

Report by the  
Benefit Fraud Inspectorate

***Borough of Broxbourne***

September 1998

\* Highlighted parts of this report are omitted from the published version as they may assist fraudsters or may contain confidential commercial information.

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**1.6** Broxbourne's main reason for outsourcing was to improve efficiency in the benefits section. Certain other functions related to HB and CTB administration, such as the processing of HB and CTB payment cheques and the initial recovery of overpayments, are undertaken by the in-house Direct Service Organisation.

**1.7** The organisational structure of Broxbourne and Capita is shown in Appendix B.  
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# Section 2: Management summary

## *Summary findings and conclusions*

2.1 Broxbourne has some good practices and a clear commitment to improving performance. There are, however, a number of areas where there are significant opportunities to improve current performance. Our particular concerns relate to compliance with legal requirements in the administration of benefit, and to the monitoring and control of the contractor exercised by Client Side. The Fraud Section undertakes a wide variety of investigation techniques and procedures which encourage effective counter fraud work. These could be more effective if targeted and supported with more comprehensive guidance for staff.

## *Administration*

2.2 Broxbourne has some good administrative practices. For example

- it has developed a good, user friendly HB/CTB application form that only minor alterations could improve
- there are 3 one-stop shops in the borough, which offer advice and information about all council services including HB and CTB. In addition, there are weekly HB/CTB surgeries at 2 of the one-stop shops
- there are extended reception opening hours (every Tuesday evening and Saturday morning) which offers a very good customer interface for all HB/CTB claimants
- mailshots are used to inform claimants of legislative changes, to ensure HB/CTB customers are aware of the impact of legislative amendments on their personal claims
- staff turnover is very low, so there is an experienced group of staff employed in the borough
- all first payment cheques are delivered by hand
- staff have a good relationship with the Rent Officer
- the extended payment system within Broxbourne is given the appropriate priority.

2.3 Broxbourne has a number of opportunities to build on these established good practices, for example by

- ensuring legal requirements are adhered to, particularly with regard to the relationship between Client Side and contractor. For example, all case decisions and determinations must be undertaken by Client Side, not the contractor, and Broxbourne must ensure adherence to the HB and CTB Regulations

- imposing strict monitoring of all the contract terms and conditions, ensuring that non-adherence to key aspects of benefits administration and contract performance are addressed in an appropriate and timely manner. Examples of key aspects are
  - determining and paying claims within 14 days
  - making payments on account
  - answering all correspondence within 5 working days.
- publicising HB and CTB in all available borough offices and other relevant areas such as one-stop shops and Benefits Agency (BA) offices, and being proactive in securing BA leaflets and information
- implementing the Department of Social Security's (DSS) suggested Verification Framework or at least reviewing current verification standards to enhance their ability to pay the right amount to the right person
- extending the knowledge of the one-stop staff so they are fully equipped to advise potential claimants and resolve the enquiries and issues of current claimants. It is important that Broxbourne fully realise its plans to utilise the one-stop shops for benefits business when the current contract is renewed in November 1999. This would also address the current difficulty whereby only the HB/CTB reception area in the main borough offices is fully equipped to deal with benefit enquiries
- improving the current complaints system within the HB/CTB section, and controlling this through Client Side. In addition, complaints should be monitored and a feedback system set up to ensure that appropriate corrective action is taken and lessons are learnt from the complaints received and fed into the contractor's staff training programme
- improving the security of post and cheque control
- providing written guidance to staff on benefits administration, including a procedures manual
- increasing and improving management checks on the quality and accuracy of the assessment of claims, to raise the standard of benefits processing, while reducing the risk of fraudulent claims entering and remaining in the benefit system
- undertaking a Training Needs Analysis (TNA) of all HB/CTB, fraud and visiting staff, to identify the current gaps in knowledge and to inform the training programme. A comprehensive training programme would ensure that all staff (assessment, support and fraud staff) are up-to-date and fully conversant with HB and CTB regulations. Fraud awareness training should also be given on a regular basis to all HB/CTB staff and front line staff dealing with HB/CTB claimants
- implementing a formal system to deal with unrepresented cheques
- reviewing and tightening the security of the HB/CTB computer system, and improving the monitoring of controls undertaken by Client Side
- improving the current administration of overpayment identification, classification and recovery. The advantages of improving the system include
  - ensuring classification is accurate
  - determining whether recovery is appropriate and, if so, from whom

- increasing management information (such as outstanding debt in terms of age, category, value and volume)
- improving the monitoring and control of overpayments generally.

