

Comhairle Nan Eilean Siar

Audit of housing benefit Risk assessment report



 AUDIT SCOTLAND

Prepared for Comhairle Nan Eilean Siar
December 2017

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Introduction

1. This risk assessment was completed as part of Audit Scotland's housing benefit (HB) risk assessment programme. It does not represent a full audit of Comhairle Nan Eilean Siar's benefit service.
2. The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. The key objective of the risk assessment is to determine the extent to which the benefit service is meeting its obligations to achieve continuous improvement in all its activities.
3. Specifically, the risk assessment considers the effectiveness of the benefit service in meeting national and local priorities, business planning and reporting, and delivering outcomes.
4. Information for this risk assessment was gathered from a range of sources including:
 - the self-assessment, supporting evidence, and updated action plan provided by the council
 - Department for Work and Pensions (DWP) indicators, and other performance measures
 - scrutiny of internal and external audit reports
 - discussions with the appointed external auditor
 - discussions with senior officers in the council during our site visit in November 2017.

Executive summary

5. A risk assessment was previously carried out on the Comhairle's benefit service in September 2014 when Audit Scotland identified six risks to continuous improvement. This was reported to the Chief Executive in September 2014 and, in response, the Comhairle submitted an action plan in October 2014 to address these risks, which Audit Scotland accepted as satisfactory, if fully implemented.
6. Since our previous visit there have been some significant changes within the Revenues and Benefits service including a restructure, which saw the Revenues and Benefits service take on responsibility for carrying out the Comhairle's Social Care Financial Assessments (SCFAs) from September 2015, and the procurement and implementation of a new benefit IT system in June 2017.
7. Although the new benefit IT system is expected to deliver significant cost savings to the Comhairle, the loss of an experienced processor for three months shortly after implementation had a detrimental impact on claims processing performance, which declined from an average

of 23 days for new claims and six days for change events in 2016/17, to an average of 39 days and 12 days respectively, at 31 October 2017. This level of performance places the Comhairle as the worst performer in Scotland for speed of processing, when compared to the DWP's 2016/17 published performance statistics.

8. As a relatively small council with limited resources, the loss of a full-time equivalent (FTE) processor at such a critical time has been very difficult to manage and consequently it has affected other areas of the service. For example, in order to address the decline in claims processing performance, the benefit service has suspended management checks and intervention activities to ensure that all available resources are focused on core processing work. In these circumstances, this is a sound business decision, however, in taking this action there is an increased risk of fraud and error entering the system un-checked.
9. It is not uncommon to experience a decline in performance following a major benefit IT system implementation. However, in the three months post implementation, the benefit service was operating at an average of 51% of full processing capacity. This has been unsustainable, and consequently the service has developed a backlog of work in excess of 270 claims that need to be processed alongside any new claims and change events received each day.
10. We are concerned that, without additional processing resource, claims processing performance will continue to decline into 2018 as analysis of the staffing profile shows that available processor resource in November 2017 at 72%, and December 2017 at 67%, remains well below full complement.
11. Prior to the loss of processor resource, and the subsequent decline in claims processing performance, there were many areas of service delivery where the Comhairle had performed exceptionally well. This included accuracy, where the Comhairle had delivered an excellent level of performance since 2014/15. This is testament to the experience of staff, and a clear focus on delivering a quality service.
12. In addition, the Comhairle's intervention activities helped provide additional assurance on the accuracy of its caseload by ensuring that the right money was going to the right people. Since 2014/15, this has resulted in the identification of nearly 600 claims where the customer had not notified the Comhairle of a change of circumstances, and over 120 claims where vulnerable customers have been helped to claim additional benefit to which they were rightfully entitled.
13. In completing four of the six risks previously identified, the Comhairle has made a very positive contribution to the delivery of the benefit service. In particular, by:
 - reviewing targets during the annual business cycle to ensure that they remain realistic, but challenging
 - reporting benefit service performance quarterly to the Policy and Resources Committee

- producing quarterly statistics on the outcomes from intervention activities.
14. Although the Comhairle continues to demonstrate awareness of what constitutes an effective, efficient and secure benefit service, there are two risks outstanding from our previous risk assessment (see Appendix 1) and four new risks identified from this risk assessment. In order to ensure continuous improvement, the Comhairle needs to address these risks which include:
- the time take to process new claims and changes of circumstances has declined significantly and, with the addition of a backlog, there is a significant risk that the benefit service will be unable to maintain or improve on previous performance, based on current resource levels
 - the benefit service has suspended its daily management checks from July 2017. There is therefore an increased risk of fraud and error entering the system unchecked, and limited assurance over the accuracy of the caseload.

