

The Highland Council

Audit & Scrutiny Committee – 2nd March 2017

Agenda Item	9
Report No	AS/7/17

Audit Scotland Report – A review of housing benefit fraud investigation liaison arrangements in Scotland

Report by Corporate Audit Manager

Summary

Audit Scotland have reported upon their review of the efficacy of the arrangements between Local Authorities and the Department of Work and Pensions (DWP) since the responsibility for housing benefit (HB) counter-fraud transferred to the DWP's Fraud and Error Service (FES). A link is provided to this report which was published in December 2016 and the key messages and areas of improvement are highlighted below. In addition, commentary is provided on the position within the Highland Council.

1. Background

- 1.1 The DWP's Single Fraud Investigation Service (now FES) was formed to address fraud across all benefits and tax credits which were previously administered by the DWP, HM Revenues and Customs and Local Authorities (LAs). The transfer of fraud investigations work from LAs to the DWP commenced nationally in July 2014 and concluded in March 2016. The transfer date for the Highland Council was 1st August 2015.
- 1.2 Whilst the DWP are responsible for counter fraud there is still a need for close working with FES as LAs continue to administer HB claims upon behalf of the DWP. As part of the FES arrangements, a National Service Provision Framework is in place for the exchange of information between the DWP and LAs. This supported by a local Service Level Agreement (SLA) which sets out the recommended timescales for the provision of information, local contact details and the escalation routes for any problems. Within the Highland Council, the arrangements involve benefits staff who complete fraud referral forms to the DWP, provide supporting information to the DWP and act as the decision maker where an overpayment/ fraudulent claim has occurred during the timeframe when the LA paid HB; and the Corporate Fraud Team who act as the Single Point Of Contact (SPOC) which receives and sends all information to FES.

2. Key messages and areas for improvement

- 2.1 A summary of the key issues from the Audit Scotland report is provided below. In addition, commentary is provided upon the position within the Highland Council.
 - There is generally good liaison between local authorities and FES. It should be noted that this is the case within Highland with regular liaison meetings between the LA and the DWP in place for a number of years which predates the FES arrangements. The good local working

relationship has allowed any early issues with the FES arrangements, such as the quality of data contained on the referral forms, to be promptly addressed.

- Performance against the performance indicators contained within the UK 'Local agreement' is not being routinely recorded, monitored, and reported by FES or local authorities.
- There is no standard approach for local authorities, using internal IT systems, or via DWP's Fraud Referral and Incident Management System (FRAIMS), to record and monitor the progress of fraud referrals sent to FES, and consequently there is a lack of management information nationally and locally.

In regard to the 2 bullet points above, within Highland Council the Civica system is used to record all fraud referral cases and is used by the SPOC to monitor the progress of cases. Both this and the FRAIMS systems cannot measure whether information is provided within the recommended timescales. However, contrary to the Audit Scotland report, the Framework does not require this. Instead section 11.3 of the Framework states *“Detailed monitoring of the Framework should be carried out by exception and outcomes should be monitored rather than processes. Outcomes should be monitored in each organisation and if it is perceived there is a problem, and then both organisations should work backwards in the process to identify where the problem has occurred. Once the problem is resolved a local decision should be taken as whether it is necessary to put further monitoring arrangements in place.”*

This is the approach taken within Highland and the current liaison meetings with the DWP allow local solutions to be identified to resolve any issues. Furthermore, it should be noted that the recommended timescales are not binding and there is no reference within the Framework to these being considered as “performance indicators”.

- There is a risk that the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as: potentially fraudulent claims are not always being dealt with appropriately; fraudulent claimants are not always being subject to sanction or prosecution action and fraudulent overpayments are not consistently being created and recovered, where appropriate. Issues highlighted by LA's include a period of time when referrals were lost by FES and the DWP not always routinely reporting upon the case outcomes. The lost referrals occurred in the early period of the transfer and there are only 2 known cases within Highland which were re-referred to the DWP. The latter point has been an issue within Highland but periodic reconciliations are undertaken by the SPOC who checks with the DWP upon the status of outstanding cases and updates the records accordingly. In addition, the local DWP Fraud Team Leader has reminded staff of the need to notify the Council of all outcomes.
- The number of referrals from the LA that result in a referral to the Procurator Fiscal have declined significantly since this responsibility transferred to the DWP.

This is an issue for the DWP but the lost referrals previously mentioned are likely to be a contributing factor for this reduction. However, the Audit Scotland report has failed to take account of the robust processes in place to prevent fraudulent claims from occurring in the first place e.g. data matching and Real Time Information (RTI) checks with HMRC. These processes can also reduce the amount of fraudulent sums paid and amounts under £2,000 are not normally referred by the DWP for prosecution.

- The fraud referral form should be reviewed and updated to ensure that it captures a minimum level of information to allow the DWP's Central Referral Staff to make a fully informed decision on appropriate further action. (Note that the fraud referral form is a standard template produced by the DWP).
- LA decision makers need to provide clear guidance to FES on what information is required to allow an HB overpayment decision and calculation to be made. This has been an occasional problem in Highland but has been resolved locally between the Council and DWP.
- The DWP should consider reviewing the funding methodology to take account of the number of referrals that meet a pre-defined and quality standard that are subsequently accepted for compliance or investigation action. It has been established that there are no issues identified with the quality of the referrals made within Highland. However, the importance of on-going training for benefits staff including awareness of counter-fraud and the referral process is recognised within the Council.

2.2 The report contains a total of six recommendations for improvement. As the current arrangements are set out in the National Framework, this would need to be revised to take account of the recommendations.

The Audit Scotland report acknowledges that during their review the DWP recognised that the current arrangements were not effective overall and was working on improving performance and procedures. These include the establishment of the HB Fraud Issues Progression Group as a forum to discuss, prioritise and resolve issues and the commissioning of the DWP Performance Development Team to review the end-to-end fraud referral process and the issues associated with the rollout of FES. It is expected that this review will then result in changes to the Framework.

2.3 A FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working. A member of the Corporate Fraud Team and the local DWP Fraud Team Leader attended this seminar. One of the outcomes from this seminar was the setting up of a programme of liaison meetings on a District basis. Highland is part of the North District which has met once and the next meeting is set for 15/03/17.

3. Conclusion

3.1 Arrangements for the prevention, detection and investigation of fraudulent HB claims is essential to ensure that public funds are properly spent and payments are made to those claimants who have a legitimate entitlement.

Council staff involved in the processing of HB claims and the Corporate Fraud Team have vital roles within these arrangements.

Whilst the Audit Scotland report has identified some areas for improvement and changes are occurring nationally, it should be acknowledged that the local arrangements within Highland are working well and this is considered important to the successful liaison between the Council and the DWP.

4. Implications

- 4.1 Risk and Equalities: the current arrangements assist in reducing the risk of fraud or error in HB payments made to individuals. However, this could impact upon individuals with disabilities, low incomes or in receipt of pensions across the Highlands and in receipt of HB.

There are no Legal; Climate Change/Carbon Clever or Gaelic implications.

Recommendation

The Committee is asked to consider the Audit Scotland report.

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Background Papers: