

# Midlothian Council

Audit of housing benefit

Risk assessment report



 AUDIT SCOTLAND

Prepared for Midlothian Council  
September 2014



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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 Midlothian 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 July 2014.

## Executive summary

5. A risk assessment was previously carried out on Midlothian Council's benefit service in June 2011 when Audit Scotland identified 21 risks to continuous improvement. These were reported to the Chief Executive in August 2011 and, in response, the council submitted an action plan in September 2011 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented.
6. In June 2014, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the 21 risks identified, the council has made significant progress:
  - 15 actions fully completed
  - 4 actions on-going
  - 2 actions outstanding.Appendix A covers this in detail.
7. In completing, or partially completing, 19 of these risks the council has made a positive contribution to the delivery of the benefit service. In particular, by:

- having clear links between the council's key strategic documents to show how the benefit service contributes to the council's wider corporate, national, and community objectives
  - significantly improving claims processing performance from an average of 38 days for new claims and an average of 18 days for change events at 31 December 2010, to an average of 20 days for new claims and an average of 13 days for change events in 2014/15, at 30 June 2014
  - delivering an excellent performance in respect of the financial accuracy of its claims, by meeting or exceeding its accuracy target of 98% since 2010/11, and setting a target to improve the non-financial accuracy of claims
  - delivering an excellent performance in the recovery of in-year and all debt
  - introducing a management check of investigations to ensure compliance with legislation and guidance, which is fully documented and provides an audit trail of decisions made.
8. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are two risks outstanding and four risks where action is ongoing from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these and the new risks identified. These include:
- establishing why the council's internally reported speed of processing performance in 2013/14 is different to that published by the DWP. Although the DWP published figures show the council's performance to be better, it needs to investigate and address the reasons for this anomaly
  - there is no evidence of challenge from members when the service is under-performing
  - the council does not monitor the recovery of fraud overpayments and administrative penalties to ensure that recovery is rigorous, and to help deter fraud
  - as a result of the council's decision to prioritise Scottish Welfare Fund (SWF) applications in 2013/14, other areas of the benefit service were adversely affected. As a consequence, the council breached its annual DWP threshold for Local Authority (LA) error and administrative delay overpayments resulting in the council being unable to claim any subsidy for these types of overpayments. The maximum amount of additional subsidy that could have been claimed was £123,599
  - needing to establish and address the reasons why approximately 57% of pre-notified first visits carried out as part of the council's programme of interventions are not fully effective
  - improving the percentage of investigations that result in a positive outcome, and ensuring that the results from all prosecutions are notified to the council, and are publicised in the local press and media, and on the council website.

## National and local priorities

9. The UK Government's welfare reform agenda aims to make work pay and simplify the benefits system by bringing together a range of working-age benefits, including HB, into a single

streamlined payment of Universal Credit administered by DWP. This is the biggest change to the welfare system for over 60 years and has a significant impact on local authorities and the services they provide.

10. In June 2012, a Welfare Reform working group was established to look at the implications of welfare reforms on the council and its residents with the aim of identifying ways to mitigate and minimise negative impacts. This group, chaired by the Director, Communities and Wellbeing (now Health and Social Care), and comprising senior managers and specialist staff from across the council, identified and developed work streams and key deliverables. Key deliverables included:
  - establishing a programme to provide advice, support and assistance targeted at the most vulnerable and impacted groups
  - reviewing the capacity of the council and its partner agencies to deliver support services during and following implementation of welfare reforms
  - reviewing, updating and implementing the council's housing allocation policy
  - managing change, including organisational change associated with the transfer of HB activities to DWP
  - identifying and delivering key messages to the community, employees, and partner organisations.
11. In order to ensure that affected customers were advised of the welfare reform changes, the council contacted individuals directly by letter or telephone call, and made good use of local press and media. This included radio adverts, poster campaigns, articles in the Midlothian News and tenant newsletters, and briefings to registered tenant organisations.
12. Since April 2013, the Revenues and Benefits service has taken on the responsibility for the provision of the council's SWF and has experienced a significant increase in its workload as a result of this and other welfare reform changes. For example, in 2013/14, the council received 3,446 SWF applications and, following the removal of the spare room subsidy (RSRS) in April 2013, the council received 922 applications for a Discretionary Housing Payment (DHP), which represents a 700% increase on the number of DHP applications received in 2012/13.
13. In order to help mitigate the impacts of welfare reform, the council has secured substantial funding through various partnership bids developed by the Regeneration section and the Midlothian Financial Inclusion Network. This is commendable, and the following funding totalling £450,013 is now in place until March 2015:
  - Big Lottery Funding Support and Connect: in partnership with Trussell Trust (£48,220)
  - Big Lottery Funding Support and Connect: in partnership with Changeworks (£200,000)
  - Scottish Legal Aid Board Making Advice Work: in partnership with Penicuik and Dalkeith Citizens Advice Bureau (£109,793)
  - Scottish Legal Aid Board Making Advice Work: in partnership with Melville Housing (£92,000).

14. Although the council has experienced increased workloads and demand for its services which have had a detrimental effect on its benefit claims administration performance in 2013/14, its proactive approach to delivering the changes and challenges presented by the welfare reform agenda ensures that it is well placed to meet future changes. By working closely with its key partners, and having regular meetings, issues identified are raised, documented and reported to senior management and members.

# Business planning and reporting

15. 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.
16. Revenues and Benefits is part of Customer and Housing Services which provides a number of services to internal and external customers. These include:
  - managing initial customer contact for a range of council services, including housing repairs, council tax, benefit, rents, and social work
  - the administration of HB, DHPs, the Council Tax Reduction Scheme (CTRS), and the SWF.
17. At a strategic level, the *Single Midlothian Plan 2014/2018* contains the council's short, medium and long term priorities and links its Transformational Strategy to service, team and individual plans. Operationally, the *Customer and Housing Services Service Plan 2014/15* details what is required to deliver these priorities, and sets out the purpose and aims of the benefit service which includes:
  - maximising benefit take-up
  - processing benefit accurately and promptly
  - reviewing processes to identify improvements
  - taking sanction action where appropriate
  - recovering fraud and other overpayments using statutory methods.
18. The council has a clear and structured performance management framework, and makes good use of an online performance reporting system that contains 22 key benefit performance indicators which are updated monthly and cover most aspects of the benefit service. Of these, performance in respect of the following three key targets is reported quarterly to members at the Performance Review and Scrutiny Committee:
  - the average time to process new claims
  - the average time to process change events

- the value of LA error and administrative delay overpayments.
19. In addition, detailed monthly performance reports produced from the online performance reporting system are used to inform discussions about performance with staff, senior management and members. This includes:
- monthly meetings between the Revenues Services Manager and the Head of Customer and Housing Services
  - monthly meetings between the Operational Support Manager and the Head of Customer and Housing Services
  - weekly benefit staff meetings
  - monthly benefit fraud team meetings
  - quarterly to the Corporate Management Team, and Cabinet.
20. As part of the council's competency framework, *Making Performance Matter*, staff are provided with a detailed breakdown of their individual performance to ensure that each member of staff fully understands how their performance impacts the overall performance of their team, and the service as a whole.

Risks to continuous improvement	
1	There are no documented targets in the Customer and Housing Services Service Plan 2014/15 for interventions, recovering in-year and all debt, or for dealing with appeals. Consequently, performance is not being reported against all aspects of the service.
2	There is no evidence of challenge from members when the service is under-performing.

21. Audit Scotland identified four risks to continuous improvement during the previous risk assessment in that
- there was no evidence that the service reviewed previous year's performance as part of the business planning cycle with a view to identifying the specific areas that it needed to improve, or articulating how it would do so
  - performance indicators had not been set for 2011/12 for reconsiderations, interventions or sanctions at the time of our previous visit in June 2011
  - reconsideration performance was not being routinely monitored and reported
  - there was no evidence of challenge where performance was not meeting targets, or of the remedial action agreed to improve performance.
22. We consider that the council has addressed two of these risks as there is now an annual business planning meeting between the Head of Customer and Housing Services, the Revenues Operations Manager, and the Operational Support Manager during which the previous year's performance is reviewed in order to set targets for the upcoming year. Also

reconsiderations performance is now formally reported monthly as part of the council's performance management framework.

23. Although the risk in respect of setting performance indicators for reconsiderations, interventions and sanctions has been met in part, there are no targets for interventions, recovering in-year and all debt, or for dealing with appeals, and therefore we consider this risk to be ongoing.
24. The remaining risk is outstanding as we found no evidence of challenge from members where performance was not meeting targets. For example, the quarter two Customer Services Performance report dated November 2013 provided to the Performance Review and Scrutiny Committee clearly identified as a high-risk that the council could lose subsidy as a result of an increase in LA error and administrative delay overpayments. However, we found no evidence that this risk was challenged, or that any mitigating action was taken.
25. As a consequence, the council was unable to claim any additional subsidy for LA error and administrative delay overpayments in 2013/14 as the total amount of £195,984 was higher than the DWPs upper threshold of £139,049. The maximum amount of additional subsidy that could have been achieved was £123,599.

## Delivering outcomes

26. 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

27. 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.
28. The council responded positively following our previous visit in July 2011 when we reported that claims processing performance was amongst the worst in Great Britain, at an average of 36 days for new claims, and an average of 45 days for change events, based on DWP published data at 31 December 2010.
29. As part of the council's response, the Head of Customer Services at the time commissioned a process review in November 2011 with four key objectives to:
  - document and review current processes to establish strengths and weakness and areas for improvement
  - identify where processes could be improved by looking at good practice and benchmarking with other councils
  - make recommendations for process improvements

- develop an implementation plan to deliver the improvements.
30. Following the publication of the process review findings in March 2012, the council developed an improvement plan which identified a range of measures designed to improve the benefit service. These measures included the installation of dual monitors for processing staff to help reduce errors and improve processing times, improvements to the claim indexing process, and a review of information and evidence requirements. We were told that all staff received training on the outcomes from the review and that benefit decision-makers received advanced guidance on the revised processing procedures.
31. Other measures included:
- a fast-track service where a customer's claim would be processed within three days if the customer had provided all of the required information at the first point of contact. In 2013/14, the council received and assessed 600 fast-track claims all within this timescale
  - providing training on acceptable standards of evidence to key internal and external stakeholders, including officers from the council's largest housing association and a private sector leasing company. These officers are now accredited by the council to receive and copy evidence in support of a benefit claim.
32. As a result of these improvement actions, the council delivered continuous improvement in its claims processing performance between 2010/11 and 2012/13. Most notable is the significant improvement in the time taken to process new claims which improved from an average of 34 days in 2010/11 to an average of 21 days in 2011/12. This is commendable.
33. Although performance declined in 2013/14, the council told us that this was the result of a number of factors that placed additional pressures on the service. These included:
- the loss of four staff to maternity leave over a period of approximately 18 months
  - an increase in the number of DHP applications from 132 in 2012/13, to 922 in 2013/14, as a result of the RSRS
  - the introduction of the SWF in April 2013, which required the service to provide staff with additional training, and subsequently dealing with the 3,446 claims for assistance that were received during the year
  - a council decision to prioritise SWF claims ahead of benefit claims processing.
34. Exhibit 1 illustrates the council's current and previous performance

<b>Exhibit 1: Speed of processing performance (average number of days)</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15 (30 June)</b>
<b>New claims</b>	34 days	21 days	20 days	23 days	20 days
<b>Change of circumstances</b>	14 days	14 days	11 days	14 days	13 days

Source: Midlothian Council & DWP

35. Based on the council's internally reported performance, it is acknowledged that claims processing performance has improved in the first quarter of 2014/15. However, although the time taken to process new claims is below the most recently published DWP Scottish figures for 2013/14 of an average of 26 days, placing the council joint 2nd out of the 32 Scottish councils, the time taken to process change events is considerably higher than the Scottish average of nine days, placing the council 27th out of the 32 Scottish councils.
36. Notwithstanding this, when we compared the DWP published performance with the council's internally reported performance for 2013/14, we found that the data did not match as detailed in exhibit 2 below.

#### Exhibit 2: Speed of processing performance (average number of days)

2013/14	New claims	Change events
Midlothian reported performance	23 days	14 days
DWP reported performance	22 days	11 days

Source: Midlothian Council & DWP

37. Although the DWP published data shows a better level of performance than that reported internally, the council needs to investigate and establish the reasons for this anomaly.

#### Risks to continuous improvement

3	The council needs to address the reasons why there is a discrepancy between internally reported claims processing performance, and that published by the DWP.
4	Reported performance in respect of speed of processing change events remains poorer than the Scottish average.

38. Audit Scotland identified four risks to continuous improvement during the previous risk assessment in that:
- the service was not measuring its change of circumstances performance as guided by DWP and, as a result of the method it was using, it was overstating performance. The service therefore needed to review and analyse this area and measure its performance in line with all other benefit services to enable it to understand the service it provides to those customers whose claims are subject to change
  - national performance figures were first published by DWP towards the end of 2009 but the council had not attempted to understand the reasons for the difference between those national figures and its own. It therefore needed to do more to validate its performance data and gain assurance on its speed of processing performance

- there was no reporting to senior officers and members of DWP's published performance figures for the service and its relevant position when compared to other benefit services in Scotland and Great Britain
  - the service's speed of processing performance was amongst the worst in Great Britain and needed to improve, firstly to ensure that the service it provided to customers claiming and receiving HB was more effective and efficient, and secondly to reduce the financial loss the council had incurred through administrative delays.
39. We consider that two of these risks have been addressed as the council has a key performance indicator to report claims processing performance against the DWP's published national figures, and has significantly improved its speed of processing performance since our previous visit.
40. However, there was a mismatch between the council's internally reported speed of processing performance in 2013/14 and the DWPs published data and, until this has been thoroughly investigated and resolved, we consider that the remaining two risks are ongoing.

## Accuracy

41. 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.
42. The council has a clear management checking process in place which is managed by four revenues and benefits group leaders who are each responsible for carrying out 30 full case checks per month. To ensure that a cross-section of work is checked, cases are randomly selected from the document imaging system and the core benefit IT system based on staff profiles. This allows the service to target higher-risk cases by increasing the number of checks for individuals, for example, based on the analysis of errors, or processing experience.
43. The outcomes of management checks are recorded on a master spreadsheet which contains comprehensive information on the check carried out. Where errors are found, we were told that the group leader returns the case to the processor for correction before a final check is undertaken by the group leader to ensure that the corrective action has been carried out.
44. In order to learn from the management check process, outcomes are analysed to identify trends and patterns of error. Where recurring errors have been identified, this information is used by the Performance and Development officer to carry out remedial training. For example, a training session was provided to staff in April 2014 in respect of unrecoverable overpayments to help reduce processing errors, and improve the recording and classification of overpayments.
45. In addition to the 120 monthly management checks, all payments in excess of £1,200 are checked, and payment is not authorised until this check has been completed.

Since 2011/12, the council has consistently delivered a high level of financial accuracy performance and has met or exceeded its financial accuracy target each year as illustrated in exhibit 3 below. This is commendable.

**Exhibit 3: Financial accuracy performance**

	<b>Target</b>	<b>Achieved</b>
<b>2010/11</b>	97%	98%
<b>2011/12</b>	98%	98%
<b>2012/13</b>	98%	98%
<b>2013/14</b>	98%	99%

Source: Midlothian Council

46. In 2010/11 the council introduced a target to reduce the percentage of non-financial errors in its caseload. This is a positive approach to improving overall accuracy levels and the council has delivered continuous improvement in this area since 2012/13 as detailed in exhibit 4 below.

**Exhibit 4: Non-financial accuracy performance**

	<b>Target</b>	<b>Achieved</b>
<b>2010/11</b>	92%	91%
<b>2011/12</b>	92%	93%
<b>2012/13</b>	93%	93%
<b>2013/14</b>	93%	95%

Source: Midlothian Council

47. Audit Scotland identified three risks to continuous improvement during the previous risk assessment in that:
- cases were being selected for a management check from the document imaging system which presented a risk of internal fraud as claims directly input on the core benefit IT system would not likely be identified as part of the management check process
  - there was no process to ensure that higher risk cases were selected for a management check to improve performance and help minimise losses
  - external audit identified errors as part of the 2010/11 subsidy claim checking process relating to earned income and classification of overpayments which should have been picked up as part of the service's checking regime.
48. We consider that these risks have been addressed as:
- the council now selects cases for a management check from the document imaging system and the core benefit IT system, and has introduced an additional high-value payment check from the core benefit IT system to help identify possible internal fraud, and to ensure that these payments are correct before issue

- the management check process is based on individual staff profiles which allows the service to target higher-risk cases by increasing the percentage of checks for individuals for example, based on the analysis of errors, or processing experience
- the service provided training to staff in December 2011 following a review of subsidy errors and carries out monthly monitoring of LA error levels. As a result of these actions the council received full subsidy in 2011/12 and 2012/13 in respect of LA error and administrative delay overpayments.

## 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 benefit service has a programme of proactive intervention activity and utilises the Customer and Housing Services dedicated visiting officer to carry out notified intervention visits. In order to identify suitable cases, the service makes good use of the benefit IT system diary facility, and produces system reports to highlight claims where future changes are expected or known. For example, an increase in earnings, or a significant birthday that would affect the customer's benefit entitlement.
51. The council records how many interventions it has carried out each year and uses a comprehensive spreadsheet to capture details of each visit. This includes:
  - date of initial visit
  - date of follow-up visit, if appropriate
  - whether the visit, or visits, were effective
  - case comments.
52. The Operational Support Manager closely monitors the work of the visiting officer and carries out a sample check of visits carried out as part of a monthly 1-2-1 meeting. This meeting and the outcomes from the sample check of visits are fully documented.
53. Exhibit 5 below details the outcomes of interventions carried out since October 2013 and shows that the council has been effective at targeting cases where there has been an unreported change of circumstances.

**Exhibit 5: Intervention outcomes**

	<b>No. of interventions</b>	<b>No. of changes identified</b>	<b>No. resulting in a benefit decrease</b>	<b>No. resulting in a benefit increase</b>
<b>2011/12</b>	133	Not known	Not known	Not known
<b>2012/13</b>	489	Not known	Not known	Not known
<b>2013/14</b>	875	447 (51%)	375 (84%)	72 (16%)
<b>2014/15</b>	144	110 (76%)	93 (85%)	17 (15%)

Source: Midlothian Council

54. Since October 2013, the service has been recording whether there has been an increase, decrease, or no change to the amount of benefit paid as a result of its intervention activity. However, it is not recording the financial value of any change in entitlement and therefore it cannot have assurance that its visiting programme is efficient or cost effective.
55. In order to establish the effectiveness of the council's approach, we analysed the 875 visits that had been recorded on the interventions spreadsheet for 2013/14. Of these, we excluded 50 visits that had been recorded as cancelled and have therefore based our analysis on the remaining 825 visits. We found that:
- 353 first visits were fully effective (42.8%)
  - 332 first visits were partly effective (40.2%)
  - 137 first visits were unsuccessful (16.6%)
  - 3 first visit outcomes were incomplete (0.4%)
56. Of the 469 intervention visits that were partly effective or unsuccessful, 70% (327) of customers did not have the required information, 26% (124) of customers were not at home, and 3% (13) needed a partner's signature. The remaining 2% (8) had no recorded reason for the visit being partly effective or unsuccessful.
57. Audit Scotland identified four risks to continuous improvement during the previous risk assessment in that:
- the number of interventions was not sufficient based on caseload levels to provide assurance that all cases where there was a likelihood of a change were being targeted
  - the service did not know the number of ineffective visits that had been carried out and therefore was not measuring the inefficiency of its preferred method of interventions visits
  - the service did not compare the results of cases visited against those where a more economic postal intervention had been carried out which is essential if the council is to achieve value for money
  - the council's resourcing of its interventions programme needed to be reviewed to ensure that it was effective, efficient and economical in respect of minimising errors in its caseload and reducing potential financial loss.

58. We consider that three of these risks have been addressed as:
- the council no longer carries out postal interventions and therefore the risk to compare the effectiveness of this approach is no longer relevant
  - the council has a target to carry out 1,000 interventions visits in 2014/15, which represents approximately 15% of its current caseload
  - the spreadsheet used to record the outcomes from interventions visits details the number of ineffective visits carried out, and therefore the council is in a position to establish the effectiveness of its approach.
59. However, the remaining risk is outstanding as we consider that the council has not captured the level of detail, or carried out the required analysis, to establish if its programme of intervention visits is effective, efficient and economic.

Risks to continuous improvement	
5	The financial outcomes from the council's intervention visiting programme are not being recorded and therefore the council does not have sufficient assurance that its interventions activity is cost effective.
6	The council needs to establish the reasons why approximately 57% of notified first visits were not fully effective, and take action to ensure that it minimises the number of ineffective visits going forward.

## Overpayments

60. 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.
61. The *HB Overpayment Administration and Recovery policy* details the council's approach to pursuing and recovering benefit overpayments and sets out the following eight policy objectives required to achieve this:
- preventing overpayments
  - maximising revenue for the council
  - protecting public funds
  - minimising loss from overpayments
  - deterring fraud and error
  - demonstrating a commitment to accuracy
  - having a clear debt recovery strategy
  - providing a quality customer service.
62. Where overpayments are not recovered from ongoing benefit, the council's dedicated overpayment officer works proactively by closely monitoring system reports and contacting

customers in order to seek payment arrangements. The council also makes good use of other available recovery options. These include:

- utilising the DWP's Debt Management Unit to recover overpayments from other DWP benefits, where appropriate
- using commercial software products and the DWP Customer Information System to help trace customers who are no longer claiming HB, or no longer resident in the local authority area
- working with external debt recovery agents when all internal means of recovery have been exhausted.
- taking sequestration action, where appropriate.

63. The work of the overpayment officer is closely monitored by the Operational Support Manager through monthly 1-2-1 meetings and by monitoring a comprehensive monthly report produced from the online performance reporting system. This report contains details of 46 overpayment performance indicators and includes:
- details of the value of debt outstanding at each stage of the recovery process
  - the total value of overpayments recovery during the quarter
  - number and value of daily credits
  - number of invoices raised
  - number of cases passed to the council's external debt recovery agents.
64. Following our previous visit, a performance indicator was developed to establish the value of overpayments recovered as a direct result of the overpayment officer's intervention. This is a good initiative which allows the council to determine the cost effectiveness of the post.
65. The *HB Overpayment Administration and Recovery policy* states that fraud overpayments are prioritised for recovery and we were told that, if the customer is still in receipt of benefit, the higher rate deduction would be applied and, if the customer was no longer in receipt of benefit, the overpayment officer would make a concerted effort to contact and engage with the customer to initiate recovery.
66. In 2013/14, as a result of a council decision to prioritise SWF applications over benefit claims, reduced resources, and an increase in workload, the council experienced a backlog of benefit claims which resulted in an increase in the value of LA error and administrative delay overpayments. As this amounted to £195,984, it resulted in the council breaching the DWPs upper threshold for these types of overpayment and, as a consequence, the council was unable to claim any subsidy. The maximum amount of additional subsidy that could have been achieved was £123,599.
67. Although the council has no targets in place for in-year and all debt recovery performance, it reports the value of overpayments recovered as part of the council's monthly performance reporting framework and has performed exceptionally well in this area. Exhibit 6 illustrates the council's current and previous performance.

**Exhibit 6: Overpayment levels and recovery performance**

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15 (Q1)</b>
<b>Total overpayments</b>	£1,806,000	£2,071,457	£2,363,638	£2,416,822
<b>Total overpayments raised in-year</b>	£1,357,620	£1,462,873	£1,807,300	£403,941
<b>HB debt recovered</b>	£1,207,218	£1,447,097	£1,601,152	£311,925
<b>% recovered of in-year debt</b>	89%	99%	89%	77%
<b>% recovered of total HB debt</b>	38%	41%	38%	11%

Source: Midlothian Council

68. However, when we scrutinised the council's overpayments data in more detail we were unable to reconcile the opening and closing overpayment balances. Using the opening balance of £1,806,000 in 2011/12 and taking account of overpayments that had been written off, and the amount of overpayments recovered during the year, the opening balance in 2012/13 should be £1,865,515, which is £205,942 less than that reported.
69. As this anomaly has continued each year, we have estimated that the opening balance in respect of 2014/15 is approximately £640,000 less than that reported.

**Risks to continuous improvement**

7	The council does not monitor the recovery of fraud overpayments and administrative penalties to ensure rigorous recovery and to act as a deterrent, and therefore it is not clear how effective it is at recovering this type of debt.
8	In 2013/14, as a result of breaching the DWPs upper threshold in respect of LA error and administrative delay overpayments, the council was unable to claim subsidy of £123,599.
9	The council needs to establish the reasons why there has been a difference in its opening overpayment balances each year since 2012/13 which has resulted in the value of overpayments being reported in quarter one of 2014/15 to be overstated by approximately £640,000.

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

- there was no routine analysis of overpayments raised to identify any necessary changes or additions to processes, procedures or training that could minimise official error
- its Counter Fraud and Corruption Policy had a commitment to recovering fraudulent overpayments. However, the council did not monitor the recovery of fraud overpayments and administrative penalties to ensure they were rigorously recovered and that benefit fraud is deterred
- management information was not available to measure and compare the effectiveness of the different options it used to recover its debt. In particular, the service had no mechanism in place to measure the success of the HB overpayment recovery officer.

71. We consider that the council has addressed two of these risks as:

- the overpayment officer provides the Operational Support Manager, group leaders, and the training officer with details of the analysis of the reasons for overpayments to help inform staff discussions and provide remedial training, where appropriate
- the council has introduced a performance indicator which measures the value of overpayments recovered as a direct result of the work of the overpayment officer.

72. Although the council is able to separately identify fraud overpayments and administrative penalties, and prioritises the recovery of these debts, there is no mechanism in place to monitor the amounts recovered to ensure that recovery is rigorous and to help deter fraud. We therefore consider that action to address this risk is ongoing.

## Appeals and Reconsiderations

73. Customers who disagree with the council's decision on the manner in which their benefit application is processed have a right to request the claim to be reconsidered, and to appeal against the decision.

74. The council told us that requests for reconsideration are dealt with by a different officer to the officer that carried out the original assessment to ensure an independent review of the claim. If the customer's request is upheld, the necessary amendments would be made to the claim and a revised letter of entitlement would be issued. However, should the customer remain dissatisfied with the council's decision, an experienced group leader would deal with any subsequent appeal.

75. The outcomes from requests for reconsideration are recorded electronically which provides an audit trail of decisions made, and is used to determine if the target to action requests for reconsideration within one month has been met.

Exhibit 7 illustrates the council's current and previous performance.

**Exhibit 7: Performance in dealing with appeals and requests for reconsideration**

	<b>% of requests for reconsideration actioned and notified within four weeks</b>	<b>% of appeals submitted to the Tribunals Service within four weeks (No target)</b>	<b>% of appeals submitted to the Tribunals Service within three months (No target)</b>
2011/12	83% (target 75%)	0% (1 received)	100% (1)
2012/13	86% (target 84%)	100% (2 received)	N/A
2013/14	57% (target 85%)	0% (2 received)	50% (1)
2014/15 (Q1)	80% (target 81%)	No appeals received	No appeals received

Source: Midlothian Council

76. With the exception of 2013/14, the council has performed well when dealing with requests for reconsideration by exceeding its target in 2011/12 and 2012/13 respectively. As reported under *Speed of processing*, the council's main priority in 2013/14 was to prioritise the processing of SWF applications, which meant that performance in other areas of the business, including the time taken to deal with appeals and reconsiderations was adversely affected.
77. Although there have been only five appeals received since 2011/12, the council has not set any targets for this area of work and, as illustrated above, it has not performed well in respect of submitting appeals to the Tribunals Service within four weeks.
78. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council was not routinely measuring and monitoring its reconsiderations performance and therefore had limited assurance that customers were being provided with an efficient and effective service.
79. We consider that this risk has been addressed as the council routinely records the details of all reconsiderations and appeals received.

## Counter-fraud

80. 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.
81. The *Counter-fraud and Corruption Policy and Strategy* sets out the council's approach to the deterrence, detection, and investigation of fraud and corruption which is to:
- promote an anti-fraud and anti-corruption culture among elected members, employees and the public
  - deter and prevent fraud and corruption

- robustly detect and investigate fraud and corruption
  - install robust recovery and criminal proceedings.
82. The council has a dedicated benefit fraud team which consists of two fraud officers who report directly to the Operational Support Manager. The Operational Support Manager and both fraud officers are designated authorised officers and trained to Professionalism in Security (PINS) standard, a recognised counter-fraud qualification.
83. Fraud referrals are sifted and allocated by a fraud officer and a risk scoring matrix is used to ensure that only good quality referrals that meet the council's minimum scoring criteria are accepted for investigation. A target is in place to commence an investigation within ten days of allocation of a referral, and performance against this target is reported monthly as part of the council's online performance reporting framework. At the time of our site visit the benefit fraud team had met this target in 2013/14.
84. To ensure that investigations are being carried out properly, the Operational Support Manager carries out a fortnightly undocumented management check on a sample of live investigations. In addition, investigations that are ongoing after a period of three months are subject to a full case review by the Operational Support Manager with a view to providing the fraud officer with guidance on progressing, or concluding the investigation. This management check is fully documented to provide a complete audit trail of actions taken.
85. There is comprehensive reporting of the performance of the benefit fraud team by the Operational Support Manager at monthly 1-2-1 meetings with the Head of Customer and Housing Services and a comprehensive report from the council's online performance management system, which contains 31 key fraud performance indicators, is used as a basis for these discussions.
86. Despite the council having a thorough approach to the management of fraud referrals, the number of cases accepted for investigation that subsequently result in a sanction is very low as detailed in exhibit 8 below.

**Exhibit 8: Fraud referral outcomes**

	<b>Number of fraud referrals received</b>	<b>Number of referrals accepted for investigation</b>	<b>Number of investigations resulting in a sanction</b>	<b>% of investigations resulting in a sanction</b>
2011/12	415	241	15	6.2%
2012/13	309	183	13	7.1%
2013/14	341	189	17	9.0%
2014/15 (30 June)	55	33	1	3.0%

Source: Midlothian Council

87. Despite the low percentage of sanctions arising from investigations, the council continues to perform well in the number of cases accepted by the Procurator Fiscal (PF) for prosecution by continually improving its performance each year from 10 cases accepted in 2011/12 to 16 cases in 2013/14.
88. Exhibit 9 illustrates the council's current and previous performance.

<b>Exhibit 9: Benefit fraud sanctions performance</b>				
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Administrative Cautions</b>	0	0	0	0
<b>Administrative Penalties</b>	5	2	1	1
<b>Referred for prosecution</b>	10	11	16	1
<b>Total</b>	<b>15</b>	<b>13</b>	<b>17</b>	<b>2</b>

Source: Midlothian Council

89. The council told us that in 2012/13 and 2013/14 the fraud team experienced a number of staffing issues which had a detrimental effect on overall performance. As a consequence of these issues, of the three fraud officers, one was on long-term sick leave and has subsequently left the service, and another was absent for a period of five months in 2013/14 with health problems.
90. It is commendable therefore that the benefit fraud team has maintained a level of performance during this period and it is testament to the quality of the investigative work and file preparation that the PF has accepted 100% of cases that the council has referred for prosecution.
91. Audit Scotland identified two risks to continuous improvement during our last risk assessment in that:
- there was no quality checking regime in place to ensure timely progress of investigations and compliance with legislation and guidance
  - it was unclear what the council was doing to improve on a poor sanctions performance as there had been no administrative penalties issued during the previous six months, or administrative cautions offered during the previous eight months.
92. We consider that the council has addressed both of these risks as there are regular fortnightly and three monthly management checks carried out by the Operational Support Manager on the work of the fraud team and, although the council has not continuously improved its sanctions performance, taking account of the staffing issues during the last two years it has maintained a similar level of sanctions performance while increasing the number of cases referred for a prosecution.