Background

15. A structural review of the Revenues and Benefits service was carried out by the Comhairle in July 2015, which resulted in the service taking on responsibility for carrying out the Comhairle's Social Care Financial Assessments (SCFAs), initially for new claims from September 2015, followed by historic claims, which were transferred to the service in April 2016. Although this resulted in additional workloads for the service, we were told that there was no additional supervisory or management resource available to help manage this transition.
16. Consequently, the time required by the Revenues and Benefits Manager and the Senior Entitlement and Assessment officer to develop new SCFA business processes, improve performance, and demonstrate resilience of the new arrangements, resulted in less time being available to carry out development activities in respect of the workload of the benefit service.
17. It is commendable therefore that throughout this period of change, the benefit service managed to deliver continuous improvement in its claims processing times while maintaining a high level of accuracy.
18. As part of a council wide budget saving exercise, we were told that each department was required to reduce costs by 10% over the period 2014/15 - 2017/18. As the existing benefit IT system contract was due to end in March 2017, it was established that the procurement of a new system could deliver significant savings while providing enhanced functionality.
19. The Comhairle's tender process ended in June 2016 with the award of a contract for a new benefit IT system, which was estimated would save the council approximately £60,000 per year in ongoing costs.

20. The Comhairle had planned for the new system to go 'live' in December 2016. However, as a number of errors were identified during the testing phase, officers decided to delay full implementation until the errors had been corrected, and the system was stable.
21. Between the time that the new contract was awarded on 1 June 2016, until the system went 'live' on 12 June 2017, a significant amount of work was carried out by benefit and systems administration staff to review, test, cleanse and match existing data with the new system. Systems acceptance testing to determine whether the system satisfied the Comhairle's acceptance criteria was also carried out in January 2017 and June 2017.
22. Staff were trained on the new system and, because of the additional work required to implement the system, some staff did not take their full annual leave entitlement and were allowed to carry over additional leave into 2017.
23. However, the transition to the new system has not gone as well as expected and there has been a significant decline in claims processing times. We consider that the main issue for the decline has been the reduced availability of processing resources, specifically the loss of a key experienced full-time processor for a period of three months shortly after implementation.
24. This is discussed in more detail under *Speed of processing*.

Business planning and reporting

25. An effective business plan provides an opportunity for the Comhairle to set out the aims and objectives for each service and should contain key deliverables against which performance is measured, monitored and reported.
26. The Revenues and Benefits service is part of Exchequer Services, one of four key services within the Finance and Corporate Resources Department. The key document for the service is the *Finance and Corporate Resources Department Plan 2017/18 - 2021/22*, which details the department's primary strategic objective to '*provide good quality and efficient services to meet the needs of the community*'.
27. The plan also contains the service profile for the Revenues and Benefits service and details its key performance indicators (KPIs). In respect of the benefit service these are the:
 - average time to process new claims
 - average time to process change events
 - accuracy of claims.

