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**To:** Audit, Scrutiny & Petitions Board

**On:** 21 September 2015

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**Report by:** Director of Finance and Resources

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**Heading:** Audit Scotland Report: Audit of Housing and Council Tax Benefit Risk Assessment Report

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## **1. Summary**

- 1.1 The Council's external auditor is Audit Scotland, as part of their remit they are required to carry out Housing Benefit Audit Risk Assessments across the 32 Local Authorities in Scotland. The main objective of the benefit performance audit is to help councils improve their benefit services, but it also holds councils to account for any failing services.
- 1.2 Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the Department for Work and Pensions (DWP) to provide assurances over how Scottish councils are performing.
- 1.3 During May 2015, Audit Scotland carried out a follow up Housing Benefit Risk Assessment for Renfrewshire and provided a report to the Council's Chief Executive on 4 June 2015. (A copy of the report is attached as Appendix 1)
- 1.4 Overall the report was very positive noting improvements in key areas. Two risks to continuous improvement were identified and these are already being addressed by the Service. As referred in 1.2 above, an

improvement plan was developed in response to the risks and this has been approved by Audit Scotland. (A copy is attached as Appendix 2)

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## **2. Recommendations**

- 2.1 To note the *Audit of Housing and Council Tax Benefit, Risk Assessment Report* (appendix 1) and the improvement plan submitted in response (appendix 2)
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## **3. Background**

- 3.1 As stated in section 1.3, Audit Scotland completed a follow up risk assessment of the effectiveness of the Council's Benefits Service on meeting national and local priorities, business planning and reporting and delivering outcomes.
- 3.2 A risk assessment was previously carried out on the Council's Benefits Service in March 2012 when Audit Scotland identified 24 risks to continuous improvement. In response the council submitted an action plan in June 2012 to address these risks. The plan was accepted by Audit Scotland as satisfactory, if fully implemented.
- 3.2 To enable the recent risk assessment to be completed Audit Scotland gathered information from a range of sources including;
- a self assessment template, supporting evidence and updated action plan (from previous assessment) which was provided by the benefits service.
  - DWP indicators and other performance measures
  - Internal and external audit reports
  - Discussions with the appointed external auditors
  - Discussions with senior officers in the council during a site visit in April 2015.
- 3.3 Overall Audit Scotland noted the improvements in the benefits service performance as 'commendable' as they had been achieved in what they described as '*a period of significant change*'
- 3.4 The updated action plan submitted by the Benefits Service demonstrated that of the 24 risks previously identified in 2012, 23 actions had been fully completed. Audit Scotland noted in its report that in completing these actions the council had made a very positive

contribution to the delivery of the benefits service. The report particularly highlighted:

- A clear and comprehensive performance management regime
- The continuous improvement of new claims processing performance
- A comprehensive quality checking framework
- The setting of an overpayment target
- The development of intervention campaigns to help to identify unreported changes in circumstances
- Continuing to deliver an excellent sanctions programme.

- 3.5      Audit Scotland noted that the risk which remained outstanding , *the council not being routinely notified of the outcomes of prosecutions by the procurator fiscal and as a result not routinely publicising successful outcomes of fraud activity*. However in relation to counter-fraud activity notable improvement was highlight by Audit Scotland in their report under sections 78- 93 of Appendix 1
- 3.6      Audit Scotland identified two new risks to continuous improvement. These risks are already being addressed by the Service and the improvement plan referred in 3.2 and attached as appendix 2 has been approved by Audit Scotland. Members may note that the level of risk identified during this recent audit was a significant improvement compared with previous audit in 2012 when as stated in section 3.2 above twenty four risks were identified.
- 3.7      Work has already started within the service to address the risk identified in relation to the authorisation of overpayment write offs, this action has already been completed and a new process is in place.
- 3.8      With regards to the reconciliation of Overpayments, the analysis work described in the improvement plan is also underway. Members may be reassured that service has no reason to believe that reported overpayment figures are incorrect. These figures are obtained from the benefits administration system provided by a software supplier which provides service to a number of local authorities across Scotland.

3.9

The issue described by Audit Scotland relates to reconciliation, the system provides a snapshot of the level of overpayments on a quarterly basis. Between quarters more overpayments are raised, amounts are recovered and amounts written off. However, ongoing changes to housing benefit claims can result in a backdated change to an overpayment previously raised. The effect of these changes is not currently measured and as a result the service is not able to fully reconcile the level of Overpayments at the end of one period with those at the start of another. The work planned is intended to provide a mechanism to measure the effect of backdated changes.

