

Inverclyde Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for Inverclyde Council
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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 Inverclyde Council'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 March 2016.

Executive summary

5. A risk assessment was previously carried out on Inverclyde Council's benefit service in January 2012 when Audit Scotland identified 12 risks to continuous improvement. These were reported to the Chief Executive in March 2012 and, in response, the council submitted an action plan later that month 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 benefit service. These included a service restructure in May 2012 which saw the Revenues and Benefits Manager (now the Revenues and Customer Services Manager) take on the responsibility for Customer Services as part of the Environment Regeneration and Resources Directorate.
7. At the same time, responsibility for HB overpayments was transferred to the Revenues Team Leader and, with the introduction of the UK government's welfare reforms in April 2013, the Revenues and Customer Services Manager took on the responsibility for delivering the council's Scottish Welfare Fund.
8. Most notably, between January 2013 and June 2014 the benefit service had significant involvement in a large scale multi-agency landlord fraud investigation, led by Police Scotland. Although the majority of the council's involvement took place between these dates, the

activities arising from the investigation were resource intensive as the council implemented enhanced fraud prevention protocols for a large number of claimants in respect of the landlord under investigation (Agent 1). This led to delays in claims processing times which were further impacted from August 2014, following a change to Agent 1's business arrangements. This is discussed in more detail under *Speed of Processing*.

9. In view of the impact of this investigation on the service's new claims processing performance, which at November 2014 had declined to an average of 45 days, it is commendable that the benefit service continued to deliver an excellent level of performance in respect of the time taken to process changes of circumstances, while ensuring that the accuracy of its claims was not compromised.
10. In February 2016, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the 12 risks identified, the council has made excellent progress by completing 10 of the risks by October 2013. *Appendix A* covers this in detail.
11. In completing 10 of the 12 risks the council has made a very positive contribution to the delivery of the benefit service. In particular, this included:
 - developing and implementing a service level agreement between the benefit service and customer services which sets out the roles and responsibilities of each service, details performance targets, monitoring, and reporting arrangements
 - carrying out a customer survey and using the results to support changes to customer service delivery, and planning to carry out a further customer survey in 2016/17
 - increasing the cash collection target for the recovery of benefit overpayments from £5,000 per month to £10,000 per month, and exceeding this target, on average, by approximately £2,000, between April 2015 and February 2016.
12. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are two risks outstanding from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks. These include:
 - performance is not being reported against all aspects of the service, in particular in respect of the amount of in-year debt recovered and against all debt outstanding
 - recording and analysing the outcomes of intervention activities in respect of the value of overpayments and underpayments identified to allow the service to evaluate each intervention campaign and use this information when setting its forward strategy.

Business planning and reporting

13. An effective business plan provides an opportunity for the council to set out the aims and objectives for each service and should contain key deliverables against which performance can be measured, monitored and reported.
14. The benefit service is part of Revenues and Customer Services which, as part of Finance Services, is an integral part of the Environment Regeneration and Resources Corporate Directorate. The *Environment Regeneration and Resources Corporate Directorate Plan 2013-2016* sets out the strategic direction for the service and supports the corporate statement 'getting it right for every child, citizen and community'.
15. The directorate plan, which is reviewed annually to ensure the actions contained within it are relevant, contains the two key performance indicators for the benefit service which are the average time to process new claims and the average time to process changes of circumstances. The targets for both indicators show a comparison with previous year's performance and how the council has performed against other Scottish councils.
16. The plan also contains upper and lower performance thresholds and we were told that, if performance breached the lower threshold, an explanation would be provided to senior management and members, and that performance would be closely monitored to ensure improvements were delivered.
17. At an operational level there are regular meetings between staff and senior management where performance is routinely discussed. These include:
 - daily informal meetings between the Principal Benefits and Customer Services Officer and the Revenues and Customer Services Manager
 - monthly 1-2-1 meetings between team leaders and their individual staff members where quantity and quality of work is discussed against personal performance targets
 - monthly 1-2-1 meetings between the Revenues and Customer Services manager and the Chief Financial Officer
 - an item five times a year at the Policy and Resources committee.
18. In addition, the service makes good use of a comprehensive monthly performance management framework which contains performance information across a broad range of the service's activities. This includes the:
 - average number of days to process new claims and changes of circumstances
 - financial and non-financial accuracy of claims
 - time taken to deal with appeals and reconsiderations
 - percentage of postal reviews resulting in a change to benefit