28. Operationally, there is daily monitoring of workloads and throughput by the Revenues and Benefits manager, and performance is regularly reported to senior management at:
 - weekly meetings between the Revenues and Benefits Manager and the Senior Entitlement and Assessment officer
 - weekly meetings of the Exchequer Management Team
 - fortnightly meetings between the Revenues and Benefits Manager, the Head of Procurement and Exchequer Services, and the Director of Finance and Corporate Resources.
29. The Comhairle also makes good use of an online performance management tool which is updated monthly by the systems administration team and formally reported by the Director of Finance and Corporate Resources at the quarterly meeting of the Policy and Resources Committee.
30. We were told that claims processing performance would normally be regularly discussed with revenues and benefits staff. However, in view of the decline in claims processing performance, and in order to maintain staff morale, this information was not being disseminated until performance had stabilised, and was showing signs of sustained improvement.
31. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
 - while the service had set targets for all operational areas, there was little evidence that these were being reviewed during the annual business planning cycle to ensure that they remained realistic, or sufficiently challenging
 - apart from speed of processing and accuracy, all other key KPIs were monitored and reported annually. More frequent, at least quarterly, monitoring and reporting would facilitate more prompt remedial action being introduced, where required.
32. We consider that both of these risks have been addressed as the council advised that a full review of targets had been carried out as part of a wider review of the Finance and Corporate Services department, and that annual processing targets are based on advice from DWP on acceptable processing times.
33. In respect of performance reporting, the benefit service KPIs have been incorporated into the *Finance and Corporate Services Departmental Plan*, and are reported quarterly to the Policy and Resources Committee.

Delivering outcomes

34. Effective operational processes and IT systems, along with skilled staff, help benefit services deliver sound performance and continuous improvement. The Comhairle has a number of management arrangements in place to support this.

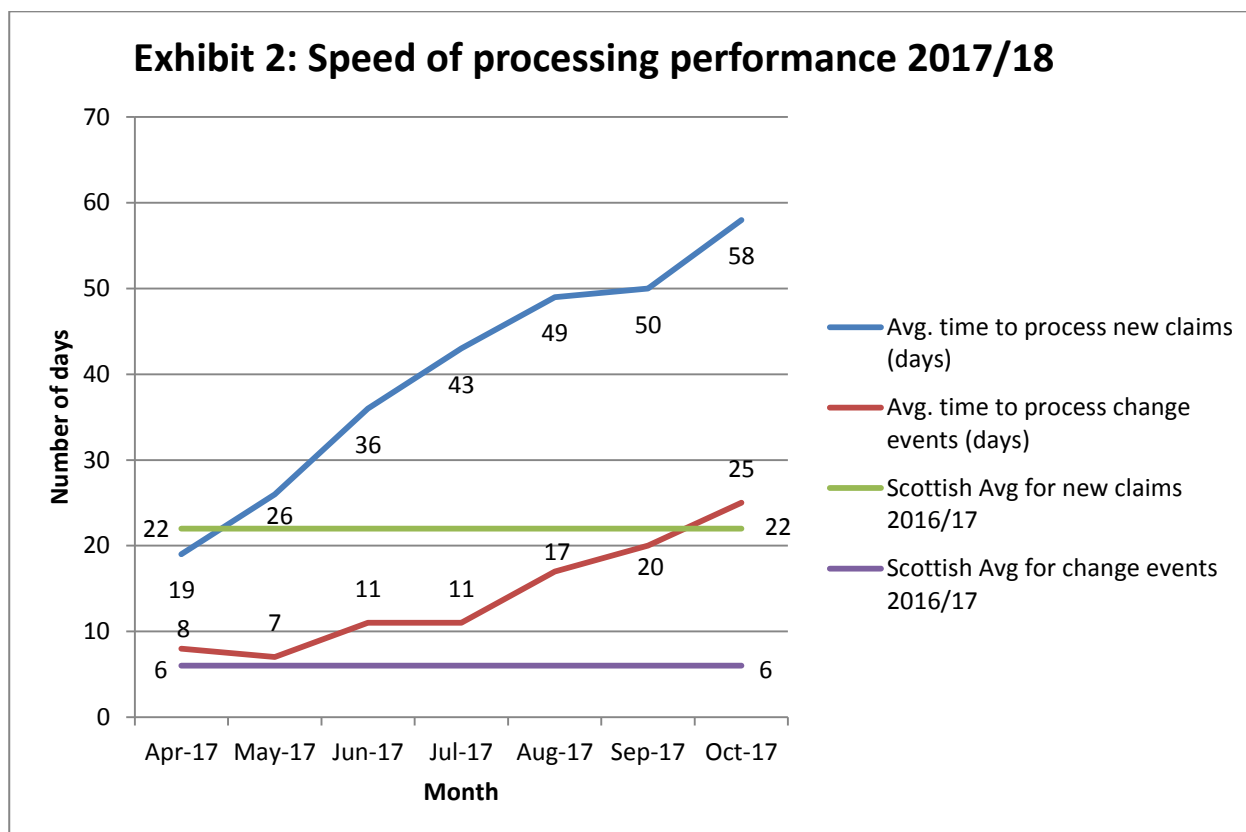
Speed of processing

35. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficient fully trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.
36. Exhibit 1 illustrates the Comhairle's current and previous performance.

