

**REPORT TO:** Policy and Performance Review Committee

**MEETING DATE:** 24 September 2013

**BY:** Depute Chief Executive (Resources and People Services)

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

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## **1 PURPOSE**

- 1.1 To advise PPRC Members about the Audit Scotland Housing Benefits and Council Tax Benefit Risk Assessment Report and the action plans produced by the East Lothian Benefits Service as a response.

## **2 RECOMMENDATIONS**

- 2.1 That the PPRC note and consider the content of the Audit Scotland Risk Assessment Report and the Benefit Unit's Action Plans.

## **3 BACKGROUND**

- 3.1 Under statutory duties relating to Best Value and Community Planning Audit Scotland have responsibility for conducting a Housing Benefit/Council Tax Benefit, (HB/CTB) risk assessment programme. During a rolling programme of engagement the assessment takes account of the performance of HB/CTB administrations across all 32 Scottish Local Authorities and identifies 'risks to achieving continuous improvement within the service'.
- 3.2 Whilst the HB/CTB risk assessment does not represent a full audit of the Benefits Service it serves to determine the extent that the Council's Benefits Service is meeting its obligations to achieve continuous improvement in all its activities and provides some assurance for the Secretary of State for Social Security in respect of HB/CTB administration.
- 3.3 Following an initial risk assessment report carried out on East Lothian Council's Benefits Service in April 2009 which identified 15 risks to

continuous improvement, the Council submitted an action plan to address the identified risks.

- 3.4 In preparation for the most recent Risk Assessment the Council submitted a self assessment in December 2012, updated action plans relating to the previous report along with supporting evidence.
- 3.5 Following the on-site phase of the Risk Assessment Audit Scotland produced its latest report in March 2013 which identifies that of the 15 risks previously identified 3 actions were fully completed, 7 actions were ongoing and 5 were still outstanding. The format of the risk assessment report covered following 5 themes:
  - Welfare Reform,
  - Business Planning,
  - Performance Reporting,
  - Meeting the needs of the user and the community
  - Delivering outcomes
- 3.6 During the 2013 assessment process Audit Scotland highlighted a further 12 risks to continuous improvement of which 6 were linked to those previously identified.
- 3.7 In response to the latest Risk Assessment Report the Council produced 2 further action plans in order to track the management of the identified risks to continuous improvement.
- 3.8 In addition to identifying risks to achieving continuous improvement the latest Audit Scotland report also noted some of the major changes that had taken place in the East Lothian Benefits HB/CTB administration and highlighted a number of areas where the Council had made a positive contribution to the delivery of the Service.
- 3.9 The latest report also highlighted the significant impact which Welfare Reform will have on local authorities and the services they provide. The report also acknowledged the actions that the Council had taken to prepare for the welfare changes.

#### **4 POLICY IMPLICATIONS**

- 4.1 None

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 East Lothian Council Audit of Housing and Council Tax Report, (dated March 2013)
- 7.2 Letter dated 3 April 2013 from Assistant Auditor General enclosing the Report
- 7.3 ELC Progress against previous HB/CTB Risk Assessment Action Plan, (dated April 2013)
- 7.4 ELC HB/CTB Risk Assessment Action Plan, (dated 3 May 2013)
- 7.5 Letter dated 15 May 2013 from Assistant Auditor General accepting the Council's proposed actions

|                      |   |
|----------------------|---|
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| <b>DATE</b>          | 10 September 2013   |

# **East Lothian Council**

## **Audit of housing and council tax benefit**

### **Risk assessment report**



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Introduction

1. This risk assessment was completed as part of Audit Scotland's housing benefit/council tax benefit (HB/CTB) risk assessment programme. It does not represent a full audit of East Lothian Council's benefits 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 benefits service is meeting its obligations to achieve continuous improvement in all its activities.
3. Specifically, the risk assessment considers the effectiveness of the benefits service in meeting the needs of the community and its customers, 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 February 2013.

## Executive summary

5. A risk assessment was previously carried out on East Lothian Council's benefits service in March 2009 when Audit Scotland identified 15 risks to continuous improvement. These were reported to the Chief Executive in April 2009 and the council submitted an action plan in May 2009 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented.
6. Since our previous visit in 2009, there have been significant changes within the benefits unit. In 2011, a review was carried out which resulted in processing tasks being split between the two main benefit processing teams, with the private sector team taking on responsibility for processing CTB claims for owner-occupiers, and the public sector team taking on the responsibility for overseeing the Haddington revenues reception customer service duties and the scanning and indexing of benefits mail.
7. In late 2011, the fraud team lost the services of its part-time administration officer and an experienced fraud investigator who had recently been dismissed on the grounds of capability. In addition, during 2012, the benefits unit lost three experienced benefits processors and, although approval has been granted to recruit replacement staff, at the time of our site visit in February 2013 only one of these officers had been replaced. However, a further round of

recruitment was about to commence, and the council had also agreed to provide the benefits unit with two additional benefits officers under Scottish Welfare funding.

8. Since our previous visit, the council has successfully completed two major IT projects with the introduction of a new benefits IT system in December 2009, and an electronic document and records management system (EDRMS) in October 2012. In August 2012, the benefits unit adopted a risk-based verification approach to processing new claims which has helped maintain claims processing performance during a difficult period when the unit has been under-resourced.
9. In December 2012, the council submitted a current self-assessment along with supporting evidence, and an updated action plan. Of the 15 risks identified, the council has made some progress:
  - 3 actions fully completed
  - 7 actions on-going
  - 5 actions outstanding.

Appendix A covers this in detail.

10. In completing, or partially completing, 10 of these risks, the council has made a positive contribution to the delivery of the benefits service. In particular, by:
  - continuing to deliver a good level of performance in 2012/13 in processing new claims at an average of 23 days, and maintaining an excellent level of performance in processing changes of circumstances at an average of six days
  - regularly reporting progress against the key aims and targets within the *Benefits Unit Plan 2012/13* to the Senior Management Team (SMT) and Council Management Team (CMT)
  - carrying out a customer satisfaction survey in March 2012, and receiving positive feedback on the quality of the service it provides
  - having a documented approach to carrying out daily post payment accuracy checks, and carrying out a calculation check on all cases where a payment is in excess of £1000
  - successfully implementing a new benefits IT system, and using this system to facilitate the recovery of benefits overpayments from ongoing deductions in respect of council tenants which had not been previously possible
  - utilising local IT systems to help facilitate the recovery of benefits overpayments, and routinely monitoring the recovery of administrative penalties
  - having 100% of cases that were referred for consideration of a prosecution accepted by the Procurator Fiscal, and being a top performer in respect of the number of joint sanctions carried out with the DWP's Fraud Investigation Service (FIS) in 2011/12.
11. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefits service, there are five risks outstanding and seven risks where action is ongoing from our previous risk assessment. In order to ensure continuous improvement, the council needs to address these risks, and the new risks identified. These include:



- setting targets and formally reporting performance against all aspects of the benefits service to senior management and members
- re-commencing the Capita management checks that ceased in June 2012 to provide the council with assurance that benefit payments are accurate, safeguarded, and that the risk of fraud and error entering the system is reduced
- reviewing the benefits overpayment recovery process with a view to introducing more detailed analysis of the outcomes to help identify trends and patterns that could help develop and improve the service
- reconciling the £394,000 of outstanding overpayments that are unaccounted for on the council's reported data
- having sanctions decisions made by a senior officer not involved in the investigation process to ensure that sanctions are administered in compliance with guidance, and that customers are treated fairly and equitably.

