



Extract from the report to the
Public Accounts Committee on
incorrect payments of social benefits

February
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I. Introduction and conclusion

1. This report is about the effort made by the Ministry of Employment, the Ministry of Children, Gender Equality, Integration and Social Affairs (the Ministry of Social Affairs) and the local authorities to reduce the extent of incorrect payments of social benefits. Rigsrevisionen initiated the examination in May 2013.

2. Public authorities make benefit awards to the citizens to help them sustain an income. In 2012, total public expenditure for social benefits amounted to DKK 266.4 billion; cf. the summary presented in appendix 1. Due to the size of the amount, Rigsrevisionen found it relevant to examine the performance made by the authorities to ensure the correctness of social benefits payments.

3. Incorrect payments include overpayments as well as underpayments. Overpayment means that a claimant has been awarded more benefits than he or she was entitled to and underpayment means that a claimant has not been awarded the benefits that he or she applied for and is legally entitled to from a public authority. The report is based on the assumption that payments of social benefits are affected by three primary sources of error:

- *Official errors* – e.g. errors that occur when the authorities award social benefits to the citizens on an incorrect basis.
- *Errors by the citizens* – e.g. errors that occur when the citizens have not fully comprehended their duty to disclose all relevant information and therefore fail to inform the public authorities of changes in their personal circumstances that will have an impact on the benefits awarded.
- *Fraud* – e.g. errors that occur when citizens – knowingly - provide incorrect information or withhold relevant information in order to claim social benefits.

In order to achieve the largest possible reduction in incorrect payments, the authorities should address all three sources of error.

4. The purpose of the report is to assess whether the effort made by the Ministry of Employment, the Ministry of Social Affairs and the local authorities to reduce incorrect payments of social benefits is satisfactory. The report answers the following questions:

- Have the Ministry of Employment and the Ministry of Social Affairs established a satisfactory basis for reducing incorrect payments of social benefits?
- Are the local authorities focused on reducing official errors, accidental errors by citizens and fraud?
- Do the local authorities – in a satisfactory manner – seek to prevent errors by citizens by ensuring that their written communication with the recipients of social benefits is understandable?

Duty to disclose

As a recipient of social benefits you are under obligation to inform the authorities of the following:

- *change of home address;*
- *changes in family relations;*
- *changes in income;*
- *changes in other financial circumstance.*

Fraud is in the report referring to deliberate and fraudulent actions. Occasionally, also the term *social fraud* is used to describe such actions.

MAIN CONCLUSION

Public expenditure for benefits is significant in Denmark. In 2012, total expenditure for social benefits amounted to DKK 266.4 billion. It is therefore of great financial importance to ensure the implementation of coherent and well-targeted initiatives to reduce fraud and error in benefit payments.

Rigsrevisionen's examination showed that the Ministry of Employment and the Ministry of Social Affairs have both – to some extent – collected data on the sources of incorrect payments from the local authorities. The examination showed, however, also that the ministries do not have any accurate estimates of the level of fraud and error. Having data on the extent and reasons for underpayments and overpayments is a prerequisite for implementing a prioritised strategy targeted at the most important types of irregularities in the payment of benefits.

The initiatives taken by the Ministry of Employment and the Ministry of Social Affairs are mainly focused on enhancing digital case processing and control. The ministries have no overall fraud and error strategy to reduce the extent of incorrect payments, nor have they set up a time table or defined any targets for what they intend to accomplish. The ministries do not – in the opinion of Rigsrevisionen – have the data required to determine when the ministries' initiatives have been implemented and whether they have been effective in reducing fraud and error in benefit payments.

Rigsrevisionen's examination showed that the local authorities' – in organising the initiatives to reduce fraud and error - have assigned more importance to preventing fraud and error during the case processing phase and less to preventing errors by claimants.

For purposes of comparison, the English government authorities estimate the level of fraud and error in benefit payments every year. According to their estimates, errors by claimants are the largest source of incorrect payments of benefits in England. This type of error may result from the claimant's inability to understand the information provided by the public authorities on their benefit rights and responsibilities. Rigsrevisionen's examination showed that forms and letters that are difficult to understand and poorly set up may lead to misunderstandings. As a result, claimants may withhold relevant information or submit incorrect information to the public authorities. Rigsrevisionen's examination indicates potential for reducing the level of incorrect payments caused by claimant errors.

As it is today, the local authorities provide face-to-face guidance to the citizens applying for or receiving social benefits. In pace with the increased digitisation the citizens will, however, in the future primarily communicate with the local authorities in writing. It is therefore important that the public authorities adjust their communication to the requirements of the respective target groups.

Rigsrevisionen recommends that the Ministry of Employment and the Ministry of Social Affairs should define performance targets and success criteria for the activities to reduce the level of error and fraud in benefit payments. Rigsrevisionen also recommends that the ministries – together with the local authorities – ensure that their effort to reduce incorrect benefit payments addresses errors by officials and claimants as well as fraud. Finally, Rigsrevisionen recommends that the ministries and local authorities launch concrete initiatives to reduce the frequency of errors by claimants.