Exhibit 1: Speed of processing performance (average number of days)					
	2014/15	2015/16	2016/17	2016/17 Scottish Average	2017/18 (31 Oct)
New claims	22 days	23 days	23 days	22 days	39 days
Change events	7 days	6 days	6 days	6 days	12 days

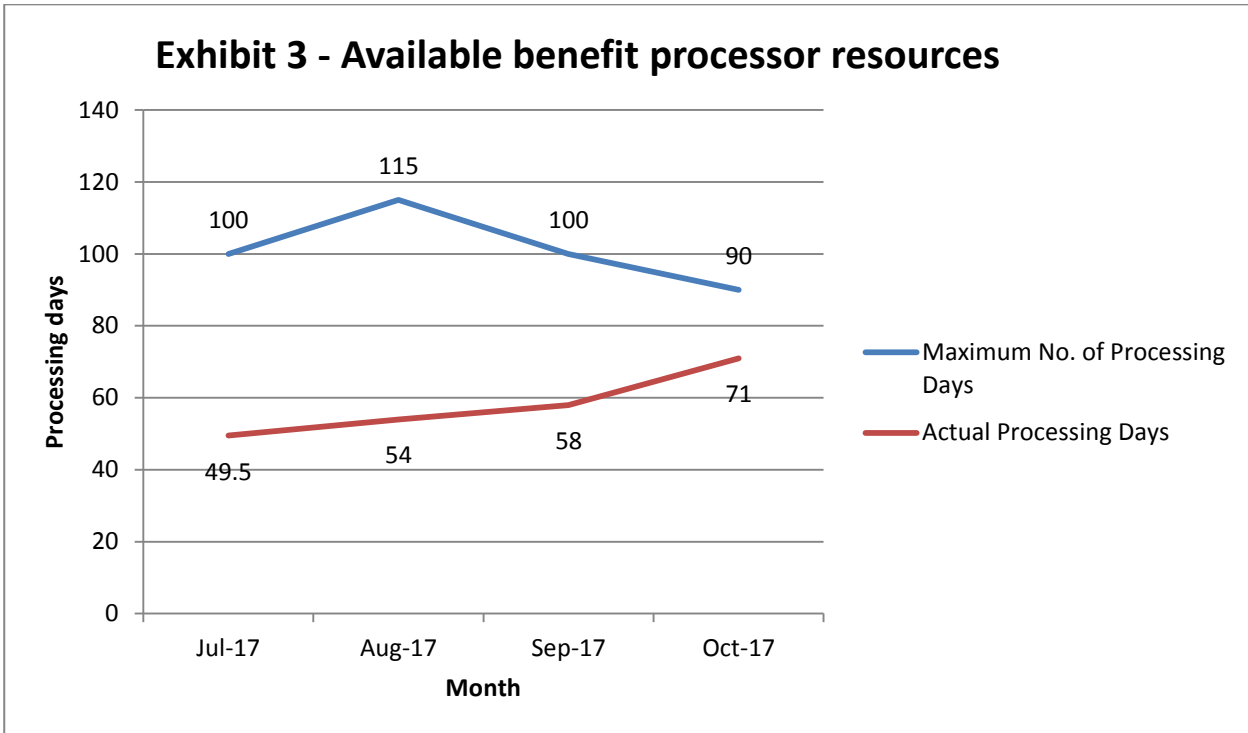
Source: Comhairle Nan Eilean Siar & DWP

37. Since our previous visit, the Comhairle has delivered an excellent level of claims processing performance by processing new claims and change events better than, or within one day of the Scottish average each year. This is commendable at a time when councils are experiencing increased workloads while managing reductions in funding and budgets.
38. Although the purchase of the new benefit IT system is expected to deliver significant savings, following implementation in June 2017 claims processing performance has declined significantly to an average of 39 days for new claims, and an average of 12 days for change events, at 31 October 2017. This level of performance places the Comhairle as the worst performer in Scotland when compared to the DWP's 2016/17 published performance statistics.
39. While a decline in performance following the implementation of a new benefit IT system is not uncommon, the continued decline in performance as detailed in exhibit 2 below is of concern.