## Implications of the Report

1. **Financial** – an efficient, effective Benefit Service assists council tenants meet their financial obligations in terms of rent and council tax and ensures overpayments are minimised and DWP subsidy maximised
2. **HR & Organisational Development** - *none*
3. **Community Planning –**  
  
**Community Care, Health & Well-being** – An effective Benefits service is vital to the quality of life of many of our citizens as it provides vital support for low income households in order to sustain tenancies and meet their rent obligations
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights**
  - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - *none*
9. **Procurement** – *none*
10. **Risk** - *none*
11. **Privacy Impact** - *none*

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# **Renfrewshire Council**

## **Audit of housing benefit Risk assessment report**



Prepared for Renfrewshire Council  
June 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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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 Renfrewshire 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 April 2015.

## Executive summary

5. A risk assessment was previously carried out on Renfrewshire Council's benefit service in March 2012 when Audit Scotland identified 24 risks to continuous improvement. These were reported to the Chief Executive in May 2012 and, in response, the council submitted an action plan in June 2012 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented.
6. In April 2015, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the 24 risks identified, the progress the council has made is commendable:
  - 23 actions fully completed
  - 1 action outstanding.

Appendix A covers this in detail.

7. In completing 23 of these risks, the council has made a very positive contribution to the delivery of the benefit service. In particular, by:

- having a clear and comprehensive performance management regime, and regularly reporting benefit performance to staff, senior management and members
  - continuously improving new claims processing performance from an average of 30 days in 2012/13 to an average of 25 days in 2014/15, and by improving the time taken to process changes of circumstances from an average of 13 days in 2013/14 to an average of eight days in 2014/15, which is below the Scottish average of 10 days. These performance improvements are particularly commendable as they have been realised during a period of significant change for the service. These have included:
    - a significant increase in the number of applications for a Discretionary Housing Payment (DHP) arising from the Removal of the Spare Room Subsidy (RSRS) in April 2013 as part of the government's welfare reform agenda
    - a change in the structure of the service, which resulted in approximately 50% of benefit staff having less than six months experience, at April 2013
  - having a comprehensive management checking framework and continuously improving accuracy performance from 90% in 2012/13 to 94% in 2014/5
  - setting an overpayment recovery target, having a comprehensive spreadsheet to monitor overpayment levels and recovery performance, and ensuring that fraud overpayments and administrative penalties are prioritised for recovery to act as a deterrent effect
  - supporting the DWP's Fraud and Error Incentive Scheme (FERIS) by developing intervention campaigns to help identify unreported changes of circumstances
  - continuing to deliver an excellent sanctions performance, and investigating the potential for a corporate counter-fraud team in preparation for the transfer of responsibility for benefit fraud investigations to the DWP's Single Fraud Investigations Service (SFIS) in March 2016.
8. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there is one risk outstanding from our previous risk assessment and, in order to ensure continuous improvement, the council needs to address this risk and the new risks identified. These include:
- having documented procedures and controls to ensure that benefit overpayments that have been considered suitable for write off are subject to routine management checks
  - taking action to ensure that the benefit IT system properly reconciles the amount of benefit debt outstanding, and the amount recovered, in order that the council can be assured that the reported total value of debt outstanding and recovery performance is accurate and reflects actual performance.

# Business planning and reporting

9. 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.
10. Since our previous visit there have been a number of changes to the structure of the benefit service which the council told us was necessary to ensure that it was well placed to meet the challenges arising from the impact of the UK Government's welfare reform agenda in 2013/14.
11. These changes included an increase in the number of officers from 5 FTE to 11 FTE in the *Complex Processing Team* that deals with difficult assessment types, such as claims from customers who are self-employed, and the creation of a new benefit service phone team. This restructure resulted in a major recruitment exercise as staff were promoted and new posts created for the phone team. This exercise commenced in November 2012 and ended with two new intakes of staff in January 2013.
12. In addition, as a result of the welfare reform agenda, the benefit service lost a number of staff to the Housing and Advice Service as new opportunities were created in these areas. As a consequence, we were told that approximately 50% of benefit assessors had less than six months experience, at April 2013.
13. Prior to the implementation of the RSRS in April 2013, the council worked closely with Housing Services and its partner Housing Associations to identify customers that would be affected in order to encourage them to apply for a DHP to meet the forecast shortfall in their benefit.
14. Of the 2,993 customers that were identified as eligible, 96% had applied for a DHP as at February 2015. The impact of the RSRS resulted in a substantial increase in the number of DHP applications received and processed by the benefit service. In 2011/12, the service received approximately 470 DHP applications and paid out £78,263. In comparison, in 2014/15 the council received and processed 5,313 DHP applications and paid out approximately £1.8 million.
15. The benefit service is part of Operational Services which is a key service within the Finance and Resources Directorate. Operational Services is responsible for the administration of HB and Council Tax Reduction (CTR), the Scottish Welfare Fund (SWF), Council Tax (CT) collection, National Non-Domestic Rates, and corporate debt recovery.
16. The *Operational Services Operational Plan 2015/16* sets out the key activities and performance indicators for the service during the year and details the timeframe for

completion of each activity, the staff involved and the success criteria. The key performance indicators include the:

- average time to process new claims
  - average time to process change of circumstances
  - accuracy of payments (post payment and pre-payment)
  - average speed of processing appeals and revisions.
17. There is regular reporting of benefit service performance indicators to staff, senior management and members. At member level the service reports directly to the Finance and Resources Policy Board approximately every six weeks. At the weekly Operational Services management team meetings, performance, workloads, issues arising, work priorities and support needs are discussed.
18. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the loss of three FTE temporary benefit staff employed at the time could have had a detrimental impact on the recovery of the council's speed of processing performance
  - not all aspects of benefit service performance were being routinely reported to senior management or elected members. This included performance against:
    - recovery of all benefit debt
    - national comparators.
19. We consider that both of these risks have been addressed as the council has continued to utilise temporary staff to meet the needs of the business and has delivered continuous improvement in new claims processing performance since 2012/13. Despite a significant increase in workload in 2014/15, the council has significantly improved its change of circumstances processing times to below the Scottish average.
20. In addition, there is regular reporting of benefit service performance to senior management and members in respect of the recovery of benefit debt, and the council makes good use of national comparator data to benchmark its performance.

## Delivering outcomes

21. 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

22. 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.

23. Since 2012/13 the council has delivered continuous improvement in the time taken to process new claims from an average of 30 days in 2012/13 to an average of 25 days, at 31 March 2015. This level of performance placed the council 24th of the 32 Scottish councils, based on the DWP's published quarter three data for 2014/15, and is close to the Scottish average of 22 days.
24. Although the time taken to process changes of circumstances increased from an average of nine days in 2012/13 to an average of 13 days in 2013/14, the council significantly improved its performance to an average of eight days in 2014/15. This level of performance placed the council 11th of the 32 Scottish councils based on the DWP's published quarter three data for 2014/15, and is better than the Scottish average of 10 days.
25. Exhibit 1 illustrates the council's current and previous performance

Exhibit 1: Speed of processing performance (average number of days)			
	2012/13	2013/14	2014/15
<b>New claims</b>	30 days	29 days	25 days
<b>Changes of circumstances</b>	9 days	13 days	8 days

Source: Renfrewshire Council

26. It is creditable that, during a time of significant change for the council with the introduction of the SWF and the RSRS from April 2013, it has delivered continuous improvement in the time take to process new claims.
27. Although the time taken to process changes of circumstances declined in 2013/14, the council told us that this was a result of a number of factors which included:
  - the RSRS which resulted in a significant increase in the number of DHP applications received and processed during the year
  - an 8% increase in the number of changes of circumstances from 38,903 in 2012/13 to 42,146 in 2013/14, creating additional workloads for the service
  - the loss of experienced staff to the council's Housing and Advice Service as a result of the impact of the government's welfare reform agenda. Although the council successfully replaced these staff, we were told that approximately 50% of benefit processors had less than six months experience, at April 2013.
28. It is commendable therefore that, despite these factors, and a further 13% increase in the number of changes of circumstances in 2014/15 from 42,146 to 47,894, that the service has recovered and significantly improved its changes of circumstances performance in 2014/15 to an average of eight days.

29. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the actions taken to address the decline in the speed of processing new claims and changes of circumstances did not result in improved performance
  - the percentage of new claims over 36 days at 35% remained high when compared to the previous DWP standard of 9%.
30. We consider that both of these risks have been addressed as the council's speed of processing new claims has improved from an average of 30 days in 2012/13 to an average of 25 days in 2014/15, and the time taken to process changes of circumstances has also improved from an average of nine days in 2012/13 to an average of eight days in 2014/15.
31. In addition, the council regularly reports the number of new claims that have been outstanding for more than 36 days and, at 6 February 2015, was reporting performance at 19% which although higher than the previous DWP standard of 9%, is well below that previously reported.