- cash value of benefit overpayments recovered.
19. Staff also receive a monthly e-mail which summarises benefit processing performance in-month, year to date and compared to the same period in respect of the previous year.
 20. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
 - the benefits service and counter fraud business plans did not contain details of the service's key performance targets, monitoring or reporting arrangements
 - despite a comprehensive management framework, not all aspects of performance were being reported to senior management or elected Members. This included the benefit service's performance in respect of the:
 - administration of sanctions
 - recovery of benefits overpayments.
 21. We consider that one of these risks has been addressed as the service's two key performance indicators for speed of processing new claims and changes of circumstances is a key aspect of the *Corporate Directorate Improvement Plan 2013/16* and is regularly reported to senior management and members of the Policy and Resources committee.
 22. However, while the service's comprehensive monthly performance management framework details most aspects of the service's activities, and is regularly monitored and reported to staff and senior management, the service is not formally reporting its performance in respect of the recovery of overpayments. We therefore consider that this risk remains outstanding.
 23. With the transfer of counter fraud functions to the DWP's Single Fraud Investigation Service (SFIS) in February 2016, the risks in respect of the counter-fraud business plan and performance in respect of the administration of sanctions are no longer relevant.

Delivering outcomes

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

Speed of processing

25. 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.
26. The benefit service had significant involvement in the investigation of a large scale landlord fraud between January 2013 and June 2014, when the case was reported to the Procurator Fiscal by Police Scotland. The council told us that the investigation was resource intensive as

it had to investigate a significant number of claims, prepare cases for Police Scotland, and deal with the associated and numerous enquiries, including appeals, from the managing agent (Agent 1) concerned.

27. In response to the investigation, the council introduced enhanced verification procedures in July 2013 in respect of all new claims for Agent 1. These new procedures were comprehensive and designed to ensure that the council was as confident as possible that any new claims from Agent 1 were legitimate, and that the property was properly occupied.
28. However, the result of this approach meant that new claims were taking up to eight weeks to verify, which was further complicated when Agent 1 transferred their business to a relative (Agent 2) in August 2014. As a consequence, the council suspended all claims in respect of Agent 1 and contacted all of the property owners to determine if they were aware of this change, and to seek confirmation that they wanted to continue with Agent 2 as their representative.
29. In October 2014, the council extended its enhanced verification checks to all new private tenant claims within a specific council area which was considered to present a higher risk of fraudulent activity. At the same time, more rigorous evidence requirements were introduced across the whole of the private sector for all new claims, and claims where a change of address had been notified. However, as a consequence of these enhanced checks, the time taken to process new claims declined significantly to an average of 45 days, at November 2014.
30. The council responded positively to this decline, and in December 2014 carried out a full review of its approach and focused its efforts and staff resources on improving the time to process new claims. In January 2015, further refinements to the enhanced verification checks process was carried out to make it less rigorous and time consuming, while still providing the required level of assurance. This further refinement helped the service to significantly improve its new claims processing performance to an average of 27 days in 2014/15.
31. Although this level of performance was four days above its 2014/15 target, it is commendable given the impact of its involvement in the large scale landlord fraud investigation, and the other issues which have impacted the service's performance. These included:
 - the introduction of a new document imaging system in April 2014
 - the loss of two members of staff on sick leave for approximately six months each, and the loss of four experienced staff on maternity leave during 2014/15 and 2015/16.
32. Exhibit 1 illustrates the council's current and previous performance.

Exhibit 1: Speed of processing performance (average number of days)			
	2013/14	2014/15	2015/16 (29 Feb)
New claims	22 days	27 days	26 days
Change events	5 days	3 days	5 days

Source: Inverclyde Council & DWP

33. The council told us that, since June 2015, processing performance had stabilised as staff became more competent with the new document imaging system and the new verification procedures. Although performance in 2015/16 placed the council 26th in Scotland for the average time to process new claims, based on DWPs quarter two published performance data, the council has been at, or below, the Scottish average of 24 days consistently from August 2015 to February 2016.
34. In addition, the average time taken to process changes of circumstances at an average of four days in 2014/15, and an average of five days in 2015/16 (at 30 September 2015) placed the council as the top performer in Scotland each year. This is an excellent level of performance and, in view of this, we consider that there is scope for the service to switch its focus to improving new claims processing times while still maintaining a top quartile performance for processing changes of circumstances.
35. The council also told that us that it was considering the introduction of risk based verification which could further improve claims processing times and therefore we consider that the service is well positioned to manage and deliver further improvements in the time taken to process new claims in 2016/17.