## *Counter fraud*

2.4 Broxbourne's approach to securing the benefit system incorporates good practices including

- an increased level of resources has been devoted to detecting fraud over the past 3 years. This has led to a steady increase in the amount of WBS claimed and the scope of work undertaken
- publicising counter fraud activity and actively liaising with other agencies in the fight against counter fraud in the benefit system
- formulation of a prosecution policy
- actively recovering fraudulent overpayments, which acts as an effective deterrent
- running an in-house hotline for benefit fraud and abuse to be reported by members of the public
- a Performance Review and Scrutiny sub-committee which oversees audit activity generally
- reviews of the HB system and management arrangements undertaken by both internal and external audit
- installing a new management system in order to improve the management of cases and increase the management information available
- undertaking a wide range of investigation techniques. This is a clear improvement on the heavy dependence upon visiting that is often the main basis of WBS claims in most authorities
- secure custody of investigation files overnight
- resources directed towards investigating CTB fraud and abuse and Income Support (IS) WBS are well above the national average
- securing Challenge funding to undertake additional projects within counter fraud
- good day-to-day working relations with the BA and agreed working practices about sharing WBS
- consistent timely adherence to the SLA system of notification with BA
- active follow-up of SLA3s with the BA, which has resulted in high IS WBS achieved.

2.5 There is, however, scope to build upon the current achievements within counter fraud by implementing additional good practices such as

- introducing a formal counter fraud strategy, approved by members
- establishing prosecution procedures and training the staff appropriately so that counter fraud action can lead to prosecutions
- undertaking a risk analysis, which would help the fraud team highlight risk areas that could then be implemented into the work programme
- improving the current hotline facilities or consider joining one of the national recognised hotlines, such as Fraudwatch

- developing an in-house fraud hotline, which would give staff the opportunity of reporting internal fraud. The hotline should be publicised throughout the council to maximise its potential
- improving the security and internal controls relating to the withdrawing and handover of first cheques to be delivered
- including a claimant profile for the officer delivering the first cheques, so that the effectiveness of the cheque delivery is maximised
- exploiting the effectiveness of Challenge funded staff and the proper application of Challenge funds by ensuring that their duties solely relate to the activities stated in the Challenge Fund bid. This would also ensure that WBS claimed directly relates to the appropriate Challenge Fund activity
- introducing a local, formal declaration of interest requirement for HB/CTB staff to ensure that staff do not undertake work on cases when there are conflicts of interest
- increasing the security of fraud files during the day to maximise the integrity of all investigation files
- reviewing the internal audit coverage of HB and CTB, in view of the fact that HB and CTB expenditure equates to 40% of the total council expenditure
- fully utilising the new management system to effectively control the progress of investigation cases and to collate management information that can be fed into the development of the team. Increased detailed management information would highlight any current inefficiencies offering management the option of reallocating or reprioritising work
- agreeing and monitoring an SLA with Chilterns East Benefit Fraud Investigation Service (BFIS)
- organising and arranging joint working and sharing of resources with BFIS. This would enable both organisations to fully exploit their resources in an area of ever increasing demand
- establishing a more robust system of sifting, prioritising and allocating referrals, thereby reducing the lead-in time on investigations starting
- developing a fraud plan (including team and individual performance targets) to maximise resources and ensure a balance between proactive and reactive work undertaken
- implementing a system of management checks and controls in order to ensure the validity and accuracy of WBS claims
- implementing regular management progress reviews of all investigation cases with the relevant investigation officer.

**2.6** HB is closely linked to Income Support (IS), which is administered by the BA and Jobseeker's Allowance (JSA) for which the BA and Employment Services (ES) are jointly responsible. Effective and secure administration of these benefits requires BA, ES and the LA to exchange information. However, there is limited co-operation between the parties and working relationships need to be better in the following key areas –

- transfer of information, such as confirmation of receipt of IS, between BA and Broxbourne to facilitate the speedy receipt and assessment of HB and CTB claims

- transfer of information between Broxbourne and BA benefit administrators and fraud investigators, such as notifying a known change in a claimant's circumstances. This will reduce opportunities for claimant abuse and fraud
- co-ordinated visiting programmes to minimise duplicate visits to claimants and maximise joint coverage
- mutual understanding of the respective roles and responsibilities, to ensure complementary and supportive working practices and performance
- pooling important information about high risk claimant groups and sites
- joint working on counter fraud activity.

**2.7** Improved working relationships cannot be achieved by Broxbourne alone. In separate reports to BA and ES we recommend how they might play their part in improving communication and co-operation with Broxbourne.



# Section 3: Findings and conclusions

3.1 This section of the report records our main findings about Broxbourne's benefits administration and counter fraud work. These are set out under 8 headings, each covering a key component of effective and secure benefit delivery. These components are defined in detail in Appendix A. The first 4 relate to **benefit administration**:

- Claim initiation
- Assessment and determination
- Payment and accounting
- Change and repeat claims.

3.2 The next 4 deal with **counter fraud work**. They are:

- Deterrence
- Prevention
- Detection
- Investigation.

## *Benefit administration*

### *Claim initiation*

3.3 Initiation is the planned programme of activities used to determine entitlement to benefits.

### *Customer services*

3.4 Broxbourne participates in anti-poverty and benefits take-up initiatives, for example the Hertfordshire Anti-Poverty Partnership, which discusses means of promoting benefits.

