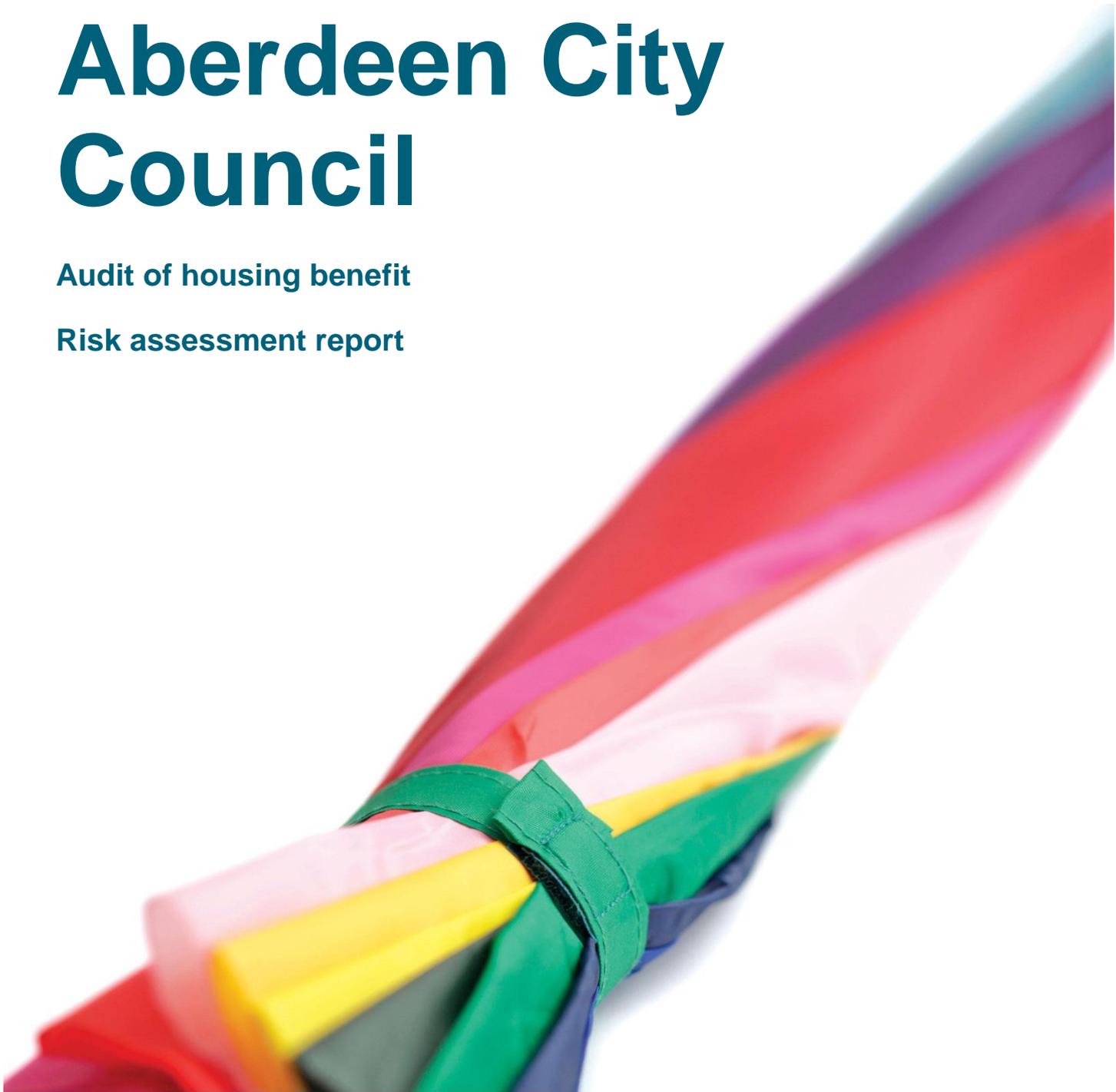


Aberdeen City Council

Audit of housing benefit

Risk assessment report



Prepared for Aberdeen City Council
July 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 Aberdeen City 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 June 2015.

Executive summary

5. A risk assessment was previously carried out on Aberdeen City Council's benefit service in September 2012 when Audit Scotland identified 13 risks to continuous improvement. These were reported to the Chief Executive in November 2012 and, in response, the council submitted an action plan in January 2013 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented.
6. In May 2015, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the 13 risks identified, the progress the council has made is commendable:
 - 12 actions fully completed
 - 1 action outstanding.Appendix A covers this in detail.
7. In completing 12 of these risks, the council has made a very positive contribution to the delivery of the benefit service. In particular, by:

- developing an annual business plan which includes a retrospective look at performance across all areas of the business, and details the key objectives, tasks and performance indicators for the year
 - having a comprehensive performance reporting regime, and regularly reporting benefit service performance to staff, senior management and members
 - significantly improving speed of processing performance from an average of 38 days for new claims and 22 days for changes of circumstances in 2013/14, to an average of 20 days and 12 days respectively in 2014/15
 - having a strong focus on quality, and continuously improving accuracy performance from 84% in 2012/13 to 93% in 2014/15
 - developing and implementing an annual risk-based programme of interventions which has helped the service to identify £598,960 of overpayments since 2013/14 in respect of customers who had failed to declare a change of circumstances
 - carrying out overpayment classification exercises and analysing overpayments to help identify errors and minimise the potential for subsidy loss, and regularly reporting overpayment recovery performance to senior managers.
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:
- taking action to address the decline in overpayment recovery performance
 - ensuring that the maximum amount of prescribed deductions from ongoing benefit is applied and, where this amount has been reduced, that the claim is regularly reviewed to ensure that the reduction remains appropriate, particularly in respect of overpayments that have arisen as a result of fraud.

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 some significant changes within the benefit service and, as a consequence, the way in which HB is administered. In April 2013, as a result of the UK Government's welfare reform agenda, the benefit service created a new team to deliver the council's Scottish Welfare Fund (SWF) and, to provide the service with a consistent approach to management checking, a Quality Assurance (QA) team was established in April 2013, which was fully staffed by July 2013.

11. The service has also managed a considerable turnover of staff in the last 18 months which has resulted in the recruitment and training of 25 customer care assistants (CCA) and 2.5 team leaders during the period. In addition, following the removal of the spare room subsidy (RSRS), the council experienced a significant increase in the number of applications for a discretionary housing payment (DHP) from 159 in 2012/13 to 2,575 in 2014/15, creating additional workloads for the service.
12. As a consequence of increased workloads, the loss of experienced staff, and the need to recruit and train new staff, claims processing performance declined significantly from an average of 27 days for new claims and 15 days for changes of circumstances in 2012/13, to an average of 38 days and 22 days respectively in 2013/14.
13. However, the benefit service responded very positively to this decline and by implementing a number of changes to its structure, and working in partnership with the DWP's Performance Development Team (PDT), the service considerably improved speed of processing performance in 2014/15 to an average of 20 days for new claims and an average of 12 days for changes of circumstances. This level of improvement is commendable and is discussed in more detail under *Speed of processing*.
14. Revenues and Benefits is part of the Finance Service, which is a key service within the Corporate Governance Directorate and responsible for administering HB and Council Tax Reduction (CTR), Council Tax (including recovery), Business Rates, service income, social work financial assessments, and the Scottish Welfare Fund (SWF).
15. The *Benefit Processing Annual Report 2014/15* serves as the Revenues and Benefits business plan and is presented each year to the Head of Finance. The annual report reflects on the previous year's performance and sets out general principles to be adopted in the administration of HB and CTR. These principles include:
 - promoting the uptake of HB by producing and publishing publicity material, when appropriate
 - working closely with key stakeholders
 - ensuring that staff undertake regular training
 - administering overpayments in accordance with statutory provisions
 - seeking to promote a counter-fraud culture amongst staff and the public to deter fraud.
16. The annual report also sets out the service's key performance targets which include the average time to process new claims and changes of circumstances, the financial accuracy of payments, the number of interventions to be carried out, and the value of benefit overpayments to be recovered.
17. The council makes good use of an online reporting system to report performance to senior management and members. It formally reports the performance of the benefit service each quarter to the Finance, Policy and Resources Committee in respect of the average time to process new claims and changes of circumstances, the accuracy of claims, the percentage of new claims decided within 14 days of receiving all information, and the gross

administration cost per case. In addition, there is regular detailed reporting of benefit service performance at an operational level. This includes:

- weekly - between the benefit team leaders and processing staff
 - weekly - between the Benefits Processing Manager and benefit team leaders
 - weekly - between the Revenues and Benefits Manager and the Benefits Processing Manager
 - monthly - between the Head of Finance and the Revenues and Benefits Manager.
18. Managing performance is a key component in delivering an effective service and the council has a strong performance management ethos which includes carrying out annual performance reviews for staff and having a comprehensive performance development programme which includes individual staff targets for speed of processing, work volumes and accuracy. Performance against these targets is discussed at monthly one to one meetings between processing staff and their respective team leaders.
19. In addition, a 'performance wall' was introduced in 2014, which is updated monthly and shows speed of processing and accuracy performance at service, team, and anonymously at individual level. This is an innovative approach which the council told us has been very effective in contributing to the significant improvements in speed of processing and accuracy performance in 2014/15.
20. In preparation for the introduction of Universal Credit (UC) in November 2015, senior officers from the Revenues and Benefits service are members of the UC Housing Operational Group, the corporate Welfare Reform Board, and the recently established sub-group with the Housing department which was created to ensure that communication with customers about UC is co-ordinated, efficient and effective.
21. Audit Scotland identified five risks to continuous improvement during the previous risk assessment in that:
- the service business planning cycle included the previous year's performance being reviewed for the annual report to members. This did not include all areas and was too late in ensuring effective targeting of resources at the start of the new business year
 - the specific areas that required improvement were not made clear in the annual report or on the issues list
 - it was not clear whether the high level actions on the issues list were ongoing tasks or improvement activities. To facilitate more effective planning and monitoring all improvement activities needed to be made clearer and should be supported with specific detailed actions, associated key milestones and completion dates
 - the monthly performance report to senior officers was limited to speed of processing. The service, after Audit Scotland's previous risk assessment, committed to reporting its accuracy performance to senior managers and members but had not done so. Given the subsidy losses incurred by the council, financial accuracy should have been considered a key area and included in the monthly and annual reports

- the outcome and effectiveness of the service's intervention activity was not being measured, monitored or reported.
- 22. We consider that all five risks have been addressed in this area as the *Benefit Processing Annual Report 2014/15* is developed in March and finalised in April, details all aspects of the benefit service's activities, and clearly sets out the key areas for improvement and operational tasks for the year.
- 23. The council has also increased the level of performance information provided to senior managers and members. Accuracy performance is reported monthly to senior managers and formally reported to the Finance, Policy and Resources Committee each quarter. In addition, outcomes from the service's intervention activities are reviewed and analysed every six weeks and formally reported each quarter by the interventions team leader to the Benefits Processing Manager.

Delivering outcomes

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

Speed of processing

- 25. When customers claim benefit, it is a time of financial uncertainty for them and, as such, it is essential that the service has sufficient fully trained and effective benefit processors in place that can make informed decisions on complex benefit claims and pay benefit promptly.
- 26. At the time of our previous visit in 2012, the benefit service had experienced a significant turnover in staff and was carrying a number of vacant posts which had a detrimental effect on the service, particularly the time taken to process new claims and changes of circumstances. As a consequence, Audit Scotland requested that the council provide regular updates on performance to determine if the required improvements could be achieved.
- 27. In April 2013, the UK government's welfare reform agenda resulted in a number of changes to the way in which HB was delivered which impacted on councils. As a consequence of these changes, in the November 2013 performance update to Audit Scotland, the council reported a further decline in new claims and changes of circumstances performance to an average of 38 days for new claims, and an average of 22 days for changes of circumstances, at quarter two of 2013/14. The council advised that the following were key factors in the decline in performance:
 - a tenfold increase in the number of applications for a DHP from 159 in 2012/13 to 1,790 in 2013/14 following the RSRS

- the loss of seven experienced benefit staff from January 2013 to setup and deliver the council's SWF
 - the loss of a further seven experienced benefit staff to other posts within the council.
28. The council took a number of positive steps in order to manage the reduction in staffing levels and the decline in performance. These included:
- utilising overtime
 - employing trained agency staff
 - recruiting 10 new members of staff
 - improving the use of the DWP's Automated Transfer to Local Authority Systems (ATLAS) data
 - working in partnership with the DWP's PDT.
29. The council told us that working collaboratively with the PDT allowed for an extensive review of business processes with a view to improving working practices and speed of processing performance. As a result of this work, a comprehensive *Benefit Improvement Action plan* was developed, new teams were created as part of a service restructure, procedures were revised, additional staff training was provided where appropriate, and workload allocations were reviewed and revised.
30. In order to ensure the delivery of the action plan, a Senior Team Leader was removed from operational duties to focus on the timeous delivery of the actions and the council told us that by taking this decision it successfully introduced the new structure and working practices in January 2014. The initial priority was to deal with new claims with a dedicated resource allocated to clearing the backlog of new claims that had accrued. The council told us that this backlog was cleared in April 2014, and that the additional backlogs in respect of DWP and ATLAS notifications and changes of circumstances were cleared by May 2014 and July 2014 respectively.
31. As a result, the council delivered significant improvements in the time taken to process new claims from an average of 38 days in 2013/14 to 20 days in 2014/15, and changes of circumstances from an average of 22 days in 2013/14 to 12 days in 2014/15. This performance placed the council 11th of the 32 Scottish councils for new claims and 22nd for changes of circumstances, based on the DWP's published quarter three data for 2014/15. The level of improvement since 2013/14 is highly commendable.
32. 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
New claims	27 days	38 days	20 days
Changes of circumstances	15 days	22 days	12 days

Source: Aberdeen City Council

33. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that priority had been given to processing new claims, which had improved, but changes of circumstances performance remained well below the national average and showed no sign of improvement.
34. We consider that this risk has been addressed given the significant improvement in changes of circumstances performance in 2014/15.

Accuracy

35. 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.
36. The benefit service has a clear commitment to ensuring the accuracy of claims and a key aim in the *Benefit Processing Annual Report 2014/15* is to protect against fraud and error. To address the risks previously highlighted by Audit Scotland, particularly in relation to the consistency of the quality checking regime, a dedicated QA team was established in the Revenues and Benefits structure in April 2013.
37. The council told us that the QA team was fully staffed by July 2013 and consists of three QA and Appeals officers, at team leader level, who are responsible for helping CCAs to make correct HB/CTR decisions by providing advice, guidance, and remedial training where appropriate. The *Quality Assurance Plan 2015/16* sets out the team's key priorities which include:
 - conducting quality assurance checks on 10% of decisions made by staff
 - providing constructive feedback to team leaders and CCAs
 - providing training for all staff throughout the year, including staff in other departments
 - monitoring staff performance in relation to the 95% accuracy target
 - creating and maintain desk aids/procedures for staff to follow
 - maintaining the QA spreadsheet detailing staff's individual accuracy.
38. On a daily basis a random sample of claims are selected from a benefit IT system report which contains the cases which the council considers to be high-risk, based on previous analysis. The QA team aims to carry out ten full case checks for each CCA per month which is reduced to a minimum of five full case checks if the CCA has had a period of absence, for example, annual leave or illness.

39. 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. Where staff are under-performing, the council's *Performance Management Policy* is instigated which involves discussions with staff to identify any underlying issues and the development of a personalised performance plan which details:
 - the required improvements in performance
 - the support/training that will be provided
 - the timescale for improvement
 - how progress will be monitored and reviewed
 - the potential consequences of failing to meet the required improvements.
40. The outcomes from the daily management checking activities are recorded electronically on a QA database and subsequently extracted to a comprehensive spreadsheet which the QA team uses to summarise and analyse the data to identify trends and patterns of error at individual, team and service level. This information is used to report the outcomes of management checks to team leaders who are responsible for ensuring that staff are aware of the error, and that the appropriate corrective action is taken.
41. Where errors are found, the QA team is responsible for the development and delivery of remedial training and the creation of desk aids to support staff to help improve performance. For example, a recent desk aid was devised to help CCAs determine the correct effective date when a customer has reported a change in earned income.
42. There is regular reporting of accuracy performance at the weekly benefit operational meeting and the weekly management meeting and summary performance at service, team and individual level is updated monthly and displayed prominently on the 'performance wall' within the benefit team area.
43. At the end of each year the QA team produces a comprehensive report for the Benefits Processing Manager and the Revenues and Benefits Manager which details the outcomes from all management checks, provides summary data on the types of errors found, and information on the actions carried out by the QA team to deliver improvements, for example the issue of a weekly 'Did you know?' email.
44. The report also sets out the QA team's objectives for the following year which includes:
 - delivering refresher training more regularly focussing on areas where errors are recurring, for example, ensuring effective dates are correct
 - holding regular workshops to help improve the communication between team leaders and CCAs
 - working in partnership with team leaders to deliver refresher training to ensure a consistent approach to managing queries from staff.
45. Exhibit 2 illustrates the council's current and previous performance.

Exhibit 2: Accuracy performance

	Target	Achieved
2012/13	95%	84%
2013/14	95%	89%
2014/15	95%	93%

Source: Aberdeen City Council

46. It is clear that the council has a strong commitment to ensuring the accuracy of its claims and has made considerable and continuous improvement since 2012/13. The establishment of a dedicated QA team has provided the council with an independent, consistent, and robust management checking regime and, although it has yet to achieve its accuracy target of 95%, we consider that it has the required processes in place to help deliver further improvement.
47. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that, while the service's quality checking regime was extensive, there was no evidence of a focus on risk, or the key aspect of paying the correct amount of benefit to its customers.
48. We consider that this risk has been addressed as the council analyses the outcomes from its management checks and uses this information to focus its activities on claims that are considered high-risk.

Interventions

49. 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.
50. The council seeks to ensure that customers are educated and aware of the need to report a change in circumstances. For example, the benefit claim form and notification letters contain information on what types of changes should be reported and a change of circumstances form is issued with each notification letter.
51. In addition, the council website has an interactive form for customers who have access to the internet to enable them to report a change electronically, and customers who attend the council's Customer Service Centre (CSC) are also reminded of the need to report any changes. To ensure that changes are actioned timeously, information received at the CSC is recorded on the document imaging system for action by the benefit service.
52. 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.

53. The service also 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.
54. With the introduction of the DWP's 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.
55. To manage its interventions programme, the council has a dedicated Interventions/Single Housing Benefit Extract (SHBE) team consisting of a team leader and four CCA's and the Revenues and Benefits *Interventions Strategy 2015/16* sets out its approach, which is to make maximum use of all available data and intelligence and use proactive measures to identify predictable changes.
56. In 2015/16 the council aims to issue 300 postal reviews every six weeks to customers in receipt of a private or occupational pension, or customers that have not had a review within the last two years. The outcomes from each six-week campaign are monitored and reviewed by the Interventions/SHBE team leader to determine the effectiveness of the selection criteria and to record the number of cases that result in an increase or decrease in benefit.
57. On a quarterly basis these outcomes, and also the total value of underpayments and overpayments identified from intervention activity, is formally reported to the Benefits Processing Manager and the Revenues and Benefits Manager as part of the regular one to one performance meetings.
58. The Interventions/SHBE team also produces an annual report which summarises the interventions activity and is used to determine the overall effectiveness of the service's approach, and set the focus and interventions timetable for the following year.
59. Exhibit 3 below details the outcomes from the council's intervention activities.

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
2012/13	1901	986	50%	733	253
2013/14	2096	1416	68%	1199	217
2014/15	751	484	65%	413	71
Totals	4748	2885	61%	2345	541

Source: Aberdeen City Council

60. Since 2013/14 the council has identified 65% or more un-reported changes from its interventions activity which demonstrates that it is effectively targeting its caseload. In doing so the Interventions/SHBE team has also identified overpayments totalling £441,259 in 2013/14 and £157,701 in 2014/15, which is commendable.
61. Although only 751 interventions were carried out in 2014/15, this was during a period when the benefit service lost nine experienced processing staff and a decision was taken to suspend intervention activity to ensure that speed of processing performance was not compromised. The council advised that intervention activity is scheduled to recommence in July 2015 when the new staff have been fully trained.
62. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the service's intervention approach was unclear and that more work was required before its intervention strategy was implemented to ensure that cases were effectively targeted and the methods of doing so were selected to help ensure efficiency and effectiveness
 - the council did not have effective processes in place to routinely gather and analyse information on the effectiveness of its risk criteria to ensure its intervention activity was effectively targeted.
63. We consider that both of these risks have been addressed as the council has a clear approach to carrying out interventions which is detailed in the *Interventions Strategy 2015/16*. This is based on analysis of previous outcomes to ensure that cases most likely to have an unreported change of circumstances are targeted and results from its approach demonstrate that it is effective.

Overpayments

64. 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.

65. The *Overpayments Recovery Policy* details the council's approach to the prevention and detection of benefit overpayments and aims, with the use of clear procedures and appropriate training, to enable staff to:
- promptly identify overpayments
 - prevent overpayments from occurring, where possible
 - notify customers and other affected persons promptly
 - correctly classify overpayments to ensure the amount of subsidy available is maximised
 - recover overpayments in line with legislation and in a timely, cost effective, and efficient manner
 - ensure that effective monitoring processes are in place.
66. Where a benefit overpayment has arisen and the customer remains in receipt of benefit, the CCAs are responsible for initiating recovery from ongoing deductions. However, if the customer is not in receipt of benefit, until 1 April 2015, the council's Corporate Debt Recovery team was responsible for the recovery of the debt and made good use of all available recovery options. These included:
- issuing a sundry debtor invoice
 - working with the DWP's Debt Management Unit to recover overpayments from ongoing DWP benefits where appropriate
 - using the DWP's Customer Information System, and other commercial products, to trace customers who are no longer claiming benefit in the local authority area
 - working in partnership with Sherriff's Officers to pursue difficult to recover debt.
67. To ensure that overpayments calculations are accurate and being correctly classified, regular management checks are carried out. These include a team leader check on all overpayments over £1,000, and a sample check by the QA team of 20 random overpayments at five specific points during the year, April, August, September, October and March. The purpose of the sample checks is to establish the reasons for overpayments occurring, identify trends and patterns of error, and to make recommendations for improvement, where appropriate.
68. In the 2014/15 *Comparative Analysis of HB Overpayments* report, the QA team identified the most common reason for an overpayment occurring was an undeclared change of circumstances where the customer was in receipt of earned income or an occupational pension. Based on this analysis a number of recommendations were made. These included:
- amending the service's interventions strategy to focus on earned income and occupational pension cases
 - creating a benefit survey, to be issued in 2015/16, to assess customers understanding of the need to report a change in circumstances, and review current correspondence to ensure that legislative guidelines are clear and understandable

- continuing to monitor the work of staff, particularly in respect of high-risk cases, with a view to reducing the number and value of local authority (LA) error overpayments.
69. There is regular reporting of overpayment recovery performance, including monthly monitoring and reporting on the level of LA/administrative delay error overpayments against the DWP thresholds and, to ensure that CCAs are fully aware of how to correctly classify an overpayment, remedial training was provided by the QA team in November and December 2014, with refresher training scheduled to take place in November 2015.
 70. This is particularly important as a council can lose subsidy if LA/administrative delay error overpayments exceed the DWP lower threshold of 0.48% of the total value of correct payments made each year, and no subsidy is paid if the value of LA error/administrative delay overpayments exceeds 0.54% of the total value of correct payments made.
 71. As a result of the decline in speed of processing in 2013/14, the council had a backlog of work in 2014/15 and, although the backlog was cleared by July 2014, the resultant processing delays led to an increase in the value of LA/administrative delay error overpayments which exceeded the DWP's upper threshold limit of 0.54%. As a consequence, the council was unable to claim £291,000 in subsidy which was a significant loss of income and clearly illustrates the need to ensure that new claims and changes of circumstances are processed timeously.
 72. It is acknowledged that the council's actions to address the decline in speed of processing performance had a very positive effect on claims processing times and, at the time of our on site visit, we were told that the percentage of LA/administrative delay error overpayments was being reported at below the lower DWP threshold.
 73. In 2012/13 and 2013/14 the council delivered a consistent level of performance in respect of the percentage of in-year debt recovered and against the total debt outstanding. However, performance declined in 2014/15 and we were told that this was a contributing factor in the decision to transfer benefit debt recovery functions (with the exception of debt already with Sherriff's Officers) from the Corporate Recovery Team to the Benefits Team with effect from 01 April 2015.
 74. The council recognises that this is an area for improvement and told us that it was in the early stages of a full review of its policies and procedures to identify where improvements could be made that could enhance recovery performance.
 75. Exhibit 4 illustrates the council's current and previous recovery performance.

Exhibit 4: Overpayment levels and recovery performance

	2012/13	2013/14	2014/15
Total overpayments c/f	£4,353,330	£4,979,540	£5,685,445
Total overpayments raised in-year	£2,380,999	£2,568,217	£2,773,706
HB debt recovered	£1,492,308	£1,625,864	£1,605,325
% recovered of in-year debt	63%	63%	58%
% recovered of total HB debt	22%	22%	19%

Source: Aberdeen City Council

76. Although the council makes good use of all available recovery options it is not rigorously pursuing the recovery of fraud overpayments, or fully utilising the maximum amount that can be used to recover from ongoing deductions where the customer is still in receipt of benefit. This is of particular concern in respect of fraud overpayments, as the prompt recovery of these debts should help act as a deterrent to others considering fraud against the council.
77. When we analysed the council's fraud overpayments data we found that since 2010/11 the council had only recovered £837 of the £8,864 of administrative penalties that had been raised which equates to approximately 9.4% of the outstanding debt. In addition, of the 80 fraud overpayments we analysed, we found that the average amount being recovered from ongoing deductions was £6.35, which is well below the maximum rate set by the DWP for 2014/15 of £18.25.
78. Although the council advised that, in some cases, a reduction in the amount to be recovered from ongoing benefit is applied when a customer has requested an income and expenditure assessment, we consider that all overpayments with ongoing deductions below the prescribed amounts should be reviewed to ensure that the amount being deducted remains appropriate.

Risks to continuous improvement

1	The council needs to address the reasons for the decline in overpayment recovery performance.
2	The council needs to ensure that it is fully utilising the maximum recovery by deductions rate in all relevant cases and, where a reduction has been agreed following an income and expenditure assessment, that it is regularly reviewed to ensure that the amount remains appropriate.