Accuracy

36. 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.
37. The benefit service has a comprehensive management checking regime which is detailed in the *Benefit Operations - Quality Checking Procedures* and is carried out by the Standards and Monitoring team. All quality checks are pre-payment which helps to reduce the potential for local authority (LA) / administrative delay error overpayments to arise, and is considered to be good practice.
38. On a daily basis the Standards and Monitoring team selects a random sample of claims that were processed the previous day from a benefit IT system report and conducts up to 37 relevant checks, depending on the claim type, to ensure that:
 - the claim form has been fully completed
 - the claimant has provided proof of their identity
 - backdating has been considered, if appropriate
 - the correct type of tenancy has been recorded
 - the rent amount has been correctly entered on to the benefit IT system.
39. The Standards and Monitoring team aims to check a minimum of 20 claims for each assessor per month and the outcomes of these checks are recorded electronically and analysed to identify recurring trends and patterns of error. Where an error is found the claim is returned to the assessor advising the reason for the error and the corrective action required. The assessor is required to amend the claim and, once completed, to advise the Standards and

Monitoring team so that a final check can be carried out to ensure that the appropriate corrective action has been taken.

40. On a monthly basis a detailed summary report is provided by the Standards and Monitoring officer to benefit team leaders which details, for example, the number of claims processed by each assessor, the number of claims checked, the number of incorrect claims identified, and the financial and non-financial accuracy performance for each assessor and the service as a whole. A separate report is also produced for each assessor with a breakdown of their individual performance.
41. These reports are used as a basis for discussion at the monthly Senior Benefits Staff meeting, which is attended by the Standards and Monitoring officer, and at the monthly 1-2-1 meetings between team leaders and assessors to help identify staff that might require remedial training, or additional monitoring. For example, if an assessor has caused a serious financial error, their work could be monitored for a period of four weeks to determine if specific training or guidance is required to ensure that this type of error does not recur.
42. In addition to the daily management checking process, the Standards and Monitoring team also carries out other activities to ensure the accuracy of claims. These include:
 - a 100% check of the work of new staff, staff returning from extended leave, and staff that are under-performing. These checks are reduced incrementally as the officer gains experience, or their accuracy levels improve to a satisfactory level
 - a 100% pre-payment check of all payments in excess of £500 to ensure the accuracy of the payment before it is released
 - randomly selecting an assessor each week and carrying out a 100% check of their work
 - daily, weekly and twice-weekly scrutiny of benefit IT system reports. For example, the landlord payment report is checked twice per week to ensure that all payments over £500 are accurate and that the correct bank details are being used.
43. Exhibit 2 illustrates the council's current and previous accuracy performance.

Exhibit 2: Financial accuracy performance		
	Target	Achieved
2013/14	99%	100%
2014/15	99%	99%
2015/16 (29 Feb)	99%	99%

Source: Inverclyde Council

44. As part of the work of the Standards and Monitoring team, the value of overpayments or underpayments that have been identified are recorded and reported in the monthly performance e-mail that goes to all benefit staff. In 2014/15, the Standards and Monitoring team identified £25,479 of overpayments and £17,237 of underpayments that would have

been made but for the intervention of the team. This reinforces the benefits of a robust management checking process as intervention at an early stage can help reduce:

- the number of telephone or personal enquiries
- the number of requests for reconsideration and appeals
- the value of overpayments, and the costs associated with the recovery process
- the potential for customers to fall into arrears as a result of an underpayment arising from an incorrect assessment.

45. It is clear that the council places significant importance on the accuracy of its claims and has delivered an excellent level of performance each year by meeting or exceeding its internal target, despite other issues which have affected speed of processing performance. This is commendable.

Interventions

46. To minimise error in the caseload, councils must encourage customers to report changes of circumstances on time and have a robust intervention programme to identify changes and take appropriate corrective action.
47. To support this, the benefit service notification letters remind customers of the requirement to report any change in circumstances and the council website provides customers with details of office opening hours, information on how to contact the benefit service by telephone, letter, or e-mail, and forms to report a change of circumstances, which are available to download.
48. The council 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) data matching services, which all help to identify possible unreported changes of circumstances that require further investigation.
49. In addition, the benefit service makes good use of the benefit IT system diary facility to produce reports that highlight claims where future changes are expected, or known, which could affect the customer's benefit entitlement, for example, a significant birthday or an increase in earnings.
50. With the introduction of the DWP's Fraud and Error Reduction Incentive Scheme (FERIS), in November 2014, which was designed to reward councils that proactively identify un-reported changes of circumstances, the council successfully applied to the DWP for start-up funding in January 2015.
51. A further maintenance fund application was also successful and these funds were used to develop a marketing campaign in partnership with its four main housing associations and the council's customer service centre. Leaflets were produced for local offices, and reproduced in bi-annual housing association tenant newsletters in 2015, reminding customers on the importance of reporting changes of circumstances. The council told us that this exercise would be carried out again in 2016/17.

