

Department of
Finance and Personnel
Memorandum on the
1st Report from the
Public Accounts Committee
Session 2000-01

Presented to the Northern Ireland Assembly
by the Minister of Finance and Personnel
23 January 2001

Contents

<i>Pages</i>	5-9	Social Security Agency: The Administration of Income Support Benefit
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First Report

Social Security Agency

The Administration of Income Support Benefit

Principal Conclusions and Recommendations

PAC Conclusion 4 1

When the Committee of Public Accounts at Westminster last looked at the administration of Income Support in 1993 it expected that the Agency's many projects to tackle error and fraud would lead to a significant reduction in the over and underpayment of benefits. We are extremely disappointed that the improvements expected by the Agency at that time have not been realised. The Committee recognises the inherent difficulties in administering Income Support payments. Nonetheless we were told that the level of error and fraud in Income Support payments is now estimated at an alarming £57 million and has risen by 36 per cent since the previous estimate in 1999. We are appalled at this enormous waste of public money from wrongly paid benefits.

The Social Security Agency ("the Agency") accepts that the present estimated level of incorrectness is totally unacceptable and has embarked on a work programme to tackle this, which is set out in the Agency's public document "*Tackling Fraud and Error in Social Security*" and updated annually in the Agency's Business Plan. Significant success has been achieved in reducing Departmental error but reducing customer error and fraud is proving more difficult. The Agency can assure the Committee that it is totally committed to continuing to work to reduce this level of incorrectness.

PAC Conclusion 4 2

The Committee welcomes the steps that the Agency has taken to deal with underpayments and those not currently claiming. However, we are dismayed at the high level of underpayment errors within Income Support awards, given that these errors mean that genuine claimants are not receiving their full benefit entitlement, and may suffer hardship. We also consider that the Agency needs to devote even more attention to targeting those people who for one reason or another fail to claim what they are entitled to. We recognise that this is a difficult area, but look to the Agency to find ways of measuring the numbers entitled, but not claiming Income Support and of using the information to direct their efforts to improve take-up.

The Agency is tackling the issue of underpayment errors as part of its overall strategy for tackling error and fraud referred to in response to Conclusion 4. The Department for Social Development, in conjunction with the Northern Ireland Statistics and Research Agency, is at present considering how best to estimate the level of take-up of benefits as

part of the Family Resources Survey. It is hoped that this information will be available in the Autumn of 2003. In the meantime, the Agency will take steps to ensure that, as part of the New Targeting Social Need initiative, the take-up of Income Support is maximised.

PAC Conclusion 4[3]

The Accounting Officer explained to the Committee many of the actions he has taken to improve the Agency's performance on accuracy and we recognise that it has now started to secure some improvement in reducing the monetary value of administrative errors. However, one in eight awards of Income Support are still incorrect. This scale of administrative error in payments is unacceptable. It is worrying that, despite previous promises and substantial expenditure, the Agency can still only offer limited prospects of improvement in the medium term. The Comptroller and Auditor General and this Committee will continue to keep the Agency's progress in improving its accuracy levels under close review.

The Agency accepts that, while progress has been made in reducing estimated administrative error, the current level is unacceptable. The Agency will concentrate on improving security and accuracy to achieve measurable reductions in losses due to administrative error.

PAC Conclusion 4[4]

This is the sixth consecutive year in which the Comptroller and Auditor General has found it necessary to qualify his opinion on the Agency's Appropriation Accounts because of the level of administrative errors in benefit awards, including Income Support. This Committee takes a serious view of qualified accounts. The fact that the Agency's have been qualified six years in succession demonstrates a long-term failure to reach acceptable standards of public administration.

The Agency can assure the Committee that it is working towards ensuring that its accounts are not qualified. This can only be achieved by a significant increase in the accuracy of payment to which, as stated in the response to Conclusion 4[3], the Agency is totally committed.

PAC Conclusion 4[5]

The Committee noted from the Agency's latest figures that taking customer error and fraud together the loss to the taxpayer is a staggering £45 million. We are disappointed that, despite the Agency's anti-fraud initiatives and significant expenditure under its security strategy, it appears to be little closer to getting a firm grip on Income Support fraud. We asked the Agency if it had set targets for reducing Income Support fraud and when it expected to bring the level of fraud under control. The Agency told us that it has set a fraud reduction target of five per cent for each of the next three years which in monetary terms equates to a reduction of £2 million this year, £4 million next year and £6 million the following year. Given the scale of the problem we consider that these figures are relatively modest and we expect the Agency's management to give this issue sufficient priority to ensure that the targets are achieved.

The baseline for estimated fraud was first established in March 1999. The Agency can assure the Committee that the improvement targets set are given a high priority by Agency Management.

PAC Conclusion 4[6]

The Committee considers that claimants, particularly those who are disadvantaged, need clear forms, supported by advice and guidance, if they are to claim their proper entitlement. We consider that the complexity of the application process is a cause of confusion and error and can open the door to fraud. We would urge the Agency to press ahead with its programmes to improve communication with customers and to look further at the scope for simplifying the application process.

The Agency agrees that the application process can be complex and difficult for claimants and will seek to exploit the opportunities created through its Welfare Reforms and Modernisation Programme to improve the application process and provide a much simpler and streamlined service to customers.

PAC Conclusion 4[7]

It is clearly not acceptable for the Agency to shift work onto the voluntary sector and the voluntary sector should be properly funded for any government-related services which it provides. The Agency told us that it has taken a number of steps to ensure that throughout the organisation it is totally clear that it is the Agency's job to provide information and advice to customers and to help them fill in forms. Clearly the Agency believes that as a result of these actions the pressures for advice on the voluntary sector should diminish. These pressures should be monitored by the Agency and we recommend that it works closely with voluntary sector bodies, like the Citizens Advice Bureau, in monitoring the volume of demands for advice on their respective organisations.

