Written Ministerial Statement

Tuesday 15 May 2012

THE DEPARTMENT FOR WORK AND PENSIONS

Employment Support

The Minister for Employment (Chris Grayling MP): The DWP’s Work Programme providers are required to ensure that stringent controls are in place to guard against fraud and to adhere to high standards of compliance in the operation of our contracts. By its innovative payment by results design, the Work Programme also provides significantly greater protection against fraud than previous employment programmes.

In March 2012, against a background of public commentary on A4E, the Department was made aware of an allegation in respect of their separate Mandatory Work Activity contract. This is very different from the Work Programme. It is much smaller, shorter and focused on providing brief spells of work-related activity to individuals who will benefit from such activity. In contrast the Work Programme aims to deliver sustained job outcomes for the long term unemployed.

In the light of the allegation received, the Department announced it would audit its commercial relationships with A4E. The Department’s Internal Audit and Investigations team undertook this audit, supported by Ernst and Young, and examined the controls operated by A4E on all its current contracts with DWP.

The audits for the Work Programme, the New Enterprise Allowance programme and Mandatory Work Activity are now complete. They have found no evidence of fraud in any of these contracts.

The original allegation suggested that A4e employees may have claimed payments for Mandatory Work Activity participants who had not in fact been placed in work. The team investigated every MWA claim from the A4e office related to the specific allegation (Epsom) and a significant sample (20%) of all the other A4e claims under this contract. The sample evidence established that 97% of payments made related to a real participant who had been placed in a work-related activity. In the remaining 3% of cases, DWP investigators were nevertheless satisfied that the anomalies were attributable to inadequate procedures rather than fraud.

However, while the team found no evidence of fraud, it identified significant weaknesses in A4e’s internal controls on the Mandatory Work Activity contract in the South East. The documentation supporting payments was seriously inadequate, and in a small number the claim was erroneous. There was also a high incidence of non-compliance with other relevant guidance (including A4e’s own processes).

The process established prior to March fell significantly short of our expectations. As a result, the Department has concluded that continuing with this contract presents too great a risk and we have terminated the Mandatory Work Activity contract with A4e for the South East.
Contingency plans are in place to ensure there is continuity of support for participants in the Mandatory Work Activity programme.

We have made clear to A4e that we continue to require the highest standards of governance in relation to all their other contracts. We are reminding all our other providers of their obligations and our requirements in this regard and, should any further allegations arise, we will examine the evidence thoroughly.

The Department will reflect on how it can further improve its processes in the light of these audits to address any remaining control risks across all contracts and providers.

Recent coverage has also prompted complaints about service levels on past employment programmes where, unlike the Work Programme, the emphasis was on activities undertaken rather than on job outcomes. While this has not been part of our investigation, the Department is considering what further steps can best ensure that providers meet their minimum standards, and participants are clear about procedures for complaints.