## Welfare Reform

12. In November 2010, the UK Government published a White Paper Universal Credit: welfare that works which set out proposals for reforming the welfare system for people of working age. The Welfare Reform Act received Royal Assent on 8 March 2012 and aims to simplify the benefits system. A range of working-age benefits, including housing benefit, will be brought together into a single streamlined payment of universal credit (UC) administered by DWP. The first applications for UC will be made in October 2013.
13. DWP sent a letter to each local authority Chief Executive in March 2012 entitled Planning for Welfare Reform from April 2013 which sets out key elements of the welfare reform. These include councils:
  - providing face to face support for those customers who will need help to access the on-line universal credit system
  - applying, in appropriate cases, a household benefit cap from April 2013
  - applying a social sector size criteria where there will be a reduction in the applicable maximum rent when a property is deemed to be under occupied
  - overseeing an increased discretionary housing payment budget in light of the planned changes.
14. This is the biggest change to the welfare system for over 60 years and will have a significant impact on local authorities and the services they provide. Effective planning is essential to meet the challenge of this large scale change. Factors that councils need to take into account include:
  - the cessation of new claims for housing benefit from October 2013 followed by a phased transfer of all housing benefit claims to UC by 2017

- the implementation of the Scottish Council Tax Reduction Scheme, and the administration of the Scottish Welfare Fund from April 2013
  - the likely increased liaison and face to face contact with customers and stakeholders in light of the many changes welfare reform will bring
  - the Single Fraud Investigation Service (SFIS) which will see local authority fraud staff operating under SFIS policies
  - the payment for housing support under UC being paid to the customer and not directly to the landlord.
15. Since the government's emergency budget of 2010, the council has been very proactive in its efforts to ensure that it is prepared for the changes arising from the implementation of the welfare reform agenda. This has included presenting a series of detailed reports to full Council, Cabinet members and members of the Audit and Governance Committee which outlined the impact that the welfare reform changes would have on the council, its customers, and the local economy.
16. In addition, the council has carried out a number of other initiatives to ensure that it communicates the welfare reform changes to its key external stakeholders and the wider community. This included:
- holding a welfare reform stakeholder event which was attended by over 120 people, including representatives from the Citizens Advice Bureau, local housing associations, the DWP, and local tenants groups.
  - interrogating the benefits IT system to identify customers that will be affected by the changes in respect of under-occupancy, and carrying out visits to those customers to provide advice and guidance on the options available to them
  - utilising local press and media, and making excellent use of the council website and the internet to communicate the welfare reform changes to its customers.
17. The council has also established a Welfare Reform Changes Group chaired by the Corporate Policy and Improvement Manager, and consisting of officers from across a number of council services, for example, revenues and benefits, welfare rights, corporate communications, education, and customer services. This group meets regularly and has a remit to identify cross cutting issues and present options for changes to CMT and members. In addition, four sub-groups have been established and tasked with looking at specific work streams as follows:
- Information and communication
  - Data sharing
  - Training
  - Service migration.
18. At the time of our site visit, the group had developed a draft Welfare Reform Strategy based on the Improvement Service's 'Local Authority Preparatory Checklist' and we were told that once this strategy is approved, it will form the basis of an action plan to drive the required service changes.

| Risk to continuous improvement |   |
|--------------------------------|---|
| 1                              | The use of benefits unit staff to work on the implementation of the welfare reform agenda, or any slippage in the council's Welfare Reform action plan targets, could have a detrimental effect on claims processing performance. |

# Business planning

19. 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.
20. The benefits unit is responsible for providing an HB/CTB service to the residents of East Lothian. As part of this service the unit also undertakes fraud investigations and pursues the recovery of benefits overpayments. It also works closely with key internal stakeholders to meet a shared objective of providing and sustaining affordable housing within the council area.
21. The council has a formal business planning process which commences in February and concludes in June each year. We were told that individual service business plans follow a corporate template, and that there is limited scope to produce a business plan outside the structure of the template.
22. The *Benefits Unit Plan 2012/13* sets out the key priorities and challenges for the unit and details its two key performance indicators which are to maintain or improve new claims and changes of circumstances processing performance. The key priorities include:
  - the introduction of risk-based verification for new claims
  - maintaining or improving new claims and changes of circumstances performance
  - preparing for the changes arising from welfare reform, and for the introduction of universal credit.
23. There are clear links between the *Benefits Unit Plan 2012/13* and the council's other key strategic documents, most notably the *Single Outcome Agreement (SOA)* which has two outcomes that link directly to the work of the benefits unit. These are:
  - fewer people experience poverty in East Lothian (SOA6)
  - in East Lothian people in housing need to have access to an appropriate type, tenure and standard of housing and are prevented from becoming homeless (SOA10).
24. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
  - although the business plan details the key activities to be carried out in order to achieve targets, there is no audit trail to demonstrate the systematic monitoring of progress throughout the year

- pre-implementation planning for the new IT system will be included in the *Benefits Unit Plan 2009/10*. However given the size of the task, more detailed planning is required breaking down the critical activities that must be carried out prior to the key milestone dates in the current IT implementation project plan.
25. We consider that both of these risks have been addressed, as the new benefits IT system has been successfully implemented, and the Benefits Manager regularly reports progress against the *Benefits Unit Plan 2012/13* at the monthly CMT and quarterly SMT meetings.

#### Risk to continuous improvement

|   |  |
|---|--|
| 2 | Although it is acknowledged that the council has a business plan for the benefits unit, there are only two targets that relate to the work of the unit. In addition, there is no counter-fraud business plan setting out the aims, objectives, targets, monitoring and reporting arrangements for the work of the fraud team. We therefore consider that there is limited assurance that the benefits unit is being actively monitored against all aspects of its work and that, when appropriate, performance is being challenged by senior management and members. |
|---|--|

## Performance reporting

26. The regular reporting of performance to senior management and members is an essential component of service delivery and provides senior managers and members an opportunity to:
- challenge an under-performing service
  - recognise and give credit to the service when performance meets or exceeds expectations
  - gain assurance that a service is operating effectively, efficiently and economically.
27. The council uses an online corporate performance management system to record the performance of the benefits unit. This system is populated directly with performance information from the DWP's monthly single housing benefit extract taken from the benefits IT system, and we were told that it is available to view by staff in the Policy and Performance Unit, senior management, and members.
28. Although the performance management system holds detailed benefits performance information, it is mainly used by the Benefits Manager to monitor new claims and changes of circumstances performance, which are the two key indicators in the *Benefits Unit Business Plan 2012/13*. We were told that new claims and changes of circumstances performance is regularly reported to staff at team meetings, and formally reported monthly to CMT and quarterly to SMT.
29. Despite the council having the facility to set targets for all aspects of its work, and a mechanism to record, monitor and report against these targets, the lack of a suite of

performance indicators means that there is limited information available for senior management or members to which to challenge the service.

30. We were told that in the last twelve months the Policy Performance and Review Committee, which provides the framework for members to monitor and challenge council services, has challenged the Benefits Manager on the council's cost per case, and on the priority for recovering rent arrears against benefits overpayments. However, members have not challenged the benefits unit in respect of the percentage of in-year overpayments recovered, or the accuracy of claims, despite performance in both areas being below local targets since 2010/11.
31. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that performance targets had not been set, and performance had not been monitored within the benefits unit for appeals, reconsiderations, overpayments recovery and intervention activity.
32. We consider that this risk is ongoing as, although the council has some targets in place for the recovery of overpayments, these are not being routinely monitored or reported to senior management and members, and there are no formal targets for other areas of the business.

| Risk to continuous improvement |  |
|--------------------------------|--|
| 3                              | As there is limited reporting of the benefits unit's performance, senior management and members are not provided with regular opportunities to challenge performance that does not meet local targets. |

## Meeting the needs of the user and the community

33. Encouraging benefit take-up, providing customers with easy access to skilled and knowledgeable staff, taking account of the needs of the local community, and managing customers' expectations when things go wrong are essential components of an effective and efficient benefits service.
34. The council aims to provide the best possible service to its customers as set out in its *Customer Care Charter* which outlines its commitment to meeting this aim, and to delivering continuous improvement in service delivery. The charter also details the council's customer service performance targets. These include:
  - answering telephone calls within seven rings
  - resolving written enquiries within 20 days
  - acknowledging written and email correspondence within 20 days.

35. There is good access to the benefits unit at the council's main offices in Haddington, and customers can submit an application for HB/CTB at any of the council's area offices and local libraries. Customer service staff at area offices have been trained to provide customers with general benefits advice and guidance, and a weekly benefits surgery is held at the Musselburgh area office which is attended by benefits unit staff.
36. The council website provides customers with quick access to comprehensive benefits information, including an electronic HB/CTB application form that can be downloaded for offline completion, and an online benefit calculator which can be used to determine the amount of benefit a customer could be entitled to before submitting an application.
37. The council told us that it has good working relationships with its key internal and external stakeholders. This includes:
  - holding quarterly meetings with its main housing associations
  - participating in the housing-led private landlord forums
  - attending six-monthly meetings with the Dundee Pensions Service
  - working closely with revenues and community housing to ensure council tenants receive their benefit.
38. In March 2012, the benefits unit conducted a customer survey by sending a questionnaire to 820 customers. Of these approximately 280 questionnaires (34%) were returned and subsequent analysis provided the benefits unit with positive feedback on its customer service provision. For example:
  - 85% of respondees rated the benefits unit administration as good or very good
  - 88% of respondees were satisfied, or very satisfied, at how quickly and fairly the benefits unit handled their claim or enquiry
  - 84% of respondees agreed or strongly agreed that benefits unit staff were knowledgeable and able to answer their query.
39. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
  - the benefits unit's performance against corporate customer service standards was not being monitored
  - there were no routine consultations with customers and the wider community on the level and type of service they need.
40. Although it is acknowledged that the benefits unit has engaged with its customers, the survey questions were focused on the general experience of the customer in dealing with the service. In order to get more meaningful feedback on the quality of service provided, the council should consider conducting a benefits-specific customer survey.
41. We were told that there is limited telephony data available to monitor the benefits unit's performance in answering calls within seven rings. In addition, although there is an automated process for acknowledging e-mail enquiries, as a consequence of the volume and

complexity of mail handled by the benefits unit, it does not have sufficient resources to monitor performance against the key correspondence performance indicators. We therefore consider that action to address these risks is ongoing.

| Risks to continuous improvement |   |
|---------------------------------|---|
| 4                               | The council has not met the target to respond to 100% of complaints within 20 days since 2010/11, and was unable to provide data for 2012/13 due to a problem with the customer relationship management system.   |
| 5                               | Although the council has good relations with key external stakeholders, it has not been in regular contact with its local benefits delivery centre at Bathgate. This has led to a breakdown in communication and delays when requesting information in respect of DWP clerical claims which could have a detrimental affect on claims processing times. |

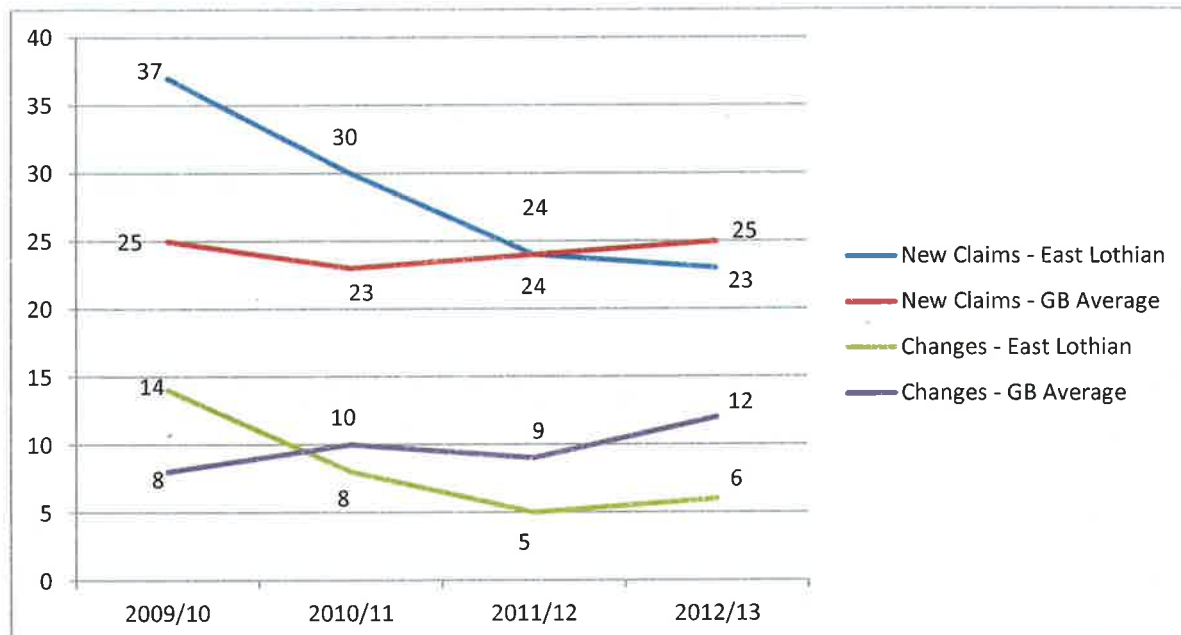
## Delivering outcomes

42. Effective operational processes and IT systems, along with skilled staff help benefit services deliver sound performance and continuous improvement.

### Speed of processing

43. When customers claim benefits, 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 benefits promptly.
44. In 2009/10, the council processed new claims and changes of circumstances in an average of 37 days and 14 days respectively. In 2010/11, challenging targets were set for processing new claims and changes of circumstances in an average of 26 days and eight days respectively. While the council did not meet its new claims target, it delivered continuous improvement by processing new claims in an average of 30 days and changes of circumstances in an average of eight days.
45. In 2011/12 the council continued to deliver continuous improvement by processing new claims in an average of 24 days and changes of circumstances in an average of five days. Based on the DWP's published figures for 2011/12, this level of performance placed the council 16th out of 32 Scottish councils for new claims, and 3rd for changes of circumstances.
46. In 2012/13 the council has continued to deliver a good level of performance in the time to process new claims at an average of 23 days, and has maintained an excellent performance in the time taken to process change of circumstances at an average of six days, at 31 December 2012.

47. Exhibit 1 illustrates the council's current and historic performance. We have compared the council's most recent performance at 31 December 2012, against the Great Britain averages at 30 September 2012, which is the most recently published DWP data available.



Source: DWP and East Lothian Council

48. Although the improvement in the time taken to process new claims could be attributable to the implementation in August 2012 of a risk-based verification approach to gathering evidence, it is nonetheless commendable in the current economic climate, and during a period when the benefits unit lost three experienced processors, that the council has continued to deliver a good level of performance.

## Accuracy

49. The accurate and secure administration of HB/CTB should be a key priority for every council, and to support this it should have a robust quality assurance framework in place.
50. The council has a clear management checking process in place which consists of a pre-payment calculation check where a payment is in excess of £1,000, and a daily Capita post payment accuracy of eight cases randomly selected from a benefits IT system report.
51. The daily Capita post payment checks are carried out by senior officers within the benefits unit and are full case checks which are documented on a comprehensive management check sheet on the benefits IT system which provides a clear audit trail of action taken. Where errors are found the claim is passed back to the processor for corrective action and once completed, the benefits training and development officer carries out a 10% check of these cases to ensure that the correct action has been taken.



52. The benefits training and development officer carries out additional management checks as part of the benefits unit's management checking regime. These include:
- a 5% check of non-automated ATLAS decisions to establish the quality and accuracy of the changes actioned
  - a 100% check of the work new staff, and staff who are under-performing. We were also told that this check is also carried out in respect of the work of high-performing staff to provide assurance over the quality of the work being carried out.
53. Although the outcomes from the Capita post payment checks are recorded on an electronic spreadsheet, only limited information is recorded, for example, whether the error has resulted in a financial or non-financial change to the claim.
54. Exhibit 2 below details the council's reported post payment accuracy performance.

| <b>Exhibit 2: Reported post-payment accuracy performance</b> |               |                 |
|--|---------------|-----------------|
| <b>Year</b>  | <b>Target</b> | <b>Achieved</b> |
| 2010/11  | 97%           | 96%             |
| 2011/12  | 97%           | 95%             |
| 2012/13 (31 Dec)   | 97%           | 96%             |

Source: East Lothian Council

55. When we analysed the council's post-payment accuracy data provided as part of the evidence to support its self-assessment, we were unable to reconcile it against the information reported on the performance matrix completed by the council as part of the self-assessment process. Exhibit 3 below details the council's post-payment accuracy performance based on Audit Scotland's analysis.

| <b>Exhibit 3: Post-payment accuracy performance (Audit Scotland)</b> |               |                 |
|--|---------------|-----------------|
| <b>Year</b>  | <b>Target</b> | <b>Achieved</b> |
| 2010/11  | 97%           | 92%             |
| 2011/12  | 97%           | 90%             |
| 2012/13 (31 Dec)   | 97%           | 88%             |

Source: East Lothian Council & Audit Scotland

56. We consider that the reason for this anomaly is that the council had included the results of its high-value payment accuracy checks, which are carried out before the payment is made, as part of its reported post-payment accuracy performance.
57. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:

- the council has no documented policy or guidance covering pre-notification checks and, as a result, the sample population and the method of selection are unclear. As an example in the quarter ending December 2008, 348 cases were selected for checking but only 197 had actually been checked. It is unclear what happened to the remaining 151 cases. While the number checked exceeded the quarterly target, the methodology gives limited assurance that the quality checking regime is effective and secure
  - the majority of checks are carried out after benefit notifications and indeed payments have been issued. Consequently the council's ability to prevent fraud and error entering the system, and reduce the numbers and amounts of any resultant overpayments is decreased.
58. As the council now has a documented procedure for its Capita post-payment checks, we consider that this risk has been addressed. However, although the majority of accuracy checks continue to be carried out post-payment, we accept that there is an element of pre-payment checking being carried out in respect of payments in excess of £1,000 and therefore we consider that work to address this risk remains ongoing.

| Risks to continuous improvement |   |
|---------------------------------|---|
| 6                               | Due to the limitations of the benefits IT system, the council is unable to carry out any pre-payment accuracy checks. In addition, there has been no Capita post-payment checks carried out since June 2012, and therefore there is an increased risk of fraud and error entering the system unchecked. |
| 7                               | At the time of the on-site visit Audit Scotland was unable to reconcile the accuracy performance reported on the Audit Scotland performance matrix with the accuracy information provided by the council in support of its self-assessment.   |
| 8                               | Although outcomes from management checks are recorded on a spreadsheet, it is not to the level of detail that could help the council identify trends, patterns and areas for learning and development of the service.   |

## Interventions

59. 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.
60. The benefits unit's notification letters advise customers of the requirement to report any change in circumstances, and the council website contains detailed information and examples of the types of changes of circumstances that should be reported, including a facility for customers to download a changes of circumstances form.
61. Although the council told us that, as a consequence of losing three benefits processors in 2012, it had reduced its proactive intervention activity to focus on ensuring that claims processing times were maintained, some proactive interventions work has been carried out.

62. During the period April 2012 to December 2012, the council carried out 132 proactive interventions either by visit, telephone, or by post. In addition, the council told us that it reviews self-employed cases on a six monthly basis to help identify any un-reported changes of circumstances.
63. However, we were told that the outcomes from interventions activity are not fully recorded, and therefore there is limited information which could help the council determine the effectiveness of its approach, or identify areas for learning and development of the service.
64. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that 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 activity is efficiently targeted.
65. The council's recently introduced risk-based verification approach for new claims has provided an opportunity to identify high-risk claims for further scrutiny. While we acknowledge that this approach helps the council to focus its activity on these high-risk cases, we consider that work to address this risk remains ongoing as there is insufficient information on the outcomes of its activity to ensure that it is effective.

## Overpayments

66. To protect public funds, councils should take appropriate steps to ensure that overpayments are minimised and, when they do occur, they are correctly classified and rigorously recovered.
67. The *HB/CTB Overpayments Recovery Policy* details the council's aim to ensure that customers that have been overpaid are treated fairly, while maintaining its responsibility to the local taxpayer. The policy also sets out the council's approach to the management of overpayments and provides guidance to staff on:
  - whether an overpayment is recoverable
  - who the overpayment should be recovered from
  - methods of recovery
  - recovery rates.
68. During our previous visit in 2009, the council was unable to recover overpayments from ongoing benefit in respect of council tenants as the legacy IT systems did not support this functionality. However, the council implemented a new benefits IT system in December 2009, and since then, this option has been available to, and fully utilised by the benefits unit.
69. We were told that benefits processors are responsible for ensuring that overpayments are recovered by ongoing deductions where appropriate and, where a customer is no longer in receipt of benefit, that a dedicated overpayments recovery officer is responsible for monitoring invoices that have been issued. To help facilitate the recovery of overpayments, the overpayments officer utilises the DWP's Customer Information System and other commercial IT systems to trace customers who are no longer claiming benefit in the local authority area.

70. Additionally, at the time of the on-site visit, the benefits unit had recently entered into an arrangement with the council's external debt recovery partner to seek recovery of old benefits debt on its behalf, and planned to setup a small claims court process to provide further options to recover outstanding overpayments.
71. Exhibit 4 illustrates the council's reported current and historic performance.

| <b>Exhibit 4: Overpayment levels and recovery performance</b> |                |                |                |                         |
|---|----------------|----------------|----------------|-------------------------|
| <b>Performance measure</b>                                    | <b>2009/10</b> | <b>2010/11</b> | <b>2011/12</b> | <b>2012/13 (31 Dec)</b> |
| Value of overpayments carried forward                         | £1,333,000     | £1,467,448     | £1,979,404     | £1,772,398              |
| HB debt raised in-year  | £598,229       | £945,322       | £666,939       | £523,192                |
| Total debt  | £1,931,229     | £2,412,770     | £2,646,343     | £2,295,590              |
| HB debt recovered in-year                                     | £301,998       | £344,733       | £340,536       | £356,649                |
| % recovered of total HB debt                                  | 16%            | 14%            | 12%            | 16%                     |
| % recovered of in-year debt                                   | 50%            | 36%            | 51%            | 68%                     |

Source: East Lothian Council

72. When we scrutinised the performance information the council provided to Audit Scotland as part of its self-assessment, we were unable to reconcile the figures. Based on Audit Scotland's analysis, the value of overpayments outstanding at the beginning of 2012/13 council was £2,166,719 and not the reported £1,772,398. This represents a difference of £393,881.
73. Audit Scotland identified four risks to continuous improvement during the previous risk assessment in that:
- there is no audit trail detailing the number of overpayment decisions checked or the number and type of errors found
  - there is no routine analysis of overpayments raised to identify any necessary changes or additions to processes, procedures or training that could improve accuracy and minimise official and claimant error overpayments
  - the council reports that the service it receives from DWP's Debt Management has declined since the office providing the service for East Lothian Council has changed. The council needs to invoke the escalation procedures within the Service Level Agreement to ensure it is receiving an effective level of service.

- despite a commitment in its Overpayment Policy, 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.
74. As we were told that the overpayments officer monitors the recovery of administrative penalties, we consider that the risk to monitor the recovery of fraud overpayments and administrative penalties has been met in part, and is therefore ongoing. However, we consider that the remaining three risks are outstanding.

| Risks to continuous improvement |  |
|---------------------------------|--|
| 9                               | At the time of our site visit, the overpayments data provided to Audit Scotland as part of the council's self assessment submission was inaccurate. Based on our analysis, there is approximately £394,000 of additional debt that is unaccounted for. |
| 10                              | The council has not met its in-year overpayments recovery targets since 2008/09. In addition, fraud overpayments and administrative penalties are not prioritised for recovery.  |
| 11                              | Due to the limitation of the council's debt recovery system there is only limited analysis of overpayments data.   |

## Appeals and Reconsiderations

75. 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.
76. The council told us that reconsiderations received by the benefits unit are dealt with by senior benefit officers or team leaders, and are given a high priority within the EDRMS. We were also told that, to ensure an independent review of the claim is carried out, the officer dealing with the reconsideration is not the person that processed the claim.
77. Historically the council has received very few appeals, and between 2008/09 and 31 December 2012, only five appeals were submitted to the Tribunals Service. The council told us that it considered the reasons that few appeals were received was customers' high degree of satisfaction with the HB/CTB decisions being made by the benefits unit, and the changes to DWP regulations which have reduced the scope for customers submitting an appeal. For example, in 2008, the maximum time a council could backdate benefit was reduced from twelve months to six months for working age claimants, and from twelve months to three months for claimants of a pensionable age.
78. However, when we scrutinised the council's reconsiderations data for 2011/12 and 2012/13 (to 22 Jan 2013), we found an exceptionally high number of reconsiderations were revised in favour of the customer. Without detailed analysis it cannot be established why the council's

original decision was revised in each case, however, it could be considered a reason for the low number of subsequent formal appeals. Exhibit 5 details our findings.

| <b>Exhibit 5: Requests for reconsideration outcomes</b> |                     |                    |                      |
|---|---------------------|--------------------|----------------------|
| <b>Year</b>   | <b>No. Received</b> | <b>No. Revised</b> | <b>No. Unchanged</b> |
| 2011/12   | 90                  | 70 (78%)           | 20 (22%)             |
| 2012/13 (to 22 Jan)                                     | 68                  | 54 (79%)           | 14 (21%)             |

Source: East Lothian Council & Audit Scotland

79. Audit Scotland identified two risks to continuous improvement during the previous risk assessment in that:
- the council does not monitor the progress of reconsiderations or appeals and as a result it does not measure the level of service it delivers to its customers making such requests
  - there is no routine analysis of reasons for reconsiderations and appeals with a view to informing training, processes or procedures to deliver continuous improvement.
80. We consider that both of these risks remain outstanding.

| <b>Risk to continuous improvement</b> |  |
|---------------------------------------|--|
| 12                                    | A significantly high percentage of requests for reconsideration received by the council in 2011/12 and 2012/13, to 31 December 2012, were revised in favour of the customer. |

## Counter-fraud

81. The prevention, detection and investigation of fraudulent claims are important aspects of a secure and effective benefits service. Counter-fraud activities help to protect public funds by ensuring that fraudulent claims are identified and sanctions are applied where appropriate.
82. Since our previous visit, and as detailed under *Business Planning*, there have been significant changes within the counter-fraud team. In late 2011, the fraud team lost the services of its part-time administration officer and an experienced fraud investigator who had recently been dismissed on the grounds of capability.
83. Operationally, fraud staff have been trained to Professionalism in Security (PINS) standards, and make good use of a fraud case management system to record the receipt of fraud referrals and monitor the progression of investigations. When a referral is initially received, it is scored using a risk scoring matrix and, when a referral meets or exceeds the minimum acceptable risk score, it is accepted for investigation and logged onto the fraud case management system.

84. The fraud team has excellent working relationships with its key stakeholders. In particular, there is a close working relationship with the Police and the DWP's FIS who have an investigation officer based at the council two days per week to work on joint investigations and other initiatives.
85. The success of this arrangement can be demonstrated by the number of joint sanctions the council has carried out in association with FIS. In 2011/12, of the 23 councils that provided joint prosecution data, the council carried out approximately 4.8 joint sanctions per 1,000 caseload. This level of performance showed the council to be the leading authority in Scotland in respect of joint sanctions carried out. This is commendable.
86. When a sanction has been administered, there is a clear decision-making process in place which is fully documented in the council's *Prosecutions and Sanctions Policy*. The policy states that the Benefits Manager or a PINS qualified officer will administer a sanction when appropriate. All sanctions decisions are recorded on the fraud case management system to ensure a full audit trail.
87. Exhibit 6 illustrates the council's current and historic performance.

| <b>Exhibit 6: Benefit fraud sanctions performance</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>Sanction type</b>                                  | <b>2009/10</b> | <b>2010/11</b> | <b>2011/12</b> |
| <b>Administrative Cautions</b>                        | 13             | 15             | 15             |
| <b>Administrative Penalties</b>                       | 15             | 14             | 9              |
| <b>Referred for prosecution</b>                       | 25             | 19             | 26             |
| <b>Total</b>  | 53             | 48             | 50             |

Source: East Lothian Council

88. Since 2008/09, the council has submitted 91 cases for consideration of a prosecution to the Procurator Fiscal, and all were accepted. This is highly commendable and testament to the quality of the investigative work, and the preparation and completeness of prosecution files.
89. The council has also developed a good working relationship with the local press and media and successful prosecutions receive publicity in the local papers which helps to raise the profile of the fraud team, and act as a deterrent to potential fraudsters.
90. Audit Scotland identified one risk to continuous improvement during the previous risk assessment in that the council's HB/CTB Sanctions Policy stipulates that the decision to apply a sanction will be taken by the Investigations Team Leader and/or the Benefits Manager. However all decisions had been taken solely by the Investigations Team Leader. Consequently, assurance on impartiality and equality of treatment, when administrative cautions or penalties are administered, was reduced.

91. Although we acknowledge that the Benefits Manager discusses sanctions cases with the Investigations Team Leader, the majority of sanctions decisions continue to be made by the Investigations Team Leader. We consider that, to ensure that sanctions are administered in compliance with guidance, and that customers are treated fairly and equitably, sanctions decisions should be made by a senior officer not involved in the investigation process. We therefore consider that work to address this risk remains ongoing.

## Appendix A

| Progress against action plan dated September 2012  |           |
|--|-----------|
| Risk identified  | Status    |
| The benefits service's performance against corporate customer service standards is not monitored.  | Ongoing   |
| There are no routine consultations with customers and the wider community on the level and type of service they need.  | Ongoing   |
| Although the business plans detail the key activities to be carried out in order to achieve targets, there is no audit trail to demonstrate the systematic monitoring of progress throughout the year.   | Completed |
| Pre-implementation planning for the new IT system will be included in the Benefits Unit Plan 2009/10. However given the size of the task, more detailed planning is required breaking down the critical activities that must be carried out prior to the key milestone dates in the current IT implementation project plan.  | Completed |
| The balanced scorecard presents a broad picture of the benefits service's performance to senior managers and members. However, performance in other areas is not given the same attention. Performance targets have not been set, and performance has not been monitored within the unit, for appeals, reconsiderations, overpayments recovery and intervention activity.                        | Ongoing   |
| The majority of checks are carried out after benefit notifications and indeed payments have been issued. Consequently the council's ability to prevent fraud and error entering the system, and reduce the numbers and amounts of any resultant overpayments is decreased.   | Ongoing   |
| The council has no documented policy or guidance covering pre-notification checks and, as a result, the sample population and the method of selection are unclear. As an example in the quarter ending December 2008, 348 cases were selected for checking but only 197 had actually been checked. It is unclear what happened to the remaining 151 cases. While the number checked exceeded the | Completed |



| <b>Progress against action plan dated September 2012</b>  |             |
|---|-------------|
| quarterly target, the methodology gives limited assurance that the quality checking regime is effective and secure.   |             |
| 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 activity is efficiently targeted.  | Ongoing     |
| There is no audit trail detailing the number of overpayment decisions checked or the number and type of errors found.   | Outstanding |
| There is no routine analysis of overpayments raised to identify any necessary changes or additions to processes, procedures or training that could improve accuracy and minimise official and claimant error overpayments.  | Outstanding |
| The council reports that the service it receives from DWP's Debt Management has declined since the office providing the service for East Lothian Council has changed. The council needs to invoke the escalation procedures within the Service Level Agreement to ensure it is receiving an effective level of service.   | Outstanding |
| Despite a commitment in its Overpayment Policy, 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.  | Ongoing     |
| The council does not monitor the progress of reconsiderations or appeals and as a result it does not measure the level of service it delivers to its customers making such requests.  | Outstanding |
| There is no routine analysis of reasons for reconsiderations and appeals with a view to informing training, processes or procedures to deliver continuous improvement.  | Outstanding |
| The council's HB/CTB Sanctions Policy stipulates that the decision to apply a sanction will be taken by the Investigations Team Leader and/or the Benefits Manager. However all decisions have been taken by the Investigations Team Leader. Consequently, assurance on impartiality and equality of treatment, when administrative cautions or penalties are administered, is reduced. | Ongoing     |

## APPENDIX 7.2

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Ms Angela Leitch  
Chief Executive  
East Lothian Council  
John Muir House  
Brewery Park  
Haddington  
East Lothian  
EH41 3HA

3 April 2013

Dear Ms Leitch

### **Audit of housing and council tax benefit – outcome of risk assessment**

Further to my letter of 14 September 2012 advising that East Lothian Council had been selected for a benefits performance audit, I now write to advise you of our findings.

During the risk assessment phase, carried out in February 2013, we looked at your benefits service's self-assessment and supporting evidence, and analysed information from a number of other sources. We also spent one day on-site and discussed performance with your senior managers. Our work was focused on the following four key areas:

- business planning
- performance reporting
- meeting the needs of the user and community
- delivering outcomes.

The council demonstrates awareness of what constitutes an effective, efficient and secure benefits service. Since our last risk assessment, there have been significant changes within the benefits service. The service has successfully implemented two major IT projects with the introduction of a new benefits IT system and an electronic document and records management system.

The service has demonstrated continuous improvement in processing new claims and change of circumstances. In 2012/13 the service processed new claims in an average of 23 days and changes in an average of six days when the Great Britain averages were 25 days and 12 days respectively. The introduction of a risk-based verification approach to processing new claims has helped the service maintain claims processing performance during a period when the service was under resourced.

The service has also improved overpayment recovery processes although there is now a need to introduce more detailed analysis of outcomes to identify areas for further improvement.

The service has been successful in having all cases submitted to the Procurator Fiscal for consideration of a prosecution accepted. This is highly commendable. In addition, the fraud team has an excellent working relationship with the Department for Work and Pension's Fraud Investigation Service (FIS) and is the leading benefits service in Scotland in respect of joint sanctions carried out with FIS.

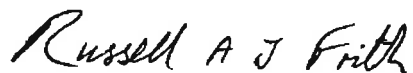
Further improvement is still required however with certain aspects of performance management, decision making processes for sanctions and management accuracy checking.

I attach our report and would welcome your response to it. I would be grateful for a response by Friday 3 May 2013 including your proposals to reduce the risks identified, so that we can determine whether any further engagement is appropriate.

I would like to take this opportunity to thank you and your benefits staff, in particular John Cunningham, for the well presented self-assessment and their co-operation and assistance throughout the risk assessment process.

If you have any questions or concerns, please contact Anne Cairns in the first instance on 0131 625 1926 or by email at [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk).

Yours sincerely



**Russell Frith**  
**Assistant Auditor General**

**Encl.**

HB Audit Risk Assessment report

**Copied to:**  
John Cunningham, Benefits Manager

Appendix 7.3

ELC Progress against previous HB/CTB Risk Assessment Action Plan (As @ 24 September 2013)

| Risk No | Description of Risk  | Responsibilities                          | List of tasks to be carried out to remove risk   | By when   | Link to New Action Plan                          | Status as at 24 September 2013                | Context   |
|---------|--|---|--|---|--|---|---|
| 1       | The benefits service's performance against corporate customer service standards is not monitored.  | Benefit Manager/Customer Feedback Manager | Liaison between Benefits Unit & Customer Feedback Team to be reviewed and Feedback system issues to be addressed | 30-Jun-13   | <i>Linked to point 4 in May 2013 Action Plan</i> | Completed (31 August 2013)                    | Feedback statistical recording system problem addressed by 31 August 2013. Q1 Benefit responses within target.  |
| 2       | There are no routine consultations with customers and the wider community on the level and type of service they need.  | Benefit Manager                           | To repeat annual Benefits Unit Customer Survey, (using CIPFA Housing and Council Tax Benefit model survey)       | 30-Sep-13   | N/A  | Revised Completion date of 31st March 2014    | Last Benefit Customer Survey done in 2012. Yet to carry out one in 2013. Questionnaire under development for issue by 31st March 2014.  |
| 3       | Although the business plans detail the key activities to be carried out in order to achieve targets, there is no audit trail to demonstrate the systematic monitoring of progress  | Benefit Manager                           | Completed  | N/A   | N/A  | Completed                                     | Completed   |
| 4       | Pre-implementation planning for the new IT system will be included in the Benefits Unit Plan 2009/10. However given the size of the task, more detailed planning is required breaking down the critical activities that must be carried out prior to the key milestone dates   | Benefit Manager                           | Completed  | N/A   | N/A  | Completed                                     | Completed   |
| 5       | The balanced scorecard presents a broad picture of the benefits service's performance to senior managers and members. However, performance in other areas is not given the same attention. Performance targets have not been set, and performance has not been monitored within the unit, for appeals, reconsiderations, overpayments recovery and intervention activity   | Benefits Manager/CMT/PPRC                 | CMT Monthly Updates to include Key Benefit Performance Measures.   | 31 May 2013<br>Monthly thereafter and when required by CMT & PPRC | <i>Linked to points 3 in new Action Plan</i>     | Completed                                     | CMT Update reports being submitted monthly. Aside from reporting significant positive & negative variances in performance measures these reports highlight Key Activities, Service Plan achievements/Progress, Ongoing Budget Position,Risks and Challenges as well as the Priorities for the coming month. |
| 6       | The majority of checks are carried out after benefit notifications and indeed payments have been issued. Consequently the council's ability to prevent fraud and error entering the system, and reduce the numbers and amounts of any resultant overpayments is decreased.   | Benefit Manager/Benefit Team Leaders      | Accuracy checking process to be re-introduced for 2013/14 claims processing work.                                | 30th June 2013<br>(Revised date 30th November 2013)               | <i>Linked to point 6 in new Action Plan</i>      | Revised Completion date of 30th November 2013 | Post payment accuracy checking re-introduced for cases actioned by staff under going training/monitoring. Wider accuracy checking process still to be re-instated after review is complete.   |
| 7       | The council has no documented policy or guidance covering pre-notification checks and, as a result, the sample population and the method of selection are unclear. As an example in the quarter ending December 2008, 348 cases were selected for checking but only 197 had actually been checked. It is unclear what happened to the remaining 151 cases. While the number checked exceeded the quarterly target, the methodology gives limited assurance that the quality checking regime is effective and secure. | Benefits Manager/Benefit Team Leaders     | Completed  | N/A   | Completed  | Completed                                     | Completed   |

|    |   |  |  |  |                                       |   |   |
|----|---|--|--|--|---------------------------------------|---|---|
| 8  | 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 activity is efficiently  | Benefit Manager/Benefit Performance Officer            | RBV Policy in place since August 2012 and automated risk scoring facility implemented as part of Capita New Claims process. However reporting  | 30-Sep-13  | N/A                                   | Completed   | Reports detailing High Risk Scoring cases now being dealt with by Fraud Investigation Team.   |
| 9  | There is no audit trail detailing the number of overpayment decisions checked or the number and type of errors found.   | Benefits Team Leaders/Training and Development Officer | Accuracy checking/recording process to be reviewed to include effective analysis & feedback loop   | 30th June 2013 (Revised date 30th November 2013) | Linked to point 8 in new Action Plan  | Revised Completion date of 30th November 2013       | Wider accuracy checking process still to be re-instated after review is complete. Completion date revised.  |
| 10 | There is no routine analysis of overpayments raised to identify any necessary changes or additions to processes, procedures or training that could improve accuracy and minimise official and claimant error overpayments   | Benefits Team Leaders/Training and Development Officer | Accuracy checking/recording process to be reviewed to include effective analysis & feedback loop   | 30th June 2013 (Revised date 30th November 2013) | Linked to point 8 in new Action Plan  | Revised Completion date of 30th November 2013       | Wider accuracy checking process still to be re-instated after review is complete. Completion date revised.  |
| 11 | The council reports that the service it receives from DWP's Debt Management has declined since the office providing the service for East Lothian Council has changed. The council needs to invoke the escalation procedures within the Service Level Agreement to ensure it is receiving an effective level of service.   | Benefit Manager/Benefits Performance Officer           | A further approach will be made to re-instate referral process between ELC and DWP Debt Management.  | 30 September 2013 (Revised date 31st March 2013) | N/A                                   | Revised Completion date of 31st March 2014          | Departure of previous DWP External Relationship Manager and priority of Welfare Reform issues has delayed completion of action. The Benefit Manager will now raise issue with recently appointed 'Employer and Partnership' Manager. Completion date revised. |
| 12 | Despite a commitment in its Overpayment Policy, 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  | Benefits Manager/Benefits Performance Officer          | Review overpayment recovery targets set in Benefits Unit Business Plan 2013/14 and review overpayment process to allocate appropriate priority to the recovery of fraud overpayments | 31-May-13  | Linked to point 10 in new Action Plan | Completed   | New overpayments targets set in 2013/14 Benefit Service Plan. Reports being produced to ensure that fraud overpayments are given appropriate priority.  |
| 13 | The council does not monitor the progress of reconsiderations or appeals and as a result it does not measure the level of service it delivers to its customers making such requests.  | Benefits Manager/Team Leaders                          | Review reconsiderations and appeals monitoring process to establish the potential for carrying out more detailed analysis of appeals/reconsideration requests                        | 30th September 2013                              | Linked to point 12 in new Action Plan | Q2 Analysis will be completed W/C 30 September 2013 | Analysis of reconsiderations requests in Q1 2013/14 carried out. Q2 figures still to be analysed.   |
| 14 | There is no routine analysis of reasons for reconsiderations and appeals with a view to informing training, processes or procedures to deliver continuous improvement.  | Benefits Manager/Team Leaders                          | Review reconsiderations and appeals monitoring process establish the potential for carrying out more detailed analysis to inform training, processes &                               | 30st September 2013                              | Linked to point 12 in new Action Plan | Q2 Analysis will be completed W/C 30 September 2013 | Analysis of reconsiderations requests in Q1 2013/14 carried out. Q2 figures still to be analysed.   |
| 15 | The council's HB/CTB Sanctions Policy stipulates that the decision to apply a sanction will be taken by the Investigations Team Leader and/or the Benefits Manager. However all decisions have been taken by the Investigations Team Leader. Consequently, assurance on impartiality and equality of treatment, when administrative cautions or penalties are administered, is reduced. | Benefits Manager/Investigation Team Leader             | Will undertake review of HB/CTB Prosecution and Sanctions Policy.  | 30-Sep-13  | N/A                                   | Due to complete by 30 September 2013                | Benefits Manager & Investigation Team Leader continue to case conference decisions relating to sanctions as per HB/CTB Prosecutions & Sanctions Policy. The 2013 policy review due to be completed by 30th September 2013.                                    |

Appendix 7.4

ELC HB/CTB Risk Assessment Action Plan 24 September 2013

| Risk No | Description of Risk  | Action to be Taken   | Responsibilities                                   | List of tasks to be carried out to remove risk  | By when  | Link to Previous Action Plan                          | Status as at 24 September 2013              | Context   |
|---------|--|--|--|---|--|---|---|---|
| 1       | The use of benefits unit staff to work on the implementation of the welfare reform agenda, or any slippage in the council's Welfare Reform action plan targets, could have a detrimental effect on claims processing performance.  | ELC Welfare Reform Action Plan activities to be supported by Policy & Improvement resources  | Corp' Policy & Improvement Manager/Benefit Manager | Welfare Reform Action Plan to be implemented  | 31-Jan-14<br><br>(subsequent actions subject to on-going planning) | N/A   | Ongoing<br><br>Ongoing                      | Implementing the Welfare Reform Action Plan is currently the Benefits Unit's highest priority. In addition to managing the various welfare changes the Unit's staffing resource is being used to implement the SWF Service and to Integrate the CCFU Financial Assessment service. Inevitably these actions have had a detrimental impact on HB Processing.<br>HB Processing performance will be balanced with other services being delivered by Unit |
| 2       | Although it is acknowledged that the council has a business plan for the benefits unit, there are only two targets that relate to the work of the unit. In addition, there is no counter-fraud business plan setting out the aims, objectives, targets, monitoring and reporting arrangements for the work of the fraud team. We therefore consider that there is limited assurance that the benefits unit is being actively monitored against all aspects of its work and that, when appropriate, performance is being challenged by senior management and members. | Benefits Unit Plan 2013/14 currently under development will include further targets relating to HB/CTR admin'.<br><br>In addition to this a separate business plan will be drafted to reflect the work of the Benefits Fraud Investigations Team.<br>Both business plans will be available for the Council Management Team and Council Members to review, monitor and challenge. | Benefits Manager/CMT/PPRC                          | Benefits Unit Business Plan 2013/14 to be finalised & published<br><br>Benefits Investigation Team Plan 2013/14 to be finalised and Published           | 31 May 2013 (Signed off for publication on 4th July 2013).         | N/A   | Completed<br><br>Completed<br><br>Completed | Benefits 'Service' Plan drafted by 31st May 2013 and signed off for publication on 4th July 2013. The Revised plan contains an expanded range of performance indicators however separate Fraud Investigation 'Unit Level' Plan is being used to direct & monitor counter fraud performance .<br><br>Separate Counter Fraud 'Unit Plan' in Place as @ 31st May 2013<br><br>Separate Counter Fraud 'Unit Plan' in Place as @ 31st May 2013              |
| 3       | As there is limited reporting of the benefits unit's performance, senior management and members are not provided with regular opportunities to challenge performance that does not meet local targets.   | Monthly updates to the Council Management Team, (CMT) will include information relating to the Benefits Unit's performance against a selection of key targets. The Council's Policy and Performance Review Committee, (PPRC) will also have the opportunity to challenge   | Benefits Manager/CMT/PPRC                          | CMT Monthly Updates to include Key Benefit Performance Measures.  | 31 May 2013 Monthly thereafter and when required by CMT & PPRC     | Linked to point 5 'ongoing' from previous Action Plan | Completed                                   | CMT Update reports being submitted monthly. Aside from reporting significant positive & negative variances in performance measures these reports highlight Key Activities, Service Plan achievements/Progress, Ongoing Budget Position,Risks and Challenged as well as the Priorities for the coming month.   |
| 4       | The council has not met the target to respond to 100% of complaints within 20 days since 2010/11, and was unable to provide data for 2012/13 due to a problem with the customer relationship management system.  | Feedback reporting arrangements to be reviewed and system issues to be addressed.  | Benefit Manager/Customer Feedback Manager          | Liaison between Benefits Unit & Customer Feedback Team to be reviewed and Feedback system issues to be  | 30-Jun-13  | Linked to point 1 'ongoing' from previous Action Plan | Completed (31 August 2013)                  | Feedback statistical recording system problem addressed by 31 August 2013. Q1 Benefit responses within target.  |
| 5       | Although the council has good relations with key external stakeholders, it has not been in regular contact with its local benefits delivery centre at Bathgate. This has led to a breakdown in communication and delays when requesting information in respect of DWP clerical claims which could have a detrimental effect on claims processing times.  | The Benefits Unit Management Team will seek to re-instate effective liaison arrangements with the Bathgate DWP Benefits Delivery Centre, (BDC).  | Benefit Manager/DWP External Relations Manager     | Meeting to be arranged with (DWP External Relationship Manager) to discuss potential for re-instatement of regular, joint operational liaison meetings. | 30th June 2013 (Revised date 31 March 2013)                        | N/A   | Ongoing                                     | Departure of previous DWP External Relationship Manager and priority of Welfare Reform issues has delayed completion of action. The Benefit Manager will now raise issue with recently appointed 'Employer and Partnership' Manager.  |

|    |   |   |   |  |  |  |                            |   |
|----|---|---|---|--|--|--|----------------------------|---|
| 6  | Due to the limitations of the benefits IT system, the council is unable to carry out any pre-payment accuracy checks. In addition, there has been no Capita post-payment checks carried out since June 2012, and therefore there is an increased risk of fraud and error entering the system unchecked. | The Benefits Unit Management Team to re-establish the Capita post-payment accuracy checking process.  | Benefit Manager/Benefit Team Leaders                                  | Accuracy checking process to be re-introduced for 2013/14 claims processing work.  | 30th June 2013 (Revised date 30th November 2013)   | <i>Linked to point 6 'Ongoing' from previous Action Plan</i>   | Ongoing                    | Post payment accuracy checking re-introduced for cases actioned by staff under going training/monitoring. Wider accuracy checking process still to be re-instated after review is complete.   |
| 7  | At the time of the on-site visit Audit Scotland was unable to reconcile the accuracy performance reported on the Audit Scotland performance matrix with the accuracy information provided by the council in support of the service.   | The Benefits Unit Management Team to review the process for recording the results of post-payment accuracy checking.  | Benefit Manager/Benefit Team Leaders                                  | Accuracy checking/recording process to be reviewed prior to being re-introduced for 2013/14  | 30th June 2013 (Revised date 30th November 2013)   | N/A  | Ongoing                    | Wider accuracy checking process still to be re-instated after review is complete.   |
| 8  | Although outcomes from management checks are recorded on a spreadsheet, it is not to the level of detail that could help the council identify trends, patterns and areas for learning and development of the service.   | The Benefits Unit Management Team to review the process for analysing the results of post-payment accuracy checking.  | Benefits Team Leaders/Training and Development Officer                | Accuracy checking/recording process to be reviewed to include effective analysis & feedback loop   | 30th June 2013 (Revised date 30th November 2013)   | <i>Linked to points 9 &amp; 10 'Outstanding' from previous Action Plan</i>   | Ongoing                    | Wider accuracy checking process still to be re-instated after review is complete.   |
| 9  | At the time of our site visit, the overpayments data provided to Audit Scotland as part of the council's self assessment submission was inaccurate. Based on our analysis, there is approximately £394,000 of additional debt that is unaccounted for.  | The Benefits Unit Management Team will work with the Council's Finance Team to improve analysis of overpayment recovery performance and accounting for outstanding HB debt.   | Benefits Manager/Benefits Performance Officer/Departmental Accountant | Review procedure for recording overpayment recovery performance.<br><br>Review accounting arrangements for HB Debt   | 30th June 2013 (Revised date 31st March 2014)  | N/A  | Ongoing                    | Review of self assessment suggests that self assessment return may have been inaccurate. New overpayments targets set in 2013/14 Service Plan<br><br>Review of accounting arrangements for historic/ongoing HB overpayment debt will take longer to complete  |
| 10 | The council has not met its in-year overpayments recovery targets since 2008/09. In addition, fraud overpayments and administrative penalties are not prioritised for recovery.   | In drafting the 2013/14 Benefits Unit Business Plan the Benefits Unit Management Team will review its overpayments recovery targets to ensure they are 'achievable' whilst still promoting the overpayment recovery process will also be reviewed to optimise recovery methods for recovery of fraud overpayments and administrative penalties. | Benefits Manager/Benefits Performance Officer                         | Review overpayment recovery targets set in Benefits Unit Business Plan 2013/14.<br><br>Review overpayment process to allocate appropriate priority to the recovery of fraud overpayments and administrative penalties. | 31 May 2013 (Signed off for publication on 4th July 2013).<br><br>31 May 2013 (Signed off for publication on 4th July 2013). | <i>Linked to point 12 'Outstanding' from previous Action Plan</i><br><br><i>Linked to point 12 'Outstanding' from previous Action Plan</i> | Completed<br><br>Completed | New overpayments targets set in 2013/14 Benefit Service Plan. Reports being produced to ensure that fraud overpayments are given appropriate priority.<br><br>Housing Benefit Overpayments Recovery Policy reviewed July 2013 to reflect overpayments recovery focus in 2013/14 Benefit Service Plan. |
| 11 | Due to the limitation of the council's debt recovery system there is only limited analysis of overpayments data.  | The Benefits Unit Management Team will endeavour to develop available systems functionality to optimise overpayments data analysis.   | Benefits Manager/Benefits Performance Officer                         | Review current systems capability in order to develop or enhance wherever possible.  | 31st March 2014  | N/A  | Ongoing                    | Action requires the involvement of Benefits Unit, Finance Team & Sundry Debtors   |
| 12 | A significantly high percentage of requests for reconsideration received by the council in 2011/12 and 2012/13, to 31 December 2012, were revised in favour of the customer.  | The Benefits Unit Management Team will carry out further analysis of reconsiderations to better understand reasons for reconsideration decisions.   | Benefits Manager/Benefit Team Leaders                                 | Develop system to facilitate analysis of reconsiderations  | 30th September 2013  | <i>Linked to points 13 &amp; 14 'Outstanding' from previous Action Plan</i>  | Ongoing                    | Analysis of reconsiderations requests in Q1 2013/14 did not indicate high percentage revised in favour of customer although Q2 figures still to be analysed.  |

## APPENDIX 7.5

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Ms Angela Leitch  
Chief Executive  
East Lothian Council  
John Muir House  
Brewery Park  
Haddington  
East Lothian  
EH41 3HA

15 May 2013

Dear Ms Leitch

### **The audit of housing and council tax benefit – benefits performance audit risk assessment**

I would like to thank you for your letter of 6 May 2013 and the attached response to our risk assessment report sent to you on 3 April 2013.

I have considered your proposals to reduce the risks identified in our report and I am satisfied that your proposed actions, and note those already implemented, will make a positive contribution to the continuous improvement of the council's housing and council tax benefits service.

Accordingly we will review progress on your action plan during our next round of risk assessments in approximately twenty four to thirty six months time.

I would like to thank you and your benefits management team for the positive and helpful approach displayed throughout the risk assessment process.

Yours sincerely



**Russell Frith**  
**Assistant Auditor General**

cc: John Cunningham, Benefits Manager