The Department for Social Development has recently commissioned a piece of research on its Information and Advice Strategy. This research is expected to examine, among other things, the role to be played by the voluntary sector and the mechanisms for funding this. In the interim, the Agency will address the Committee's recommendation to work closely with voluntary sector bodies in monitoring the volume of demands for advice through its consultation arrangements with the voluntary sector.

PAC Conclusion 4[8]

It is clear to us that the Agency has larger problems in terms of quality of service than its own survey results reveal. We recognise that there are many good staff who work in local Social Security Offices with a genuine interest in the welfare of customers. However, even for the best staff, working in a system with the levels of inaccuracy and incorrectness acknowledged by the Agency must be potentially demoralising. A real emphasis on quality of service is, therefore, in the interests both of staff and claimants.

The Customer Surveys are conducted independently of the Agency by recognised professional organisations. The Agency therefore considers that the information provided by these Surveys is reliable. However, the Agency can assure the Committee that the provision of a high quality service is a top priority within the Agency. The Report of the Customer Service Review due in November 2000 has only now been received and the Agency is determined to use its recommendations to improve the quality of customer service. In addition, the Agency plans to maintain and expand its Charter Mark programme as recognition of service excellence in individual areas. Further opportunities to improve the quality of service delivery in coming years will be taken as the Social Security Welfare Reforms and Modernisation Programme progresses.

Action taken to reduce the level of errors made by Agency staff

PAC Conclusion 19

The fact that Agency systems and those of other Departments and agencies, such as the Inland Revenue, have not fully exchanged data in the past has left room for fraud and error. We welcome the moves the Agency is now making to match data held on its own systems in order to pick out suspicious or unusual irregularities. We asked the Agency why this had not been introduced much earlier. We were told that part of the problem has been the size and complexity of the systems for administering social security, making links between systems difficult. The Department of Finance and Personnel pointed out that issues concerning human rights and the security of information were also problems. We would underline that data-matching is a potentially powerful tool in the fight against fraud and error and we expect the Agency to plan to fully exploit it in the future.

(11) Minutes of Evidence page 18

The Agency recognises the value of data matching and will seek to exploit opportunities for data matching with various organisations that will emerge as a result of the proposed introduction of the Northern Ireland Social Security Fraud Bill to the Assembly.

Action taken to reduce the level of error and fraud by customers

PAC Conclusion 22

A related problem of paying Income Support benefits to ineligible claimants is that it can have a multiplier-effect due to Income Support providing a gateway to other benefits such as housing benefit and free prescriptions. We asked the Agency if any attempt had been made to quantify the knock-on effect of erroneous Income Support awards. The Agency's view was that this would be a huge exercise and pointed out that it cannot be assumed that because somebody is receiving Income Support erroneously that they would not have been entitled to other benefits. For example, on the basis of low income. Nevertheless, we feel that this issue has potentially profound ramifications for the public purse. We take the view that, with large-scale fraud, it is always important to get a reasonable grip on the scale of the problem if sensible judgements are to be made about the allocation of staff and resources to deal with the problem. In view of this we think the Agency should consider making an estimate of this additional element of fraud and incorrectness, perhaps using sampling techniques. The Committee would be interested to learn the outcome of the Agency's consideration of this issue.

(14) C&AG's Report paragraphs 3.22 to 3.26 and Minutes of Evidence page 18

The Agency has carried out some preliminary work to attempt to quantify levels of 'passport benefits'. This has been found to be a complex issue, not least because many of the other organisations involved do not hold the relevant management information. In addition, loss of Income Support does not automatically mean a loss of the relevant "passport benefits", e.g. many people in full-time and part-time employment qualify for Housing Benefit, Rates Rebate, free prescriptions etc.

To avoid nugatory work, the Agency intends to carry out a Feasibility Study to determine how reliable estimates could be obtained. Given the large numbers of other organisations involved, the study will take time to carry out. It is hoped that the initial findings will be available by the end of June 2001 and the Agency will then consult the Northern Ireland Audit Office on these before reporting back to the Committee.

We asked the Agency if it had any evidence of organised benefit fraud operating within Northern Ireland and how successfully it was dealing with cross-border fraud. The Agency told us that a specific unit set up to address the problem of organised benefit fraud within Northern Ireland had saved about £1 million per year in recent years. The Agency also has a unit dealing with cross-border fraud that works closely with the Department of Social Welfare in the Republic of Ireland. This operation is presently saving around £0.25 million per year. A member of staff seconded from the Department of Social Welfare is currently investigating the level of cross-border fraud and will produce a report in due course. The Committee will also be interested to learn the outcome of this review.

(15) Minutes of Evidence pages 18 & 19

Whilst there is no evidence to suggest that the level of organised benefit fraud in Northern Ireland is on the scale reported in Great Britain, the Agency continues to give this work a high profile and has taken 30 successful prosecutions in the last 21 months.

On Cross Border Fraud, the Department of Social, Community and Family Affairs' Report was recently discussed by senior officials in both jurisdictions. The Report was accepted in principle and it was agreed that further detailed consideration should be taken forward by a joint working group. The main areas identified for further examination are:

- Identify Fraud
- Commencement of Employment, and
- Improved local co-operation

It is envisaged that the Working Group would meet on a regular basis and any agreed actions would feed into local service delivery plans.

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