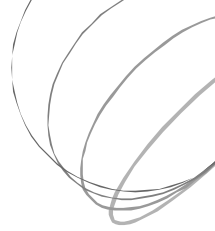




Benefits performance audit 2012/13

A guide for local authorities



Introduction

1. In April 2008 the Accounts Commission agreed to a request from the Department for Work and Pensions (DWP) to take over the Benefit Fraud Inspectorate's responsibility for inspecting housing and council tax benefit (benefits) services in Scotland. As Audit Scotland has no inspection function, this 'benefits performance audit' work has been incorporated into the annual audit of local government.
2. Audit Strategy Group has carried out risk assessments of all 32 benefits services in Scotland to identify risks to continuous improvement. In response to our risk assessment reports, all 32 benefits services have drawn up and are implementing action plans to address the risks identified. Only one focused audit, leading to a formal report to the Accounts Commission, has been required.

Plans for the benefits performance audit from April 2012

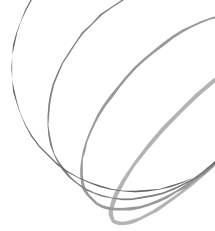
3. Our benefits performance audit work complies with the principles of the Shared Risk Assessment arrangements, and will continue to be carried out as part of the annual audit of local government. We have reviewed our processes and procedures to ensure that our 2012-13 benefits performance audit work will be risk based, proportionate and scheduled on an annual basis.

Risk based

4. Audit Strategy has drawn up risk based criteria to select services for scrutiny and plan to review the performance of 11 benefits services in 2012-13. However, our schedule must be flexible enough to be able to carry out unscheduled risk assessments, if the performance of any service causes the DWP and/or Audit Scotland serious concern, or any focused audits that may be deemed necessary during the year.

Proportionate

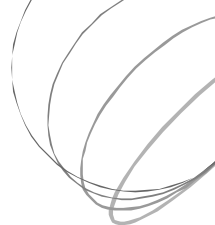
5. The Audit Strategy team will contact councils scheduled for a risk assessment in 2012-13 individually to make arrangements for an action plan progress report and an updated self assessment to be submitted for scrutiny. If we consider that these documents and their supporting evidence give assurance that sufficient progress is being made to reduce the risks identified in the previous risk assessment report and that no further risks to continuous improvement have emerged, an on-site visit and a second risk assessment report may not be required.



6. A visit will only be required if we need to gather additional information or clarify our understanding of the performance of a service. Interviews could cover the whole of the benefit service, or could be tailored to consider only certain aspects of the service e.g. accuracy or claims processing.
7. Following any such visit we will prepare either a letter or a full risk assessment report for the council which, as before, we will clear for factual accuracy with the benefits manager before issue.

The benefits audit approach for 2012-13

8. During the 2012-13 audit, the benefits performance auditor will consider 3 key issues:
 - **Business planning** – what the service is aiming to achieve, its strengths and areas for improvement as well as the challenges and opportunities it faces. The assurance the council has that the benefits service business planning process is effective in helping the service deliver continuous improvement, how management, staff and other stakeholders know what the service is aiming to achieve and how this will be done.
 - **Performance reporting** – how the benefit service sets targets and monitors delivery to help it achieve continuous improvement, what performance is reported, how often and to whom.
 - **Delivering outcomes** – is the service delivering what it promised to do, and how effective is it in delivering against local and national objectives. As part of the risk assessment process we will look at your updated action plan, local targets, performance and outcomes across the benefits service as a whole including speed of processing, accuracy, overpayment recovery, counter fraud, interventions, appeals and reconsiderations and customer service.
9. In considering each of these issues above the benefits performance auditor will draw conclusions from the local authority's past track record of, and potential for, achieving continuous improvement.



Risk assessment

10. The main stages of the risk assessment, along with the associated timeline, are illustrated below and explained in more detail in the paragraphs that follow.

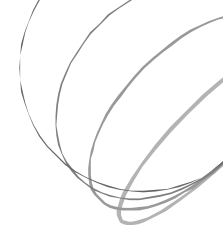
The benefits performance audit for 2012/13 Risk assessment		
	Activity	Timescale
Stage 1	Set-up	
Stage 2	Initial scrutiny Consider level of engagement	⇒ 2weeks
Stage 3	On-site	⇒ up to 3 days over 5
Stage 4	Report	⇒ 4 weeks +
Stage 5	Report findings	⇒ 4 weeks +
Stage 6	Decide follow up action	⇒ 2weeks

Stage 1 – Set-up

11. Audit Scotland will decide the risk assessment programme on an annual basis.
12. Audit Scotland will write to the benefits managers of the selected local authorities requesting the return of a completed self assessment template and a key performance information form, within a minimum of two weeks.

Stage 2 – Initial scrutiny

13. The benefits performance auditor will consider progress against the action plan to address the risks identified from the first risk assessment, compare current performance to past performance, other



Scottish local authorities' performance and the Scottish average performance where this figure is available. Examples of reported performance which will be examined include:

- average time to process new claims
- average time to process changes events
- accuracy
- overpayment recovery
- data matching activities and outcomes
- fraud referrals, investigations and sanctions
- reconsiderations and appeals.

14. Other sources of information include information gained from external audit's work on:

- audit of benefit subsidy claim
- benefits IT systems
- performance and management information.

15. Audit Scotland will also take into account the information it has on the:

- local authority's approach to the National Fraud Initiative and associated results
- findings from the Best Value Audit, if this has taken place.

16. In addition, the benefits performance auditor will take into account any recent or on-going Performance and Development Team activity and DWP monitoring activity.