## Accuracy

32. 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.
33. The council has a strong commitment to quality control and has a standardised and comprehensive management checking process in place. The Service Improvement and Compliance Team, consisting of six staff, is responsible for carrying out management checks on the work of the benefit service. This team is also responsible for case cleansing, to ensure that data is correct before submission to the DWP, subsidy checking, the delivery of training, and more recently, the implementation of new projects that affect the benefit service.
34. The *Compliance Quality Checks - Policies and Procedures* sets out the approach to this work and has a main policy objective to ensure that quality checks are carried out in accordance with the council's agreed operating standards to:
- ensure that the gateway to benefit is secure against fraud and error
  - identify staff training needs
  - assist in the development of process improvements
  - raise service standards.
35. In November 2013, the council introduced a more effective quality checking process which clearly defined the management checking regime as follows:
- post payment checks
  - pre-payment checks
  - targeted checks, for example on a specific claim type, or a specific issue that has been identified from analysis of previous management checks

- case cleansing, which forms part of the monthly subsidy review.
36. On a daily basis a report is run from the benefit IT system which randomly selects a minimum of 4% of cases that were processed the previous day and a full case check is carried out with the results recorded on the '*Benefit Quality Check Form*'. Although cases selected are randomly generated by the benefit IT system, there is scope for the Compliance Officer to select additional cases, if necessary. For example:
    - to ensure that the work of all assessors is being checked
    - to target a specific error that has been highlighted from previous analysis
    - as part of the case cleansing process before data is submitted to the DWP.
  37. In addition, the work of new staff, and staff that are under-performing, is subject to a 100% management check, which is reduced incrementally as performance improves. The council told us that from 2015/16, the volume of management checks will increase to a minimum of 7%, with at least 70% of these checks being carried out pre-payment.
  38. Errors found as part of this process are classified as '*Qualchec*', which is a non-financial error, or '*Qualwb*', which is a financial error that would result in the customer receiving an incorrect benefit award. Each month the Compliance Officer produces a Benefit Quality Check Accuracy report which contains comprehensive analysis of the checks carried out that month, and also comparative analysis of performance at service, team and individual level to help identify trends and patterns of error.
  39. As a result of recent analysis, a need for overpayment classification training was identified and subsequently delivered. To support this, and to ensure that the remedial training has been fully effective, a targeted audit on overpayments is scheduled to be carried out in the first quarter of 2015/16.
  40. As part of the council's 121 personal development programme, staff are given speed of processing and accuracy targets and the information from the Benefit Quality Check Accuracy report is used as a basis for discussion at quarterly 121 meetings to help identify training and development needs.
  41. In addition, accuracy performance is discussed at monthly meetings attended by the Senior Service Improvement Officer, benefit processing team leaders, and a member of the service improvement and compliance team, and post payment accuracy performance is formally reported every six weeks to the Finance and Resources Policy Board.
  42. Exhibit 2 illustrates the council's current and previous performance.

**Exhibit 2: Accuracy performance**

	Target	Achieved
<b>2012/13</b>	90%	90%
<b>2013/14</b>	90%	93%



**Exhibit 2: Accuracy performance**

<b>2014/15</b>	<b>95%</b>	<b>94%</b>
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Source: Renfrewshire Council

43. Audit Scotland identified three risks to continuous improvement during the previous risk assessment in that:
- the council needed to address the reasons for the overall level of incorrectness in its caseload, and set a target to reduce the level of non-financial errors identified
  - at 31 December 2011, the council's accuracy performance was below its internal target of 83%
  - the council needed to review its management checking regime and consider focussing its efforts on ensuring that a payment is correct before it is issued to the customer.
44. We consider that the council has addressed all three risks as it has set a target to reduce the level of non-financial errors in its caseload, has significantly improved its post payment accuracy performance, and has carried out a full review of its accuracy checking regime, which resulted in a change to procedures to ensure that the majority of management checks are carried out pre-payment, which allows benefit errors to be corrected before a payment is issued to the customer.

## Interventions

45. 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.
46. The benefit service has a strong commitment to encouraging and educating customers on the importance of reporting a change of circumstances and uses a number of methods to achieve this. For example:
- including a reminder to report any change in circumstances in all outgoing mail from Operational Services which includes benefit notification letters and council tax bills
  - including a quarter page reminder on reporting changes in the 'Renfrewshire Magazine' that is issued quarterly to all residents, and a reminder in the council tax information booklet that is issued to all households annually
  - having a regular benefit advice column in the local newspaper, with the column in the April edition dedicated to the importance of reporting changes
  - providing examples on the council website of the types of changes of circumstances that should be reported, and advice on how to report a change.
47. At the time of the site visit, work was underway to include a pre-recorded message on the benefit phone line reminding customers of the need to report a change of circumstances, and further initiatives were also being considered as part of the DWP's FERIS. These



include accepting notification of changes by telephone, and the commissioning of a radio advert.

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, that would affect the customer's benefit entitlement, for example, a significant birthday or an increase in earnings.
50. With the introduction of the DWP's Automated Transfer to Local Authority Systems (ATLAS) service, which has provided councils with an alternative method of dealing with changes of circumstances, the majority of the council's proactive interventions are desk-based. However, the service has continued to support a visiting officer who has carried out a review of the following claim types since our previous visit:
  - war pension cases
  - earned income where there has been no change to tax credits.
51. Exhibit 3 below details the outcomes from these proactive visiting initiatives.