Source: Comhairle Nan Eilean Siar

40. Officers consider that the initial decline in performance was primarily a result of the loss of a key member of staff who was very proficient in the use of the system, and had been the main processor for new claims. At the time of our visit this officer had returned to work but had been absent for a period of three months between July 2017 and September 2017. As the post was not fully backfilled, the service found it difficult to manage the loss of this key member of staff at such a critical time.
41. In addition, we were informed that the service has been operating with varying levels of processor resource since July 2017 because of peak annual leave, and increased leave carried over as a result of the additional work undertaken by benefit staff in respect of the planned initial implementation of the new benefit IT system in December 2016.
42. At full complement, the benefit service has approximately five full-time equivalent (FTE) processors within the structure. However, when we analysed the benefit processing resource available to the service since the implementation of the new benefit IT system we found that the service had never operated at full capacity.
43. Exhibit 3 below details our analysis for the period July 2017 to October 2017.



Source: Comhairle Nan Eilean Siar

44. It is clear that the significant loss of benefit processing resource has been a major factor in the Comhairle's declining claims processing performance. As a result, a backlog of work had accrued, and officers informed us that there were approximately 272 items of work waiting to be processed and 41 items awaiting further information, at the time of our site visit in November 2017.

Risk to continuous improvement	
1	The time take to process new claims and changes of circumstances has declined significantly and, with the addition of a backlog, there is a significant risk that the benefit service will be unable to maintain or improve on previous performance, based on current resource levels.

Accuracy

45. The accurate and secure administration of HB should be a key priority for every council, and to support this it should have a robust quality assurance framework in place.
46. The Comhairle places significant importance on the accuracy of its caseload and the Senior Entitlement and Assessment Officer is responsible for carrying out daily management checks. Cases are randomly selected from the benefit service's document imaging system and a

detailed checklist is used to determine if the correct action has been taken on the claim, and that procedures have been followed.

47. If an error is identified the processor is required to take corrective action, which would be checked by the Senior Entitlement and Assessment Officer before being signed off. To ensure a complete audit trail of action taken, outcomes from management checks are recorded on the document imaging system.
48. In addition to daily management checks, there are a number of other management checks carried out. These include:
 - a daily random check of one claim by the systems administration team. The systems administration team would contact the processor by e-mail and ask them to justify the action taken on the claim. These checks are also signed off by the Senior Entitlement and Assessment officer
 - a check of all payments over £1,000, where the payment is not to a registered social landlord
 - a 100% check of the claims payment schedule by the Revenues and Benefits Manager to identify any claims that might require further investigation.
49. Exhibit 4 illustrates the Comhairle's current and previous accuracy performance.

Exhibit 4: Financial accuracy performance		
	Target	Achieved
2014/15	100%	98%
2015/16	100%	100%
2016/17	100%	100%
2017/18 (30 Jun)	100%	100%

Source: Comhairle Nan Eilean Siar

50. The Comhairle has performed exceptionally well in respect of accuracy since 2014/15, which is testament to the experience of the staff within the benefit service. Additional assurance can be taken from the recent internal audit of the benefit service in 2016/17, which found that claims were accurately assessed and benefit was calculated in accordance with regulations.
51. However, in December 2016, external audit identified errors from its subsidy testing where pension deductions from income had been incorrectly recorded. This serves to reinforce our previously reported risk that the service needs to take a more risk-based approach to its management checks.