52. In addition, the benefit service carried out presentations to all frontline housing association and customer services staff on the importance of dealing with information from customers and how this might affect benefit entitlement.
53. At an operational level, the benefit service has an annual programme of intervention activity which is managed by a dedicated team of four staff; a senior benefit assessor supported by three assessors. The comprehensive *Benefit Operations - Interventions* procedural document details the actions to be carried out for each campaign and every month the council aims to carry out a new campaign targeting a specific customer group using different intervention techniques as detailed in exhibit 3 below.

Exhibit 3: Example FERIS activities 2016/17		
Month	Task	Method
May	War Pensions	Letter
July	Student income	Telephone call & review form
September	Child Care Charges	Telephone call & review form
November	National minimum wage uprating	Online checks
December	Working Tax Credit/Child Tax Credits	Customer Information System

Source: Inverclyde Council

54. The results from the council's interventions activities are recorded on the benefit IT system's FERIS module which is used to document whether the outcome has resulted in a change or no change to the amount of benefit the customer receives. However, we were told that, where a change has been identified, the council is not recording the value of the resultant overpayment or underpayment.
55. Exhibit 4 below details the outcomes from the council's interventions activity.

Exhibit 4: Interventions performance			
	No. of interventions completed	No. of changes identified	%
2013/14	1177	591	50%
2014/15	1346	778	58%
2015/16 (29 Feb)	889	426	48%

Source: Inverclyde Council

56. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that there was limited recording of interventions outcomes, and analysis of interventions activity was not sufficiently detailed to enable the council to make informed

decisions on the effectiveness of its approach, or help it to identify service improvements. For example:

- the type of intervention that is most successful in identifying an un-notified change of circumstances
- the type of un-notified changes that are most prevalent.

57. We consider that this risk remains outstanding as the council is not recording the value of overpayments or underpayments identified from its interventions activity. In doing so, it would be better placed to determine the effectiveness of each campaign, and enable the service to make informed decisions on its future interventions strategy.

Overpayments

58. 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.
59. The *HB/CTR Overpayment Recovery Policy* and the *Sundry Debtors Policy* set out the councils approach to the recovery of debt. The *HB/CTR Overpayment Recovery Policy* details the importance of a clear debt recovery strategy, and the aim of the policy is to ensure that the council administers and recovers HB/CTR overpayments efficiently and effectively.
60. Where a customer remains in receipt of benefit, the overpayment is recovered from ongoing deductions using the DWP's prescribed rates or, if appropriate, at a reduced rate following an assessment of the customer's financial circumstances. However, if a customer is no longer in receipt of benefit, responsibility for the recovery of the debt is transferred to the Finance and Subsidy team, consisting of a Finance and Subsidy officer supported by two Finance and Subsidy assistants.
61. The Finance and Subsidy team makes good use of all available recovery options including:
- issuing an invoice when the customer is no longer in receipt of benefit
 - working with the DWP's Debt Management Unit to recover overpayments from ongoing DWP benefits where appropriate
 - using the DWP's Customer Information System to trace customers who are no longer resident within the local authority area
 - utilising social media, and texting customers to remind them to contact the Finance and Subsidy team
 - arrestment of earnings, where appropriate.
62. We were also told that the council carries out a number of other activities to help minimise the number and value of overpayments that occur. These include a daily check of all overpayments to ensure that they are correctly classified and are set to be recovered from the correct person or organisation, and the prioritisation of high-risk NFI data matches.

63. In addition, the council's customer relationship management system is set to auto-suspend a claim when a change of address is notified, and there is an interface between the council's benefit IT system and its largest housing association's rent system that automatically cancels HB when a tenancy ends. This is considered to be good practice.
64. Exhibit 5 illustrates the council's current and previous recovery performance.