**Exhibit 3: Intervention outcomes**

	No. of interventions	No. of changes identified	% of changes identified	No. resulting in a benefit decrease	No. resulting in a benefit increase
<b>2012/13</b>	208	128	62%	111	17
<b>2013/14</b>	265	115	43%	101	14
<b>2014/15</b>	309	123	40%	115	8
<b>Totals</b>	<b>782</b>	<b>366</b>	<b>47%</b>	<b>327</b>	<b>39</b>

Source: Renfrewshire Council

52. The council continues to support DWP initiatives and has committed to undertake a six month pilot in support of the DWP's FERIS which commenced on 1 February 2015 and will be reviewed after six months against value for money criteria. This work will be carried out by a dedicated team of 2.5 staff and a task plan of activities has been created to manage the process.
53. At the time of the site visit, the council had already completed one FERIS campaign where a random selection of cases were obtained from the benefit IT system in respect of

customers who had not reported a change in income, a change in child care costs, or a change in tax credits in the last year.

54. This campaign ran from February 2015 until April 2015 and, although the council told us that some cases had still to be concluded, it has been very successful in identifying unreported changes of circumstances and subsequent overpayments, as detailed in exhibit 4 below.

**Exhibit 4: FERIS phone campaign outcomes**

	No. of cases	No. of changes identified	No. still to be reviewed	Value of overpayments identified
<b>Feb 15 - Apr 15</b>	966	208	68	£127,262

55. The council is due to commence a second campaign which will take the form of a postal exercise targeting customers who have not declared a change of circumstances in the last year in respect of:
- working tax credits
  - works pension
  - self-employed earnings
  - child care costs
  - earned income.
56. A detailed spreadsheet is used to record the outcomes from these activities and the council told us that the data will be fully analysed to determine which approach, and which client groups have been the most successful in identifying unreported changes in order to help inform future campaigns.
57. The results are also reported to senior management (Operational Manager, Finance Recovery Team Debt Recovery Manager and the Head of Service) and we were told that, in September 2015, a full evaluation will be carried out to determine the overall effectiveness of the pilot against the value for money criteria.
58. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- there had been no proactive interventions activity since October 2010
  - there were no targets, monitoring, or reporting arrangements in place, and no facility to capture sufficient detail from the council's interventions activity to enable trends, patterns, and opportunities for learning and development to be easily identified.
59. We consider that both of these risks have been addressed as the council has been carrying out proactive visiting activity since our previous visit and, with the introduction of the DWP's FERIS, has created a programme of proactive intervention activity for 2015/16 to target its

caseload, which to date has been successful in identifying unreported change of circumstances and subsequent overpayments.

60. In addition, a detailed spreadsheet has been developed to capture the outcomes from this activity which are analysed and used to inform future campaigns to ensure that the council is targeting cases most likely to result in the identification of an unreported change.

## Overpayments

61. 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.
62. With the exception of domestic and commercial rents, Operational Services manages all debt recovery for the council. The creation of benefit overpayments is the role of benefit processors, and where overpayments are not recovered from ongoing benefit the debt is transferred to the debtors module of the benefit IT system to be recovered by the Finance Recovery Team.
63. The Finance Recovery Team's *Housing Benefit Overpayment - Guiding Principles* sets out the council's approach to recovering benefit debt and acts as a guide to demonstrate that the council is recovering its benefit debt efficiently and effectively.
64. In addition to management checking and intervention activities, the benefit service has other measures in place to help minimise overpayments. These include the immediate suspension of claims when a change of address has been notified to the benefit service's phone team, or at the council's Customer Service Centre. We were also told that assessors make good use of the 'suspend claim' function of the benefit IT system where there is an indication that an overpayment may occur.
65. The council makes good use of all available recovery options including:
  - recovery by deductions from ongoing benefit
  - 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
  - direct earnings arrestment
  - working in partnership with Sherriff Officers to pursue difficult to recover debt
  - using commercial products to trace customers who are no longer claiming benefit in the local authority area.
66. A comprehensive spreadsheet is used to monitor overpayment recovery performance, and the service sets an annual overpayment recovery target which has increased each year from £400,000 in 2012/13 to £1.03 million in 2014/15. Performance against this target is monitored monthly by the Operational Services management team to ensure recovery levels are on profile.

