

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

**On: 20 March 2017**

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

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**Heading: A review of housing benefit fraud investigation liaison arrangements in Scotland**

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## **1. Summary**

- 1.1 Audit Scotland's report on its review of housing benefit fraud investigation liaison arrangements in Scotland was published in December 2016 and is attached at Appendix 1.
  - 1.2 Responsibility for housing benefit counter fraud work transferred from local authorities to the DWP's Fraud and Error Service (FES). This process commenced in July 2014 and concluded in March 2016. Renfrewshire Council was the last local authority to transfer in March 2016.
  - 1.3 The prevention, detection and investigation of fraudulent housing benefit 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. The report provides the findings from a review of the efficiency of the arrangements between local authorities and the DWP.
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## **2. Recommendations**

- 2.1 To note the report from Audit Scotland and the actions the council intends to pursue in response to the recommendations made.
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### 3. Background

- 3.1 The DWP has estimated that overpayments of housing benefit due to fraud and error increased between 2014/15 and 2015/16 from 5.3% to 6% of housing benefit expenditure. This amounts to a rise in monetary terms from £1.28 billion to £1.46 billion, the highest rate recorded.
- 3.2 The report acknowledges that the DWP had recognised that the current arrangements were not effective overall, have identified, and are working on a number of activities to address the issues in order to improve performance and procedures. The report is, therefore, intended to complement and support the work of the DWP.
- 3.3 The report identifies a number of recommendations for improvement to the current arrangements. The majority of the recommendations raised require FES, being the lead organisation for housing benefit counter fraud investigations, to work with local authorities to improve on the current procedures. However, the Renfrewshire Council perspective in relation to each recommendation for improvement is detailed below in italics.

#### Recommendation for improvement

**The fraud referral form should be reviewed and updated to ensure it captures all relevant information at the point of completion. This should include the name of the local authority sending the referral, the amount of the potential fraud, and the full contact details of the SPOC.**

*Updating the fraud referral form is a matter for the DWP. Our current processes do record the required information, with the exception that it is not always possible at the referral stage to ascertain what the amount of the potential fraud may be. However, where this information is available through Real Time Information, the overpayment amount will be recorded. We also provide details of the current weekly amount of Housing Benefit in payment, to assist FES in the calculation of potential overpayment amounts.*

#### Recommendation for improvement

**Local authorities and FES should work together to define and agree a minimum quality standard for local authority fraud referrals, and to ensure that the SPOC is fully trained to deliver this standard. In addition, local authorities and FES should develop a programme of management checks to ensure that only high quality referrals are sent to FES.**

*The Corporate Counter Fraud Team provides training to Benefit staff, to ensure that they understand the level of information required, when making a fraud referral.; it is not currently within the SPOC's role to quality check fraud referrals, or to score them for likelihood of fraud. As the current process stands the SPOC's role is a conduit to facilitate the efficient flow of information. We will continue to work with the DWP to improve arrangements. However, a change to the SPOC's role could impact on the level of resources required to support the DWP and the resources available to investigate other Council fraud risks.*

#### Recommendation for improvement

**Local authorities and FES should establish a more robust method for recording and monitoring referrals, the outcomes, and the exchange of information between both organisations that provides for a complete audit trail of actions taken that is open to scrutiny.**

*Within Renfrewshire Council, we record all referrals made to the DWP and we will also record outcomes, where these are made available to us. Currently, the LAIEF is the means of exchanging information between the Council and the DWP, via email. We would welcome a more efficient means of information exchange which would give both organisations visibility of the progress and outcome of investigations. Discussions are continuing with the DWP regarding sharing electronic data held on systems within both organisations. Ultimately, a dedicated shared management information system would be the most efficient and transparent way of recording and monitoring referrals and outcomes.*

Recommendation for improvement

**In HB only cases, where an overpayment is estimated to be less than £2,000, and the local authority has the required level of evidence to support this, in consultation with FES, consideration should be given as to whether the action to create and recover the overpayment is best placed with the local authority, therefore reducing the number of cases referred for compliance action.**

*This would require a change to the DWP procedures that the Council is currently required to work to. A certain level of investigation is required in order to estimate the potential value of the overpayment. Changing the process, to require the Council to undertake initial investigations, to estimate the level of overpayment would impact on the level of resources required to support the DWP and the resources available to investigate other Council fraud risks.*

Recommendation for improvement

**The UK local agreement should be reviewed and updated to ensure that performance indicators are relevant and achievable, and are recorded and routinely monitored to allow FES and local authorities to report on performance in a consistent and robust manner.**

*The Service Level Agreement with the DWP is currently under review. We will be setting performance targets for the newly established corporate counter fraud team in April 2017 and will monitor and report on performance as required.*

Recommendation for improvement

**FES should seek to develop management information to determine the effectiveness of fraud investigations that it conducts on behalf of local authorities and consider reporting performance on a regular basis. Such information could include:**

- **the number and percentage of local authority referrals dealt with by Compliance that resulted in an overpayment**
- **the number and percentage of local authority referrals dealt with by Compliance that resulted in no further action**
- **the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in an administrative penalty the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in a prosecution.**

*This recommendation is a matter for the DWP to implement.*

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## Implications of the Report

1. **Financial** – Changes to the DWP's arrangements for tackling housing benefit fraud and error could impact on the council's DWP subsidy.
2. **HR & Organisational Development** - Changes to the DWP's arrangements for tackling housing benefit fraud and error could impact on the council's resource requirements.
3. **Community Planning – Wealthier and fairer** – Effective partnership arrangements with the DWP in relation to housing benefit fraud and error is important to protect public funds and reduce local authority and claimant error.
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** – None, the report makes recommendations only any proposed changes to procedures would be impact assessed.
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** – Ineffective arrangement for working with the DWP to tackle housing benefit fraud and error could expose resources to increased levels of fraud.
11. **Privacy Impact** – None

# A review of housing benefit fraud investigation liaison arrangements in Scotland

ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
December 2016

**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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# Executive summary

1. The Department for Work and Pensions (DWP) recently estimated that overpayments of housing benefit (HB) due to fraud and error increased between 2014/15 and 2015/16 from 5.3% to 6% of HB expenditure. This amounts to a rise in monetary terms from £1.28 billion to £1.46 billion, the highest rate recorded.
2. The prevention, detection and investigation of fraudulent HB 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.
3. Since November 2007, Scottish local authority HB counter-fraud arrangements have been reviewed as part of Audit Scotland's HB risk assessment process. This report provides the findings from a review of the efficacy of the arrangements between local authorities and DWP since the responsibility for HB counter-fraud work transferred from local authorities to DWP's Fraud and Error Service (FES).
4. This process commenced in July 2014 and concluded in March 2016, and our report is intended to highlight areas of good practice, while identifying issues affecting performance, and recommending where improvements could be made. The key messages from our review are as follows:
  - There is generally good liaison between local authorities and FES, particularly where the local authority previously employed the investigator.
  - There is a risk that the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as:
    - potentially fraudulent claims are not always being dealt with appropriately
    - fraudulent claimants are not always being subject to sanction or prosecution action
    - fraudulent overpayments are not consistently being created and recovered, where appropriate.
  - Performance against the performance indicators contained within the UK 'Local agreement' is not being routinely recorded, monitored, and reported by FES or local authorities.
  - There is no standard approach for local authorities, using internal IT systems, or via DWP's Fraud Referral and Incident Management System (FRAIMS), to record and monitor the progress of fraud referrals sent to FES, and consequently there is a lack of management information nationally and locally that could be used to:
    - measure the outcomes from local authority fraud referrals
    - determine the effectiveness of the fraud referral process against UK performance indicators

- help identify and resolve recurring issues
- highlight good practice.
- As part of the review of management information, the effectiveness of the new arrangements in respect of the number of local authority referrals that result in a referral to the Procurator Fiscal should be undertaken. Analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to DWP.
- The UK fraud referral form should be reviewed and updated to ensure that it captures a minimum level of information to allow DWP's Central Referral Services (CRS) staff to make a fully informed decision on appropriate further action.
- Local authority decision makers need to provide clear guidance to FES on what information is required to allow an HB overpayment decision and calculation to be made.
- In order to encourage high quality referrals, and ensure that local authorities are being suitably funded, DWP should consider reviewing the funding methodology to take account of the number of referrals made that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.
- DWP and local authorities in Scotland are committed to delivering process improvements and changes to procedures, and to implementing a structured and regular approach to local liaison. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues.
- In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.

## Background

5. The Local Government in Scotland Act 2003 introduced statutory duties relating to Best Value and Community Planning. The key objective of this review is to determine the extent to which benefit services are meeting their obligations to achieve continuous improvement in respect of HB counter fraud activities. Information for this review was gathered from officers in Scottish councils and the DWP.

### Development and pilots

6. In 2010, the joint DWP/HM 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 administered by DWP, HMRC, or local authorities. The main objective of

the policy was to ensure that all types of social security benefit and tax credit fraud are investigated according to a single set of guidance and priorities.

7. In preparation for this change, in early 2013 a number of local authority pilots in the UK, which included Glasgow City Council, tested a variety of partnership approaches and a single set of policies and procedures in order to identify the best delivery model. The pilots also tested the different attributes of the service, including how SFIS worked in a Universal Credit environment, and how it worked as part of counter-fraud processes to help combat crime.
8. As a result of the success of these pilots, in the 2013 Autumn Statement, the Chancellor of the Exchequer formally announced the formation of SFIS (now FES), under the auspices of the DWP, with responsibility for investigating HB fraud and tax credit fraud. Previously, local authorities and HMRC were responsible for these investigations. The Crown Prosecution Service in England and Wales and the Procurator Fiscal in Scotland conduct prosecutions arising from fraud investigations.

## FES objectives

9. The main objectives of FES are to:
  - operate under a single policy and set of operational procedures for investigating all welfare benefit fraud
  - conduct single investigations covering all welfare benefit fraud
  - rationalise existing investigation and prosecution policies in order to create a more coherent investigation service that is joined up, efficient, and operates in a more consistent and fair manner, taking into account all offences that are committed
  - enhance closer working between DWP, HMRC and local authorities, and bringing together the combined expertise of all three services drawing on the best practices of each
  - support the fraud and error integrated strategy of preventing fraud and error getting into the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.
10. The transfer of counter-fraud work from local authorities commenced nationally in July 2014 and concluded in March 2016 (see *Appendix 1*). In total, over 70 local authority fraud investigation staff also transferred to DWP during this period, and since March 2016, FES has conducted single welfare benefit fraud investigations to one set of policies and procedures for all local authorities.

## Current arrangements

11. While local authorities have not been conducting HB fraud investigations since March 2016, there remains an ongoing need for close working with FES in respect of the exchange of data.

Local authorities can refer cases to FES for investigation and, when a case is accepted, will be required to provide FES with evidence, such as copies of claim forms and other supporting documentation.

12. When a fraud or error has been established, local authorities may also be asked to provide FES with details of the amount of overpayment that has arisen as a result, attend court if required, and take appropriate action to recover the HB overpayment.
13. In addition, FES are required to provide the local authority with information to allow them to monitor the progress of an investigation, and to take appropriate action as required, for example, to suspend a claim.
14. The requirements of the exchange of data are set out in the UK local agreement, which was agreed and signed by FES and local authorities as part of the transfer of responsibility for HB fraud investigations to DWP. The local agreement contains ten key performance indicators, the name of a single point of contact (SPOC) for each organisation, and details of the escalation route to address any issues.

## Funding

15. Local authorities receive subsidy payments from DWP at the end of each financial year in order to reclaim most of the HB paid to claimants. For overpayments of HB due to fraud or claimant error, local authorities receive 40% of the value paid. For overpayments due to local authority error, subsidy is paid at a rate between 0% and 100%.
16. In line with DWP's new burdens doctrine, local authorities receive an agreed payment to help mitigate the financial impact of the administration involved with the transfer of counter-fraud work to FES. In 2014/15, all Scottish local authorities where counter-fraud work transferred to FES between 1 July 2014 and 31 March 2015 were paid an amount dependant on the proportionate average size of the local authority HB caseload (based on the previous 12 months), and the number of months between the 'go live' date and the end of the financial year.
17. As 2014/15 was the first year of transfer, all local authorities that did not transfer during the year received a one off payment of £562 towards costs relating to human resource or other miscellaneous activity arising from the transfer project.
18. In 2015/16, payments to local authorities were based on the same methodology as the previous year, but also took into account DWP's expectation that 77,000 referrals would be made to FES from across the UK during the year.
19. In 2016/17, payments to local authorities were based on the same methodology as the previous year but also took account of FES management information for 2015/16 when 40,538 referrals were received by FES, from across the UK.

20. However, following discussions with local authority representatives, it was agreed that the number of referrals was lower than expected as local authorities adopted and became familiar with new processes. Consequently, the number of referrals used to calculate the new burdens payment for 2016/17 was increased to 45,000.
21. When we analysed the funding data in respect of the 27 local authorities that recorded referral data, for the period 1 July 2014 to 31 May 2016, we found a disproportionate amount of funding was provided to local authorities per case referred as detailed in Exhibit 1 below.

Exhibit 1: New burdens payments 1 July 2014 to 31 May 2016			
	Number of cases referred	Amount of subsidy received	Subsidy per referral
All local authorities	4,427	£297,324	£67
Local authority A	479	£9,772	£20
Local authority B	24	£2,417	£101
Local authority C	2	£2,525	£1,263

Source: DWP subsidy circulars S9/2014, S8/2015 (revised), and S5/2016

22. As the current funding methodology does not take account of the number of cases referred, or the quality of referrals received by FES, we consider that this approach is financially detrimental to authorities that are referring more cases, and could act as a disincentive, as the amount of resource required to manage the referral process would be significantly greater than in local authorities that refer fewer cases.
23. In order to encourage high quality referrals, and ensure that local authorities are being appropriately funded, DWP should consider reviewing the funding methodology to take account of the actual number of referrals made per local authority that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.

## Our work

24. In June 2016, Audit Scotland issued a questionnaire to each of the 32 Scottish local authorities in order to determine the effectiveness of the liaison arrangements. The questionnaire requested performance information, details of local good practice, local issues, and suggestions for improvement. To ensure a holistic approach, we also met with the FES Group Manager for Scotland and a FES Fraud team leader, and had discussions with senior officers from DWPs Housing Delivery Division.

25. Since we commenced our study, it is acknowledged that DWP had recognised that the current arrangements were not effective overall, had identified, and was working on a number of activities to address the issues in order to improve performance and procedures.
26. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues, including changes and recommendations arising from previous reviews of the HB counter-fraud process, and commissioning its Performance Development Team (PDT) to produce reports on:
  - the issues associated with the rollout of FES
  - a review of the end-to-end fraud referral process.
27. In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.
28. As outcomes, the reports produced by the PDT provided a number of recommendations, which DWP are taking forward through the HBFIPG, and FES (Scotland) has established a programme of liaison meetings as the platform for raising issues and the sharing of good practice. As a minimum, a DWP and a local authority representative from each District (North, East, West and Central) will attend these meetings.
29. This report is therefore intended to complement and support the work of DWP and our findings and recommendations are set out below.

# Findings

## Good practices

30. A number of working practices, which have helped improve efficiency and effectiveness, have been introduced in some local authorities. These include:
  - Dundee City Council monitors and tracks the electronic local authority information exchange form (LAIEF) between the local authority and FES on their benefits workflow system. The council has also been working closely with FES officers, and has provided training to local FES staff in order to help improve FES and local authority processes.
  - A separate team in Glasgow City Council deal with all adjudications. This allows learning from previous adjudications that may be similar. This team also attend court, as required, and there is a dedicated administrator who works with the local authority's decision makers.
  - A senior HB officer at Inverclyde Council vets all referrals before submission to FES to ensure they would have reached the standard for investigation by the local authority.

- Aberdeen City Council fraud officers input the date the case was opened by FES on the LAIEF in order to monitor progress of an investigation.
- The Scottish Borders Council is considering providing access to the local authority benefits IT system for its ex-fraud officers that transferred to FES. This would allow these officers to gather evidence for investigations independently. The local authority is also setting up sessions for FES officers to provide local authority staff with fraud and compliance awareness training.

## Key issues and areas for improvement

31. A number of recurring issues and suggested improvements to the fraud referral process and the measurement of outcomes were identified during this review.
32. As previously mentioned, the FES (Scotland) seminar in July 2016, which was well attended by Scottish local authorities, was held in recognition of the need to improve the relationship between DWP and local authorities, and to identify areas for improvement in order to deliver a more cohesive investigation process across Scotland.
33. The types of issues raised in response to our questionnaire included:
  - cases being closed or transferred to DWP's compliance team for non-criminal action without local authorities being informed, and investigation outcomes not being provided resulting in local authorities not knowing if customers had been sanctioned or prosecuted
  - the lack of sufficient information provided to local authorities to allow adjudication officers to make robust overpayment decisions
  - issues when sending supporting documentation by e-mail as size restrictions mean that documentation cannot always be sent in one e-mail. This provides additional work for FES who need to ensure that separate emails in respect of the same referral are identified and collated
  - local authorities being asked to provide FES with all 'relevant' information when it is not clear what FES considers to be relevant
  - a lack of regular liaison meetings between local authorities and FES to discuss policy and operational matters
  - the LAIEF document does not include the space or functionality to allow local authorities to update relevant sections
  - referrals being lost by FES resulting in additional workloads and cost for local authorities to re-refer the case, and the potential increase in any resultant overpayment.
34. The following section looks in detail at the fraud referral process and the local agreement, which contains the key performance measures that set the parameters for joint working.

## The referral process

35. In order to ensure a consistent approach, FES and each local authority nominate a SPOC to manage the fraud referral and investigation process. In local authorities the SPOC is responsible for ensuring that a fraud referral and supporting evidence is submitted to FES in the prescribed manner, responding to FES enquiries, and ensuring that appropriate action is taken at the conclusion of investigation or compliance activity. In FES, the SPOC is the person that the local authority would contact if there was a query, or an issue to be resolved.
36. Generally, where there is an allegation that an HB claim is potentially fraudulent and the local authority has sufficient information to support an investigation, a standard fraud referral form is completed and e-mailed to a dedicated FES email account. When received by FES, the local authority receives an automated response from the FRAIMS system acknowledging receipt.
37. Once received, DWPs Central Referral Services (CRS) carries out checks on DWP systems to provide as much background information as possible to enhance the referral. These checks include:
  - establishing if the customer is in receipt of benefit
  - the value of any potential overpayment
  - whether there has been a previous fraud
  - details of the household composition.
38. As part of this process, CRS complete a 'routing minute', which contains the details of the allegation from the fraud referral form and background information from the referral enhancement checks of DWP systems. This process allows CRS officers to make a routing decision based on the potential value of the overpayment as follows:
  - Generally, where the potential overpayment is less than £2,000, the case is routed to the FES Compliance (non-criminal) team.
  - Where the potential overpayment is £2,000 or above, or less than £2,000 and where there is fraudulent intent and/or it is a repeat offence, the case is routed to FES Local Service Investigation (LSI) to conduct a criminal investigation.
  - Where there is insufficient information to support either criminal or non-criminal action, the case is closed on the FRAIMS system and removed after 14 weeks as part of a data cleansing routine.
39. Once the routing process is complete, the electronic LAIEF is used by FES to keep the local authority informed on the progress of a referral, to request further information, as appropriate, and to advise the local authority on the outcome at the conclusion of investigation or compliance activity. The LAIEF is also used by the local authority to provide FES with HB information throughout the course of an investigation.

## FES Local Service Compliance

40. FES Local Service Compliance teams carry out face-to-face interviews with customers where the level of potential fraud is less than £2,000, or there is insufficient evidence or extenuating circumstances that would not support a prosecution or administrative penalty.
41. The compliance interview is not a criminal investigation and therefore not carried out under caution. The purpose of the interview is to:
  - ensure that the customer is receiving the correct benefit entitlement
  - obtain the necessary information to enable a potential overpayment/underpayment to be calculated
  - establish the causes of the potential overpayment/underpayment
  - advise the customer how to stop any future overpayment/underpayment from recurring
  - explain the possible consequences of not complying in future, where appropriate.
42. Where it has been established following a compliance interview that there has been a failure to report a change of circumstances, where there is an HB implication, the information is referred to local authority decision makers, to create an overpayment and initiate recovery action, as appropriate.

## FES Local Service Investigations

43. Where the potential fraud is £2,000 or more, and/or where there is fraudulent intent, and/or it is a repeat offence, a fraud referral will be dealt with by FES local service investigation officers. These staff are highly trained in fraud investigation techniques and carry out interviews under caution. Where fraud is established a customer could be sanctioned or prosecuted.

### Recommendations for improvement

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|---|--|
| 1 | The fraud referral form should be reviewed and updated to ensure it captures all relevant information at the point of completion. This should include the name of the local authority sending the referral, the amount of the potential fraud, and the full contact details of the SPOC.   |
| 2 | Local authorities and FES should work together to define and agree a minimum quality standard for local authority fraud referrals, and to ensure that the SPOC is fully trained to deliver this standard. In addition, local authorities and FES should develop a programme of management checks to ensure that only high quality referrals are sent to FES. |
| 3 | Local authorities and FES should establish a more robust method for recording and monitoring referrals, the outcomes, and the exchange of information between both   |

### Recommendations for improvement

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|---|--|
| 4 | <p>organisations that provides for a complete audit trail of actions taken that is open to scrutiny.</p> <p>In HB only cases, where an overpayment is estimated to be less than £2,000, and the local authority has the required level of evidence to support this, in consultation with FES, consideration should be given as to whether the action to create and recover the overpayment is best placed with the local authority, therefore reducing the number of cases referred for compliance action.</p> |
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## Local agreement

44. The local agreement has six key performance indicators for local authority activity that FES should be monitoring, and four key performance indicators for FES activity that local authorities should be monitoring.
45. The aim of these performance indicators, which cover the end-to-end investigation process, is to provide for an efficient and effective relationship between each organisation to ensure that investigation and compliance activity is conducted in a professional and timeous manner. Exhibit 2 sets out the performance indicators in detail.

### Exhibit 2: Local agreement performance indicators

Local authority performance indicators	Timescale
<b>Local authority</b> - CRS referral routing	Within five working days
<b>Local authority</b> - during case build, respond to requests for claim forms etc. prior to Interview Under Caution (IUC)	Within 10 working days
<b>Local authority</b> - during an investigation, where identified, inform FES of changes to entitlement to HB or council tax reduction	Within two working days
<b>Local authority</b> - following IUC, respond to requests for further information, for cases appropriate for prosecution action	Within 10 working days
<b>Local authority</b> - during an investigation, inform FES of the amount of any overpayment which will include any underlying entitlement	Within 10 working days
<b>Local authority</b> - consider offering an Administrative Penalty as an alternative to prosecution and advise FES of the decision	Within 10 working days
<b>FES performance indicators</b>	
<b>DWP</b> - FES investigator to inform local authority of decision to investigate	Within two working days

**Exhibit 2: Local agreement performance indicators**

<b>DWP</b> - FES to contact local authority for consideration of claim suspension	Within two working days of establishing factual evidence
<b>DWP</b> - FES to advise the local authority of the outcome of an Administrative Penalty offer	Within five working days
<b>DWP</b> - FES to notify the local authority of the outcome at the conclusion of the investigation	Within five working days

46. In order to monitor these performance indicators, local authorities and FES should have procedures and systems in place to ensure that the recording of referrals to FES is consistent and robust, and that regular monitoring is carried out to ensure compliance. However, from our analysis of the returned questionnaires from the 32 Scottish local authorities, and our discussions with FES (Scotland) senior management, it is clear that neither organisation is routinely recording or monitoring performance.
47. We were told by FES that the FRAIMS system is limited in respect of the management information that is available, and that it is not possible to determine FES or local authority performance against any of the performance indicators. In addition, although 27 of the 32 Scottish local authorities recorded the number of cases referred to FES, none had sufficient management information to determine local authority or FES performance against all of the indicators.
48. Consequently, our analysis is limited to the information provided by local authorities on our questionnaire in respect of the four performance indicators in the local agreement that FES should be meeting to keep them informed on the progress of a referral from receipt to outcome.

**Recommendation for improvement**

5	The UK local agreement should be reviewed and updated to ensure that performance indicators are relevant and achievable, and are recorded and routinely monitored to allow FES and local authorities to report on performance in a consistent and robust manner.
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**FES performance indicators**

49. It is acknowledged that our analysis provides an indication of performance from a local authority perspective and is not based on a complete dataset, as some local authorities did not capture the necessary performance information. However, as FES are currently unable to

provide any national MIS to challenge these figures, or provide performance from a FES perspective, we consider that our analysis is representative of the issues being experienced.

50. It also provides an opportunity for both organisations to learn and improve current processes and procedures to ensure that future performance management is robust, consistent and open to scrutiny. The recent recognition and significant work already carried out by DWP into the current arrangements supports these findings.

### FES investigator to inform the local authority of decision to investigate

51. The purpose of this performance indicator is to notify the local authority that an investigation has commenced which could lead to a sanction and/or overpayment. In notifying the local authority, it enables them to deal with any subsequent enquiries from the customer, and helps to ensure that a FES investigation is not compromised. In such cases, FES should send a LAIEF to the local authority within two working days of receiving the case.
52. In respect of the 32 local authorities that completed our questionnaire, a total of 4,427 referrals to FES were made between 1 July 2014 and 31 May 2016. Of these, we found that 16 local authorities were not fully capturing information in respect of this performance indicator and were unable to report on how many cases FES had advised of a decision to investigate within the required timeframe.
53. Details of performance against this indicator in respect of the 16 local authorities that recorded this information is provided at Exhibit 3 below.

**Exhibit 3: FES investigator to inform local authority of decision to investigate (within two working days from receipt of referral)**

	Number of cases	Number advised	Number advised within timescale
<b>2014/15</b>	1,599	191 (12%)	32 (17%)
<b>2015/16 (31 May 16)</b>	688	145 (21%)	17 (12%)
<b>Totals</b>	<b>2,287</b>	<b>336 (15%)</b>	<b>49 (15%)</b>

Source: Scottish local authorities

### FES to contact local authority for consideration of claim suspension

54. The purpose of this performance indicator is to request the local authority to suspend a claim under investigation within two working days of establishing factual evidence, to ensure that the local authority does not continue to pay HB where there is no entitlement. It is also important that FES provide the local authority with sufficient information in order to support a suspension request.

55. Details of performance against this indicator in respect of the five local authorities that recorded this information is provided at Exhibit 4 below.

**Exhibit 4: FES to contact local authority for consideration of claim suspension (within two working days of establishing factual evidence)**

	Number of cases	Number advised	Number advised within timescale
<b>2014/15</b>	Data not available	6	4 (67%)
<b>2015/16 (31 May 2016)</b>	Data not available	8	1 (13%)
<b>Totals</b>		<b>14</b>	<b>5 (36%)</b>

Source: Scottish local authorities

56. In the period 1 July 2014 to 31 May 2016, analysis of the questionnaire returns from the 32 Scottish local authorities showed that 4,427 cases had been referred to FES. It is therefore unlikely that in only 14 cases (0.3%) FES had contacted the local authority to suspend a claim.
57. However, as there is no record of the date that FES had established factual evidence on the LAIEF, and FES and local authorities are not routinely recording this information, this performance indicator cannot be accurately measured.

**FES to advise local authority of the outcome of an administrative penalty offer**

58. The purpose of this performance indicator is to provide the local authority with sufficient information to determine the impact on a customer's HB claim in the event that fraud has been established by FES. This is particularly important as the local authority is required to pursue any subsequent HB overpayment, and early intervention would help the local authority to initiate recovery action in respect of the fraudulent overpayment and the administrative penalty in a timely manner.
59. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 5 below.

**Exhibit 5: FES to advise the local authority of the outcome of an administrative penalty offer (within five working days)**

	Number of cases	Number advised	Number advised within timescale
<b>2014/15</b>	Data not available	98	41 (42%)
<b>2015/16 (31 May 2016)</b>	Data not available	8	4 (50%)

**Exhibit 5: FES to advise the local authority of the outcome of an administrative penalty offer (within five working days)**

<b>Totals</b>		<b>106</b>	<b>45 (42%)</b>
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Source: Scottish local authorities

**FES to notify the local authority of the outcome at the conclusion of the case**

60. This performance indicator provides the local authority with details of the outcome of an investigation in order for appropriate action to be taken. For example, to calculate and initiate the recovery of a fraudulent overpayment.
61. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 6 below.

**Exhibit 6: FES to notify local authority of the outcome at the conclusion of the investigation (within five working days)**

	<b>Number of cases</b>	<b>Number advised</b>	<b>Number advised within timescale</b>
<b>2014/15</b>	Data not available	203	199 (98%)
<b>2015/16 (31 May 2016)</b>	Data not available	74	26 (35%)
<b>Totals</b>		<b>277</b>	<b>225 (81%)</b>

Source: Scottish local authorities

**Investigation outcomes**

62. In order to compare the effect of the transfer of responsibility for HB counter-fraud work to FES in respect of fraud investigation outcomes, we asked each local authority to provide information on the number of cases referred to the Procurator Fiscal, and the number of administrative penalties offered in the last full financial year before responsibility transferred to FES. We also sought similar information from FES.
63. However, although the majority of local authorities provided this information, we were unable to establish the same details from FES and therefore a comparison was not possible. However, analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to FES.

**Recommendation for improvement**

<b>6</b>	FES should seek to develop management information to determine the effectiveness of fraud investigations that it conducts on behalf of local authorities and consider
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**Recommendation for improvement**

- reporting performance on a regular basis. Such information could include:
- the number and percentage of local authority referrals dealt with by Compliance that resulted in an overpayment
  - the number and percentage of local authority referrals dealt with by Compliance that resulted in no further action
  - the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in an administrative penalty
  - the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in a prosecution.

# Endnotes

[Housing Benefit Good Practice Guide: Initiatives which deliver best value](#), Audit Scotland April 2016

[Benefit performance audit: Annual update 2015/16](#), Audit Scotland June 2016

[Review of housing benefit subsidy certification issues 2014/15](#), Audit Scotland January 2016

[Review of activity to reduce fraud and error in housing benefit](#), Audit Scotland September 2015

[Benefits performance audit: Annual Update 2014/15](#), Audit Scotland June 2015

[Review of auditors' housing benefit subsidy claim reported errors 2013/14](#), Audit Scotland, February 2015

# Appendix 1: Timetable of FES rollout in Scotland

64. The table below details the order that HB counter-fraud work was transferred from local authorities to FES.

Local authority	Date transferred
East Ayrshire	July 2014
Dumfries and Galloway	October 2014
South Ayrshire	October 2014
East Dunbartonshire	October 2014
North Lanarkshire	October 2014
Falkirk	October 2014
Glasgow	November 2014
South Lanarkshire	November 2014
Edinburgh	November 2014
East Lothian	November 2014
Fife	December 2014
North Ayrshire	February 2015
West Lothian	February 2015
Stirling	February 2015
Scottish Borders	March 2015
West Dunbartonshire	March 2015
Aberdeen City	April 2015
Aberdeenshire	May 2015
Angus	May 2015
Dundee	June 2015
Perth and Kinross	July 2015
Western Isles	July 2015

Local authority	Date transferred
Highland	August 2015
Moray	August 2015
Orkney	August 2015
Shetland	September 2015
Midlothian	October 2015
Argyll and Bute	October 2015
Clackmannanshire	October 2015
East Renfrewshire	December 2015
Inverclyde	February 2016
Renfrewshire	March 2016