52. In addition, we were told that daily management checks have been suspended since July 2017, following the implementation of the new benefit IT system. This decision was taken to ensure that all available resources were focused on core processing activities to help address the decline in claims processing performance. Although a sound business decision, the suspension of daily management checks presents an increased risk of fraud and error entering the system un-checked.
53. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that, although cases were selected to ensure that all processing staff were included in management checks, there was no process in place to ensure that the service was focusing on higher risk cases in order to improve performance and help minimise any losses.
54. The Comhairle planned to carry out research to establish best practice in this area. However, we are advised that this action has not been completed, and therefore we consider that this risk remains outstanding.

Risks to continuous improvement	
2	The benefit service suspended its daily management checks in July 2017, and therefore there is an increased risk of fraud and error entering the system unchecked, and limited assurance over the accuracy of its caseload.
3	To reduce the opportunity for internal fraud, cases selected for a management check should be taken from the core benefit IT system and, where possible, management checks should be carried out pre-payment to allow for errors to be corrected before a payment is made to help reduce the potential for local authority overpayments to arise.
4	The Comhairle should consider reviewing its approach to management checks by centrally recording all outcomes from management checking activities, with a view to developing a more risk-based approach, based on sound analysis of summary data.

Interventions

55. To minimise error in the caseload, councils must encourage customers to report change events on time and have a robust intervention programme to identify changes and take appropriate corrective action.
56. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances. In addition, the Comhairle's website provides customers with details of office opening hours, information on how to contact the benefit service by telephone, letter, or e-mail, and an online change event form that can be downloaded for offline completion.

57. The Comhairle also actively participates in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI), and more recently the DWP's Real Time Information (RTI) and optional RTI data matching services, which all help to identify possible unreported change events that require further investigation.
58. In addition, the Comhairle has developed an annual programme of proactive intervention activity that targets customers considered to be at high risk of failing to notify a change event. The majority of interventions are issued by post and in 2016/17 the following claim types were targeted:
- claims where earnings had not changed in the previous nine months
 - customers with an occupation pension
 - customers in receipt of working tax credits.
59. The outcomes from interventions activity are recorded on the benefit IT system. However, as the interventions module on the previous benefit IT system was limited, the benefit service could only record if there had been an increase, decrease, or no change to benefit.
60. In view of this, the Comhairle has been missing an opportunity to determine the effectiveness of each campaign in financial terms, which could help the service decide on the most cost effective use of its resources when planning its future interventions strategy.
61. On a daily basis, the benefit service also makes good use of the benefit IT system diary facility to highlight claims where future changes are expected, or known, which could affect the customer's entitlement to benefit, for example, a significant birthday or a change in household details.
62. Exhibit 5 below details the outcomes from the Comhairle's interventions activity.

Exhibit 5: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2014/15	412	277	67%
2015/16	402	265	66%
2016/17	262	169	64%
2017/18 (30 Jun)	21	11	52%

Source: Comhairle Nan Eilean Siar

63. The Comhairle has performed exceptionally well in this area and, since 2014/15, has identified almost 600 claims where the customer had not notified a change of circumstances, and over

120 claims where vulnerable customers were helped to claim additional benefit to which they were rightfully entitled.

64. However, intervention activity was suspended in July 2017 in order to ensure that all available resources were directed at core processing activities to improve performance. As with management checks, the suspension of intervention activities reduces the level of assurance that the Comhairle has over the accuracy of its caseload, and presents opportunities for fraud and error to remain in the system unchecked.
65. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the Comhairle did not have effective processes in place to routinely gather and analyse information on the effectiveness of its risk criteria to ensure its intervention activity is effectively targeted.
66. We consider that this risk remains outstanding, as the Comhairle does not analyse the outcomes from its interventions activities to determine the effectiveness of its approach.
67. However, while the previous benefit IT system was limited in respect of interventions functionality, we are advised that the new benefit IT system's functionality will provide greater opportunities to analyse and report intervention outcomes in more detail which should help the Comhairle address this risk in the near future.

