service behaviours, including giving lower priority to work on claims after target dates.
Appendix One

Our investigative approach

Scope

1 The Rt. Hon. Stephen Timms MP asked us to investigate inappropriate behaviour in jobcentres and the treatment of whistleblowers. His concerns related mainly to the way Plaistow jobcentre responded to pressure to improve performance in rates of off-flow from Jobseeker’s Allowance during 2013.

2 This report covers barriers to work payments of the Flexible Support Fund (the Fund). We do not consider ad-hoc and grant payments of the Fund.

3 We examined:

- how the Department for Work & Pensions (the Department) responded to allegations of misuse of the Fund in Plaistow jobcentre;
- how the Department has managed the risk of more widespread abuse of the Fund; and
- how the Department has monitored wider incentives and pressures within jobcentres.

Methods

4 In examining these issues, we drew on a variety of evidence sources.

5 We interviewed staff who worked in Plaistow jobcentre in 2013 and other Department officials. The teams we interviewed included:

- internal investigations;
- human resources mediation and investigations service;
- internal audit;
- finance;
- operational staff involved in decision-making and appeals; and
- the policy team for the Fund.
6 We reviewed documents in the public domain and provided by the Department, HM Courts & Tribunals Service, and former employees.

7 We visited a jobcentre to see the processes for awarding Fund payments and for undertaking monthly checks on payments.
Appendix Two

Accountability for the Flexible Support Fund

Figure 12
The Department’s senior responsible owner is ultimately responsible for spending on the Fund

<table>
<thead>
<tr>
<th>Permanent secretary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director general for operations – delegates responsibility to the director general for work services.</td>
</tr>
<tr>
<td>Director for work services – delegates responsibility for the Fund to group directors.</td>
</tr>
<tr>
<td>Group directors – have discretion to delegate responsibility for the Fund to district managers. The Department’s senior responsible owner of the Fund is a group director.</td>
</tr>
<tr>
<td>District managers – set local policy for use of the Fund and are budget holders.</td>
</tr>
<tr>
<td>Jobcentre managers – authorise higher value awards and ensure jobcentre staff follow district policy.</td>
</tr>
<tr>
<td>Team leaders – authorise applications for awards.</td>
</tr>
<tr>
<td>Work coaches – propose making awards to claimants.</td>
</tr>
</tbody>
</table>

Source: National Audit Office analysis of Department for Work & Pensions documents
Appendix Three

Staff investigation processes

**Figure 13**
Internal investigations or human resources may investigate alleged serious misconduct by staff

1. Allegation of serious misconduct by a member of staff
2. Referral from the staff member’s manager
   - Alleged impropriety or fraud: Internal investigations team accepts or rejects
     - Internal investigations carries out an investigation
       - If the evidence supports the allegation, the case is passed to a decision maker
         - The decision maker decides on any disciplinary penalty
           - Staff are able to appeal decisions
   - Alleged bullying, discrimination and harassment: Human resources team accepts or rejects
     - Human resources carries out an investigation

Source: National Audit Office analysis of Department for Work & Pensions documents