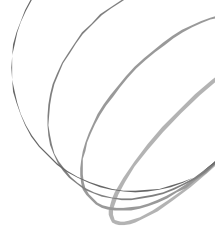
17. The benefits performance auditor will also consider the local authority's updated self assessment taking into account the supporting evidence, reported performance and other information. From their analysis the benefits performance auditor will form their initial hypotheses which will determine whether an on-site visit is necessary and if so, the focus of the on-site visit.

Stage 2 – Consider level of engagement

18. Following the initial scrutiny stage, the benefits performance auditor will discuss the council's updated action plan, self assessment and supporting evidence with the benefits performance manager to determine the appropriate level of engagement.

19. If Audit Scotland considers that sufficient progress has been made to reduce the risks identified in the initial risk assessment report, and that no further risks to continuous improvement have emerged an on-site visit and further risk assessment report may not be required.

20. In such instances, a letter will be sent to the Chief Executive acknowledging the improvements made to the benefits service and notifying the end of Audit Scotland's current engagement. As with the



normal reporting process, this letter will be sent to the benefits manager for a factual accuracy check before issue.

21. If the council has not made sufficient improvement, clarification of the council's self assessment submission is required or additional material risks to continuous improvement have emerged, an on-site visit or other engagement such as contact by telephone or e-mail will be carried out.

Stage 3 – On-site

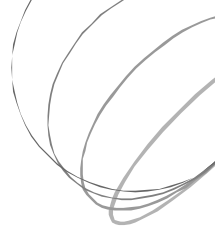
22. While on-site, the benefits performance auditor will have an introductory meeting with key officers to discuss the benefits performance audit process and their initial hypotheses. This will be followed by interviews with individual managers to fill in any gaps in information.
23. Before completing this stage, the benefits auditor will present and discuss their findings. This will provide an opportunity to clarify any issues.
24. As part of Audit Scotland's process, the council's external auditor will be invited to attend the initial meeting and emerging findings meeting. The auditor will be invited to attend as an observer and will not be involved in any other on-site meetings with staff.

Stage 4 – Report

25. After the on-site visit, a report will be drafted containing the benefits performance auditor's findings from the risk assessment. The report will go through an internal quality assurance process before being issued to the council's benefits manager for a factual accuracy check. One week is provided for the factual accuracy check which gives an opportunity for the council to comment on any factual inaccuracies in the report. Audit Scotland can only consider any comments that relate to factual inaccuracies, but any other comments would be welcomed in the council's response to the final report.

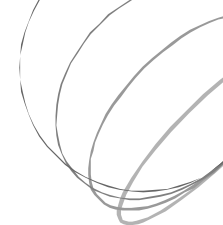
Stage 5 - Report findings

26. Audit Scotland will report the risk assessment findings, highlighting any risks identified to the Chief Executive. Where there are no risks to continuous improvement or where the local authority is taking sufficient steps to address the risk, Audit Scotland's engagement with the authority will cease and future performance will be reviewed when drawing up future risk assessment programmes.
27. Where the risk assessment identifies risks and insufficient steps are being taken to reduce these, Audit Scotland will invite the local authority to provide its proposals for reducing the risks. The authority will be given up to 4 weeks to present its proposals.



Stage 6 – Decide follow up action

28. Audit Scotland will consider the proposals and make a judgement on the likelihood of them delivering service improvement within an acceptable time frame. Where it is considered that service improvement is probable Audit Scotland will request regular updates on progress.
29. Audit Scotland will only move to the second 'focused audit' phase, where it is considered that the prospect of delivering service improvement is unlikely.
30. Audit Scotland will notify DWP of the outcome of all risk assessments.



Focused audit

31. The main stages of the focused audit, along with the associated timeline, are illustrated below and explained in more detail in the paragraphs that follow.

The benefits performance audit for 2012-13– Focused audit		
	Activity	Timescale
Stage 1	Preparation	⇒ 4 weeks
Stage 2	On-site	⇒ 1 week
Stage 3	Report	⇒ 2 weeks +
Stage 4	Report Publication	⇒ 4 -5 weeks

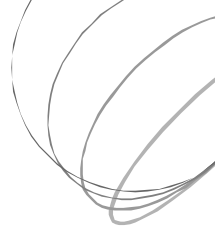
Focused audit stage 1 – Preparation

32. Audit Scotland will decide the scope of the audit and decide which areas it should concentrate its focused audit activities on. The benefits performance auditors will contact the local authority prior to their visit to arrange dates for interviews and workshops.

Focused audit stage 2 – On-site

33. Audit Scotland expects to have 2 benefits performance auditors on site for up to one week who will gather and analyse information. This will involve interviewing those managers responsible for the areas we are examining and facilitating workshops for operational staff. Other activities may include scrutiny of management information and minutes of management and operational team meetings.

34. Throughout the visit the benefits performance auditors will keep the local authority updated on their findings and at the end of the visit they will present their findings, based on the analysis to date. The intention is that this dialogue will enable the local authority to clarify any issues raised and provide additional evidence where appropriate.



Stage 3 – Report

35. After the on site phase the benefits performance auditors will complete their analysis and draft the HB Audit report, which will detail the findings, conclusions and recommendations. Before finalising the report, a draft will be sent to the local authority who will be asked to comment on the factual accuracy. Following this the report will be finalised.

Stage 4 – Report publication

36. HB Audit reports are statutory reports presented to the Accounts Commission by the Controller of Audit. They are public reports and will be published on Audit Scotland's website. The Accounts Commission will report its findings and is likely to ask the local authority to prepare a detailed improvement plan.
37. A copy of the HB Audit report will be sent to the Secretary of State for Work and Pensions.