67. The *Housing Benefit Overpayment - Guiding Principles* also details the levels of authority for writing off a debt that is deemed to be irrecoverable from the customer or the landlord as follows:
- benefit assessor - where the overpayment is less than £500
  - team leader - where the overpayment is between £500 and less than £5,000
  - manager - where the overpayment is £5,000 or more.
68. As part of the risk assessment process we asked the council to complete a performance matrix with information in respect of the value of overpayments raised and recovered each year from 2012/13 to 2014/15. However, we were unable to reconcile the initial data that was provided and despite subsequent attempts to establish the exact figures, we could not fully reconcile or validate the data.
69. This is an issue that the council has been aware of for some time as we were told that the overpayment reports produced by the benefit IT system do not reconcile properly. In order to address this, in June 2013 the council engaged an external consultant to provide overpayments training to staff and at the same time to investigate the issue with a view to providing a solution.
70. The council told us that system testing was carried out and the findings reported back to the supplier who provided a new debtors module for the benefit IT system. However, the issue remains outstanding as the council estimated that a full review of the new module would take some weeks to complete and that, due to the need to prioritise its work around the impact of the welfare reform agenda and the subsequent training needs of staff, there has not been the capacity within the service to carry out this work.
71. To compare and contrast the council's overpayments data, exhibit 5 below details the value of the council's overpayments as provided to the DWP as part of the quarterly Housing Benefit Recoveries and Fraud return (HBRF), and the values from the council's HB overpayments (HBO) monitoring spreadsheet.

**Exhibit 5: Overpayment levels and recovery performance - 2014/15**

	<b>C/F from 2013/14</b>	<b>Raised in-year</b>	<b>Recovered in-year</b>	<b>Written Off</b>	<b>Outstanding</b>
<b>DWP HBRF</b>	£4,541,254	£2,683,441	£1,162,075	£101,964	£5,823,323
<b>HBO</b>	£4,507,125	£2,380,517	£1,738,730	£40,161	£5,108,751
<b>Difference</b>	-£34,129	-£302,924	+£576,655	-£61,803	-£714,572

Source: Renfrewshire Council

72. The table above illustrates the conflicting information in respect of the value of the council's outstanding benefit debt, and its overpayment recovery performance. Of particular note is performance in respect of the amount of debt recovered in-year when compared to the

amount of debt raised in-year. Based on the DWP's HBRF data, the council recovered approximately 43% of the value of debt raised in-year. However, based on the HBO monitoring spreadsheet, the level of recovery performance is significantly better at approximately 73%.

Risks to continuous improvement	
1	Although the council told us that there are spot checks on write offs by the team leader and the benefit operations officer, these are not documented, and there are no procedures to ensure that these checks are being carried out to provide assurance that benefit overpayments are being written off appropriately in all cases.
2	The council needs to address the reasons for the discrepancy in its reported overpayment recovery performance to ensure that it accurately reflects the total amount of debt outstanding, and that it is representative of the council's overpayment recovery performance.

73. Audit Scotland identified five risks to continuous improvement during the previous risk assessment in that:
- there were no benefit overpayment recovery targets
  - administrative penalties and fraudulent overpayments were not easily identified, and therefore not prioritised for recovery to act as a deterrent to potential fraudsters
  - the council needed to address the reasons for the significant increase in the value of overpayments in 2011/12, when compared to 2010/11
  - the value of all debt outstanding at 31 December 2011 was approximately 90% more than the value of all debt outstanding at the beginning of 2010/11
  - although the council had a debt management performance framework, at the time of our site visit it was not fully operational and therefore there was no facility to carry out detailed analysis of overpayments data to identify trends or patterns which could help identify reasons for overpayments, and deliver service improvements.
74. We consider that all five risks have been addressed as the council has a monetary overpayment recovery target, and advised that it will be introducing additional targets in 2015/16 in respect of the percentage of debt recovered in-year, and the percentage of debt recovered against all debt outstanding.
75. In addition, the recovery of fraud overpayments and administrative penalties is closely monitored by the Benefit Investigation Team (BIT) using a comprehensive spreadsheet, and the council told us that fraud overpayments are prioritised for recovery and that the higher rate of recovery by ongoing deductions is used if the customer remains in receipt of benefit.
76. In order to address the significant increase in the value of overpayments in 2011/12, when compared to 2010/11, the council engaged an external consultant to provide overpayments training, introduced regular meetings with its external debt collectors to review collection

activities, and developed a comprehensive benefit overpayment monitoring spreadsheet, which is reviewed monthly by the Operational Services management team.

77. The Compliance and Service Improvement Team is responsible for carrying out management checks on the work of the benefit service, which includes management checks on overpayments. As part of this work, the council told us that overpayment reasons and classifications are routinely checked, and the outcomes are analysed to help identify trends and patterns of errors which can be used to inform future training to help improve the service.

## Counter-fraud

78. 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.
79. 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.
80. The main objective of the policy was to ensure that all types of social security and Tax Credits fraud would be investigated according to a single set of guidance and priorities. It was also intended to increase activities to combat Tax Credit fraud, as most of HMRC's anti-fraud resources were devoted to taxation. The council told us that its benefit fraud work is scheduled to transfer to SFIS in March 2016.
81. The council has a strong commitment to preventing and combatting fraud and its statement of intent, as detailed in the *Strategy for the Prevention and Detection of Fraud and Corruption*, is to provide excellent public service and ensure propriety and accountability in all matters.
82. The BIT is part of Internal Audit under the stewardship of the Chief Auditor and consists of three FTE investigators. At an operational level the *Finance and Corporate Services Counter Fraud Policy* sets out the BIT aims and objectives which are to systematically identify and deter benefit fraud, to protect and secure the gateway through high quality fraud investigations.
83. To ensure that the BIT investigates referrals that are likely to result in a successful outcome, the team has carried out regular fraud awareness training for benefit and other council staff, and uses a risk matrix to score each referral based on the level and quality of information received.
84. In addition, a potential overpayment threshold of £2,000 has been set to ensure that the BIT is investigating cases that would most likely result in a sanction to ensure that it is making best use of limited counter-fraud resources.

85. Regular monitoring is carried out to provide assurance that investigations are being conducted properly and this includes fortnightly BIT meetings where case progress, issues and priorities are discussed. There is also an independent review by BIT management of all closed cases to ensure that appropriate action has been taken.
86. The council is committed to protecting public funds and the *HB and CTB Sanctions Policy* sets out its approach to administering sanctions. In order to ensure the quality of submissions to the Procurator Fiscal (PF), the council has regular meetings with the PF, and all prosecution cases are checked in detail and signed off by the Assistant Chief Auditor or the Chief Auditor before submission. This is considered good practice.
87. Exhibit 6 illustrates the council's current and previous performance.

Exhibit 6: Benefit fraud sanctions performance			
	2012/13	2013/14	2014/15
<b>Administrative cautions</b>	33	43	15
<b>Administrative penalties</b>	6	7	13
<b>Warning letters</b>	5	22	33
<b>Referred for prosecution</b>	40	24	29
<b>Total</b>	<b>84</b>	<b>96</b>	<b>90</b>

Source: Renfrewshire Council

88. The BIT has delivered an excellent level of sanctions performance each year since 2012/13 and in 2014/15, when benchmarked against DWP's published fraud statistics for Q2 2013/14, the council's performance placed it 3rd of the 32 Scottish councils for the percentage of cases closed with a successful outcome, and 6th for the number of successful cases per investigator. This is commendable.
89. In preparation for the transfer of benefit fraud activity to SFIS in March 2016 the council established a corporate fraud pilot in 2014/15 to be carried out over a six month period focusing on tenancy fraud, SWF fraud, and increasing the council's fraud response through data matching.
90. As a result of this pilot, a corporate counter-fraud action plan was developed which contains a number of actions to ensure the council is well placed to manage the transition to a corporate fraud team, subject to approval by senior management and elected members.
91. Audit Scotland identified four risks to continuous improvement during the previous risk assessment in that:
  - despite a close working relationship with the PF, the council was not being routinely notified of the outcomes of prosecutions, and therefore was not routinely publicising successful outcomes on the council website, or in the local press and media



- although the council had improved the percentage of cases where fraud was found from 22% in 2009/10 to 45%, the council was not making the most effective use of investigative resources as more than half of all investigations resulted in no fraud found
  - the council needed to make better use of its fraud data to help identify trends and patterns that could help secure the gateway, and improve the administration of benefits
  - the investigator's case holding of approximately 75 cases was excessive when compared to the DWP guidance of approximately 30-35 cases.
92. We consider that three of the four risks have been addressed as the council has reduced the case holding per investigator to approximately 25 cases, which is significantly less than previously reported and closer to previous DWP guidance. Action has also been taken to address the low level of successful outcomes in respect of the number of investigations carried out. As advised by the council, of the 138 cases closed in 2014/15, a successful outcome was recorded in 90 cases, which equates to a 65% success rate. This is commendable.
93. In addition, the council carries out detailed analysis of all investigation referrals and outcomes, and uses this information to determine the type of cases that result in a positive outcome. This can help the BIT to refine the risk scoring matrix, and the targeting of future counter-fraud activity.
94. However, as the council is not proactively publicising its successful sanctions in the local press and media, we consider that this risk remains outstanding as the council is missing an opportunity to raise the profile of the BIT, re-inforce the council's *Strategy for the Prevention and Detection of Fraud and Corruption*, and deter potential fraudsters.



# Appendix A

Progress against action plan dated June 2012	
Risk identified	Status
The loss of three FTE temporary benefit staff could have a detrimental impact on the recovery of the council's speed of processing performance.	Completed
Not all aspects of benefits service performance is being routinely reported to senior management, or elected members. This includes performance against: <ul style="list-style-type: none"> <li>recovery of all benefits debt</li> <li>national comparators.</li> </ul>	Completed
Four of the five customer service targets are not being met. These include: <ul style="list-style-type: none"> <li>the time taken to answer telephone calls</li> <li>replying to written correspondence</li> <li>dealing with face-to-face contact.</li> </ul>	Completed
While the benefits service actively engages with landlords and customers, there has been no benefits-specific customer or landlord surveys carried out that could provide the council with useful feedback on the quality of the service and help to identify areas for improvement.	Completed
The actions taken to address the decline in the speed of processing new claims and changes of circumstances do not result in improved performance.	Completed
The percentage of new claims over 36 days at 35% remains high when compared to the previous DWP standard of 9%.	Completed
The council needs to address the reasons for the overall level of incorrectness in the caseload, and set a target to reduce the level of non-financial errors identified.	Completed
At 31 December 2011, the council's accuracy performance was below its internal target of 83%.	Completed
The council should review its management checking regime and consider focussing its efforts on ensuring that the payment is correct before it is calculated on the benefits IT system and issued to the customer.	Completed
There has been no proactive interventions activity since October 2010.	Completed
There are currently no targets, monitoring, or reporting arrangements in place, and no facility to capture sufficient detail from the council's interventions activity to enable trends, patterns, and opportunities for learning and development to be easily identified.	Completed
There are no benefit overpayment recovery targets.	Completed

Progress against action plan dated June 2012	
Administrative penalties and fraudulent overpayments are not easily identified, and therefore not currently prioritised for recovery to act as a deterrent to potential fraudsters.	Completed
The council needs to address the reasons for the significant increase in the value of overpayments in 2011/12, when compared to 2010/11.	Completed
The value of all debt outstanding at 31 December 2011 is approximately 90% more than the value of all debt outstanding at the beginning of 2010/11.	Completed
Although the council has a debt management performance framework, at the time of our site visit it was not fully operational, and therefore there was no facility to carry out detailed analysis of overpayments data to identify trends or patterns which could help identify reasons for overpayments, and deliver service improvements.	Completed
There are no qualitative targets for dealing with appeals and requests for reconsideration.	Completed
There is a significant backlog of appeals awaiting action, and the council has already received 35% more requests for reconsideration in the first 9 months of 2011/12 than were received in 2010/11.	Completed
There are considerable delays in dealing with appeals and requests for reconsideration.	Completed
There is limited analysis of appeals and requests for reconsideration outcomes to help the council identify trends or patterns which could help identify areas for service improvement.	Completed
Despite a close working relationship with the PF, the council is not being routinely notified of the outcomes of prosecutions, and therefore is not routinely publicising successful outcomes on the council website, or in the local press and media.	Outstanding
Although the council has improved the percentage of cases where fraud is found from 22% in 2009/10 to 45%, this means that the council is not making the most effective use of investigative resources as more than half of all investigations result in no fraud found.	Completed
The council needs to make better use of its fraud data to help identify trends and patterns that could help secure the gateway, and improve the administration of benefits.	Completed
The investigators case holding of approximately 75 cases is excessive when compared to the DWP guidance of approximately 30-35 cases.	Completed

## HB/CTR Risk Assessment 2015/16

Risk no.	Description of risk to continuous improvement	Action
1	Although the council told us that there are spot checks on write offs by the Team Leader and Benefits Operations Officer, these are not documented and there are no procedures in place to ensure that these checks are being carried out to provide assurance that benefit overpayments are being written off appropriately in all cases.	A report has been created to identify all cases where a request for overpayment write off has been made. This report will run on a monthly basis and will be annotated by the appropriate authoriser. Any overpayments with a value between £500 and £4999 can be approved by a Team Leader or Benefits Operations Officer. Any overpayment in excess of £4999 must be approved by a manager. The annotated reports will be stored within the document management system. The Benefits Operations Officer will monitor the completion of the reports, reviewing on a quarterly basis.
2	The council needs to address the reasons for the discrepancy in its reported overpayment recovery performance to ensure that it accurately reflects the total amount of debt outstanding and that it is representative of the council's overpayment recovery performance.	The council will test a new suite of reports available from the software provider. These reports will facilitate an in-depth analysis of reported overpayments and will allow the council to design a reconciliation process for overpayments which will ultimately enable a full explanation of the debt outstanding figure.