79. Audit Scotland identified three risks to continuous improvement during the previous risk assessment in that:

- there was no specific analysis of official error overpayments to identify the cause which could be used to help minimise overpayments, and improve the financial accuracy of future decisions
 - there was no specific analysis of claimant error overpayments to identify the cause which could be used to help minimise overpayments occurring, to better target intervention activity, and to inform any education programme that reminds customers of their responsibility to promptly notify change events
 - the council did not routinely monitor the recovery of fraud overpayments and administrative penalties to ensure they were being rigorously recovered and that benefit fraud was being deterred.
80. We consider that the council has addressed two of the three risks in that there is regular analysis and reporting of the reasons for overpayments which the council has used to deliver remedial training, amend its interventions approach, and to engage with and educate customers on the importance of reporting a change in circumstances.
81. However, we consider that the remaining risk is outstanding as the council is not routinely monitoring the recovery of fraud overpayments and administrative penalties to ensure that they are being rigorously recovered and that fraud is being deterred.

Counter-fraud

82. 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.
83. In 2010, the joint DWP/Her Majesty's Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and Tax Credits, whether currently administered by DWP, HMRC or local authorities. The main objective of the policy was to ensure that all types of social security and Tax Credit fraud would be investigated according to a single set of guidance and priorities.
84. In April 2015, the council's benefit fraud investigation function was transferred to SFIS. However, in order to continue to investigate non-benefit related fraud, for example CTR fraud, the council has retained its counter-fraud staff and established a corporate counter-fraud team.
85. As part of the new SFIS regime, a local agreement has been developed between the council and the DWP which sets out the requirements for the exchange of information between the two organisations. This includes recommended timescales, a single point of contact, and an escalation route should any issues arise that cannot be resolved at the single point of contact level.

86. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the service's sanction performance had declined, did not compare favourably to other councils with a similar caseload, and showed little sign of improvement.
87. In view of the transfer of benefit fraud functions to SFIS we consider that the above risk is no longer relevant.

Appendix A

Progress against action plan dated January 2013	
Risk identified	Status
The service business planning cycle includes the previous year's performance being reviewed for the annual report to Members. This does not include all areas and is too late in ensuring effective targeting of resources at the start of the new business year.	Completed
The specific areas that require improvement are not made clear in the annual report or the issues list.	Completed
It is not clear whether the high level actions on the issues list are on-going tasks or improvement activities. To facilitate more effective planning and monitoring all improvement activities need to be made clearer and should be supported with specific detailed actions, associated key milestone and completion dates.	Completed
The monthly performance report to senior officers is limited to speed of processing. The service, after Audit Scotland's previous risk assessment, committed to reporting its accuracy performance to senior managers and members but has not done so. Given the subsidy losses incurred by the council, financial accuracy should have been considered a key area and included in the monthly and annual reports.	Completed
The outcome and effectiveness of the service's intervention activity is not measured, monitored or reported.	Completed
Priority has been given to processing new claims which have improved but changes of circumstances performance remains well below the national average and shows no sign of improvement.	Completed
While the service's quality checking regime is extensive, there is no evidence of a focus on risk or the key aspect of paying the correct amount of benefit to its customers.	Completed
The service's intervention approach is unclear. More work is required before its intervention strategy is implemented to ensure that cases are effectively targeted and the methods of doing so are selected to help ensure efficiency and effectiveness.	Completed
The council does not have effective processes in place to routinely gather and analyse information on the effectiveness of its risk criteria to ensure its intervention activity is effectively targeted.	Completed
There is no specific analysis of official error overpayments to identify the cause of the overpayment. This information could then be used to help minimise overpayments and improve the financial accuracy of future decisions.	Completed

Progress against action plan dated January 2013

<p>There is no specific analysis of claimant error overpayments to identify the cause of the overpayment. This information could then be used to help minimise overpayments occurring, to better target intervention activity, and to inform any education programme that reminds customers of their responsibility to promptly notify change events.</p>	Completed
<p>The council does not routinely monitor the recovery of fraud overpayments and administrative penalties to ensure they are rigorously recovered and that benefit fraud is deterred.</p>	Outstanding
<p>The service's sanction performance has declined, does not compare favourably to other councils with a similar caseload and at present shows little sign of improvement.</p>	Completed