**Risks to continuous improvement**

10	The council needs to establish and address the reasons why only 52 (28%) of the 189 cases investigated in 2013/14 resulted in a positive outcome for the council. A positive outcome could be a sanction, the identification of an overpayment or underpayment, the removal of a single person discount, or any other outcome that would result in a financial saving to the council.
11	The council is not routinely being notified of the outcome of prosecution cases and is therefore missing an opportunity to raise the profile of the fraud team by publicising its successes in the local press and media, and on the council website.

# Appendix A

Progress against action plan dated September 2011	
There is no evidence that, as part of the business planning cycle, the service reviews its previous year's performance with a view to identifying the specific areas that it needs to improve and articulating how it will do so.	Completed
Performance indicators have not been set for 2011/12 for reconsiderations, interventions or sanctions at the time of our visit in June 2011.	Ongoing
Reconsideration performance is not routinely monitored and reported.	Completed
There is no evidence of any challenge where performance is not meeting target or of the remedial action agreed to improve performance.	Outstanding
The service is not measuring its change of circumstances performance as guided by DWP and, as a result of the method it uses, it is overstating its performance. It needs to review and analyse this area and measure its performance in line with all other benefit services to enable it to understand the service it provides to those customers whose claims are subject to change.	Ongoing
National performance figures were first published by DWP towards the end of 2009 but the council has done nothing to try and understand the difference between those national figures and its own. It needs to do more to validate its performance and gain assurance on its speed of processing performance.	Ongoing
There is currently no reporting to senior officers and members of DWP's published performance figures for the service and its relevant position when compared to other benefits services in Scotland and Great Britain.	Completed
The services speed of processing performance is amongst the worst in Great Britain. It needs to improve, firstly to ensure that the service it provides to those customers claiming and receiving housing benefits is more effective and efficient, and secondly to reduce the financial loss the council has incurred through administrative delays.	Completed
All cases to be checked are selected from the electronic workflow management system rather than the benefits IT system. Selecting cases from the latter would assist the identification and deterrence of internal fraud and provide better assurance on security.	Completed
Cases are selected to ensure that all processing staff, and especially new staff, are included but there is no process in place to ensure that selection is also focused on higher risk cases, in order to improve performance and help minimise any losses.	Completed

Progress against action plan dated September 2011	
External audit have identified errors as part of the 2010/11 subsidy claim checking. These relate to cases involving earned income and classification of overpayments. These types of errors should have been identified through the service's checking regime and would indicate that it is not as focused and effective as it could be.	Completed
Figures show that in 2008/09 when the council completed over a thousand interventions it identified changes in 77% of these cases. Given that its caseload has increased, the number of interventions that it has completed is not sufficient to provide assurance that it is targeting all cases where there is a likelihood of change.	Completed
Currently the service does not know the number of ineffective visits and as such is not measuring any inefficiency in its preferred method of visiting.	Completed
The service completes its interventions by both visit and postal but does not compare the results of those cases visited to the results of the more economic method of postal interventions. Such analysis is essential when trying to achieve value for money.	Completed
Of concern, as part of the organisational review, the interventions team has been reduced to two visiting officers with only one currently in post. For the first two months of 2011/12 only 15 interventions have been completed compared to 79 for the same period last year. This area of work requires a thorough review to ensure that the service is effectively, efficiently and economically minimising errors in its caseload and reducing any potential financial loss.	Outstanding
There is no routine analysis of overpayments raised to identify any necessary changes or additions to processes, procedures or training that could minimise official error.	Completed
In its Counter Fraud and Corruption Policy the council commits to recovering fraudulent overpayments. However, it does not monitor the recovery of fraud overpayments and administrative penalties to ensure they are rigorously recovered and that benefit fraud is deterred.	Ongoing
Management information is not available to measure and compare the effectiveness of the different options it uses to recover its debt. In particular the service has currently no mechanism in place to measuring the success of the HB overpayment recovery officer.	Completed
Without routine measurement and monitoring of reconsiderations the council has limited assurance that those customers making such requests are provided with an effective and efficient service.	Completed
There is no quality checking regime in place to ensure timely progress of investigations and compliance with legislation and guidance.	Completed

**Progress against action plan dated September 2011**

Recent sanction performance has been poor; there have been no administrative penalties for six months and no administrative cautions for eight months and it is unclear what the service is doing to improve this.

Completed