Overpayments

68. To protect public funds, councils should take appropriate steps to ensure that overpayments are minimised and that when they do occur they are correctly classified and rigorously recovered.
69. The Comhairle's *Debt Recovery Policy* details its approach to recovering debt. The stated objective of the policy is '*to ensure that money owed to the Comhairle is collected as soon as possible using efficient, effective, and fair debt recovery procedures*'. In order to meet this objective, the policy sets out its key debt recovery aims, which are to:
 - take positive action to prevent arrears occurring
 - take enforcement action against deliberate non-payers, or those who delay payment
 - ensure prompt billing, and remind people quickly if they do not pay
 - encourage early contact to avoid the build-up of debt.
70. At an operational level, if a customer has continued entitlement to benefit, recovery is initiated by deductions from ongoing entitlement. If a customer is no longer receiving benefit, a sundry debtor account is created and an invoice issued to the customer.

71. If a customer fails to respond to an invoice within four weeks, a reminder is issued, followed by a final notice. Where no response is received the Comhairle makes good use of all available recovery options including:
- utilising the DWP's Payment Deduction Programme to automate the recovery of HB overpayments from Universal Credit, where appropriate
 - using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
 - using a Direct Earnings Attachment (DEA) when the customer is in employment
 - using other commercial products
 - working with Sheriff Officers, where all other available recovery options have been exhausted.
72. In order to minimise benefit overpayments, the Comhairle prioritises change events that could lead to an overpayment, uses benefit IT system reports to predict changes, and reminds customers wherever possible of the need to report any changes. We were also informed that a claim would be suspended immediately if there was any doubt over entitlement.
73. This proactive approach has helped minimise the number of local authority/administrative error overpayments that can arise as a result of processing delays. This is particularly important as a council can lose subsidy where its local authority/administrative error rate exceeds 0.48% of all HB payments made.
74. In 2015/16 and 2016/17, the Comhairle has performed exceptionally well against this target by recording a local authority/administrative error rate of 0.29% and 0.32% respectively.
75. Exhibit 6 illustrates the Comhairle's current and previous recovery performance.

Exhibit 6: Overpayment levels and recovery performance				
	2014/15	2015/16	2016/17	2017/18 (30 Sep)
Total overpayments c/f	£233,277	£268,553	£306,009	£299,524
Total overpayments raised in-year	£204,117	£242,347	£212,701	£94,911
HB debt recovered	£163,519	£194,494	£201,690	£60,375
% of total HB	37%	38%	39%	15%

Exhibit 6: Overpayment levels and recovery performance

debt recovered				
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Source: Comhairle Nan Eilean Siar

76. The Comhairle has a clear focus on the recovery of benefit overpayments and, each year since 2014/15, it has recovered in excess of 35% of all debt outstanding. This compares very well to recovery levels seen by Audit Scotland in other Scottish councils.
77. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that there was limited assurance that the value of overpayments raised, recovered and outstanding was being accurately recorded and reported.
78. We consider that this risk has been addressed as the Comhairle has confirmed that the risk was a result of reporting issues within the previous benefit IT system, which have now been resolved. Officers informed us that the new benefit IT system's enhanced reporting functionality would allow the service to provide regular detailed reports on recovery performance, which will provide a greater level of assurance to senior management and elected members.

Appendix A

Progress against action plan update at October 2016	
While the service now sets targets for all operational areas, there is little evidence that they are reviewed during the annual business planning cycle to ensure they remain realistic or sufficiently challenging.	Completed
Apart from speed of processing and accuracy, all other KPIs are monitored and reported annually. More frequent, at least quarterly, monitoring and reporting would facilitate more prompt remedial action being introduced where required.	Completed
Cases are selected to ensure that all processing staff are included but there is no process in place to ensure that the selection is also focused on higher risk cases, in order to improve performance and help minimise any losses.	Outstanding
The Comhairle does not have effective processes in place to routinely gather and analyse information on the effectiveness of its risk criteria to ensure its intervention activity is effectively targeted.	Outstanding
There is limited assurance that the value of overpayments raised, recovered and outstanding is being accurately recorded and reported.	Completed
The Comhairle does not have effective processes in place to routinely gather and analyse information on the effectiveness of its fraud activity in terms of the number of referrals received, the number accepted, the number of investigations closed and the outcomes of these.	Completed