Exhibit 5 Overpayment levels and recovery performance			
	2013/14	2014/15	2015/16 (31 Dec 15)
Total overpayments c/f	£1,177,040	£1,221,037	£1,351,322
Total overpayments raised in-year	£709,817	£902,904	£364,465
HB debt recovered	£511,611	£607,390	£234,425
% of in-year debt recovered	72%	67%	64%
% of total HB debt recovered	27%	29%	24%

Source: Inverclyde Council

65. Although the council's fraud investigation function was transferred to the DWP's SFIS in February 2016, the council told us that it is committed to actively pursuing legacy fraud overpayments / administrative penalties and that any new fraud overpayments / administrative penalties are prioritised for recovery and recovered at the higher recovery rate, as appropriate.
66. This commitment can be demonstrated by the council's performance in recovering administrative penalties. In 2014/15 of the £4,720 of administrative penalties raised, the council had recovered £4,148 (88%) and in 2015/16, of the £4,393 raised, the council had recovered £2,205 (50%), at 30 March 2016.
67. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- although the council had set a target and reported performance in recovering sundry benefit debt, there were no targets in the performance management framework for in-year debt recovery, or all debt recovery, and therefore this performance was not being routinely reported to senior management or elected Members
 - the council's cash collection target of more than £5,000 per month was not sufficiently challenging when compared to current performance.
68. We consider that one of these risks has been addressed as the council increased its cash collection target from £5,000 per month to £10,000 per month following our previous visit and had collected approximately £12,000 per month on average in 2015/16, at February 2016.
69. However, as detailed under *Performance reporting*, there are no targets in respect of the recovery of in-year debt, or against the value of all debt outstanding. Although this information

is available, it is not formally reported to senior management and members, and therefore the council has limited assurance that it is delivering optimum performance, or that it is fully meeting the aims of the *HB/CTR Overpayments Recovery Policy* to administer and recover benefit overpayments efficiently and effectively.

Counter-fraud

70. The prevention, detection and investigation of fraudulent claims are important aspects of a secure and effective benefit service. Counter-fraud activities help to protect public funds by ensuring that fraudulent claims are identified and sanctions are applied where appropriate.
71. In 2010, the joint DWP/Her Majesty's Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and Tax Credits, whether currently administered by DWP, HMRC, or local authorities. The main objective of the policy was to ensure that all types of social security and Tax Credit fraud would be investigated according to a single set of guidance and priorities.
72. In February 2016, the council's benefit fraud investigation function was transferred to SFIS and, as part of the new SFIS regime, a local agreement has been developed between the council and the DWP which sets out the requirements for the exchange of information between the two organisations. This includes recommended timescales, a single point of contact, and an escalation route should any issues arise that cannot be resolved at the single point of contact level.

Appendix A

Progress against action plan update at March 2016	
The benefits service and counter fraud business plans do not contain details of the service's key performance targets, monitoring or reporting arrangements.	Completed
Although the performance management framework is comprehensive, not all aspects of performance are being reported to senior management or elected Members. This includes the benefit service's performance in respect of the: <ul style="list-style-type: none"> administration of sanctions recovery of benefits overpayments. 	Outstanding
Although the council has previously engaged with landlords and benefits customers, in order to obtain meaningful feedback on the quality of service provided, and identify areas for improvements, surveys need to be targeted at, and focussed on, the experience of landlords and customers when dealing with the benefits service.	Completed
There is no service level agreement between the customer service centre and the benefits service setting out the roles and responsibilities of each service and detailing performance targets, monitoring, and reporting arrangements.	Completed
Although the council has previously carried out benefit take-up initiatives, there is no formal benefit take up strategy setting out the council's approach to engaging with potential benefits customers, or those from under-represented groups.	Completed
The council does not have a customer service strategy and, as there are only limited customer service targets, there is limited reporting of customer service performance.	Completed
There is limited recording of interventions outcomes, and analysis of interventions activity is not sufficiently detailed to enable the council to make informed decisions on the effectiveness of its approach, or help it to identify service improvements. For example: <ul style="list-style-type: none"> the type of intervention that is most successful in identifying an un-notified change of circumstances the type of un-notified changes that are most prevalent. 	Outstanding
Although the council has set a target and reports performance in recovering sundry benefits debt, there are no targets in the performance management framework for in-year debt recovery, or all	Completed

Progress against action plan update at March 2016	
debt recovery, and therefore this performance is not being routinely reported to senior management or elected Members.	
The council's cash collection target of more than £5,000 per month is not sufficiently challenging when compared to current performance.	Completed
Although improving, the council's performance in dealing with requests for reconsideration and appeals is below local targets.	Completed
There are incomplete data fields in the appeals and reconsiderations spreadsheet, and the council needs to understand and address the reasons why approximately 60% of requests for reconsideration are being resolved in favour of the customer.	Completed
There is limited analysis of the outcomes of requests for reconsideration, and therefore the council is missing an opportunity to learn from this work by identifying areas for improvements.	Completed