3.5 Broxbourne has established 3 one-stop shops where customers can go to get information about the services provided by Broxbourne and to pay their rent and Council Tax. There are one-stop shops in Hoddesdon, Cheshunt and Waltham Cross, which were established in 1993, 1994 and 1996 respectively. At present, because of the limited HB and CTB training given to the staff within the shops, most claimants visit the benefits section in the borough offices for advice and to resolve enquiries. This is illustrated in Figure 3.1. Broxbourne is, however, considering how best to provide a benefits service through the one-stop shops in future, and sees the renewal

of the benefits administration contract in November 1999 as an opportunity to develop the one-stop shops' benefits business. This is a commendable aim and its achievement will require sufficient training of staff in benefits issues.

**Fig. 3.1: Callers to council offices**

Month	Revenues and Benefits reception			One-Stop Shops		
	Total callers seen	Total benefit enquiry callers	% of total callers with benefit enquiries	Total callers seen	Total benefit enquiry callers	% of total callers with benefit enquiries
October 97	1,848	1,397	75.6	3,388	297	9.0
November 97	1,595	1,216	76.2	3,179	293	9.0
December 97	1,217	937	77.0	1,619	200	12.0
January 98	1,768	1,293	73.1	2,803	429	15.0
February 98	1,317	1,259	95.6	2,420	214	8.0
March 98	1,273	1,216	95.5	5,202	369	7.0
<b>Total</b>	<b>9,018</b>	<b>7,318</b>	<b>81.0</b>	<b>18,611</b>	<b>1802</b>	<b>10.0</b>

Source: Borough of Broxbourne

**3.6** Broxbourne currently delivers the benefit service mainly through the benefits section based in the borough offices rather than through the one-stop shops. The benefits section reception is located off the main reception area in what is effectively a corridor between the public and staff areas. There are 3 dedicated caller booths but only 2 are normally used except during busy periods when additional staff are called upon to help. Other rooms are available elsewhere in the building, however, and Broxbourne is considering greater use of those for benefits business.

**3.7** We feel that the 3 booths are cramped, poorly lit and offer limited privacy for claimant interviews, but Broxbourne dispute this assessment. There are limited seats for people waiting and, although a lower-level booth is provided for wheelchair users, anyone using this booth would create an obstruction in the corridor. Plans have been drawn up for improvements to the facilities and currently await testing, refinement and funding.

**3.8** The computer terminals available to the benefits section reception staff are in the office at the back of the reception desk and are enquiry only. Therefore it is not possible for the receptionist to go through data held on the computer system within the sight and hearing of the customer.

**3.9** The benefits section reception is open between 08.30 and 17.30 Monday to Friday with extended opening on Tuesdays to 19.30, and on Saturday morning from 09.00 to 13.00. These opening hours offer HB and CTB claimants a good range of times in which to visit to make enquiries or resolve issues. All callers to the main borough offices reception desk and to the one-stop shops are logged and the reason for the call noted. For example, if it was a benefits, Council Tax or sundry debtor enquiry. The information collected is collated on a weekly basis.

**3.10** Broxbourne has a policy that any customer waiting for more than 5 minutes can report this to the staff. A notice to this effect is on display in the main reception

area. The figures are collated monthly. For example, in February 1998 there were a total of 1,317 callers and 77 (5.8%) reported waiting for more than 5 minutes. As the onus is on the caller to report that they have waited for longer than 5 minutes, and some callers may not do so, actual performance against the target may not be fully represented by the data collected.

**3.11** The copy of the contract with Capita provided to the inspection team detailed a requirement for the contractor to see callers within 5 minutes (SLA22: on site callers) XX The requirement to see callers is in fact performed by the Client Side despite agreement that Capita, the contractor do this.

**3.12** Broxbourne's claim form is used to claim both HB and CTB. The form is well designed and user-friendly and the inspection established that claimants experienced no difficulty completing the claim. There are, however, minor changes that could improve its effectiveness. Further details are at Appendix E.

**3.13** Only 10 complaints regarding HB or CTB have been recorded since April 1996. Capita keeps a complaints log which details written complaints received. Client Side monitors the speed of Capita's response to the complaint and all complaints are followed up to establish if the matter was resolved to the satisfaction of the claimant. There is no established procedure for dealing with complainants who report that the complaint had not been dealt with in a satisfactory manner. Nor is there an established procedure for dealing with oral complaints.

## ***Assessment and determination***

**3.14** This includes claim form processing and the quality of verification obtained prior to determining a claim for benefits.

**3.15** Broadly speaking, it is Capita's role to assess incoming claims and to recommend determinations of benefit payable to Client Side. By law, the Client Side of a contracted out benefits administration service must make determinations. Appendix C gives more details on which services must be retained in-house and which may be contracted out.

## ***Verification of claims***

**3.16** Broxbourne's verification procedures are variable, and sometimes issues that are really verification matters are referred to the investigation team. This reflects the fact that attempts to validate the identity of the claimant prior to payment are not always sufficiently thorough. The current procedures diverge from good practices observed in other LAs and those recommended in the DSS's Verification Framework. For example

- photocopies of relevant supporting documentation are accepted direct from claimants with their HB/CTB applications
- there is no insistence on seeing original documents
- when original documentation is supplied, although it is photocopied at the benefits section reception or at the one-stop shops, the copies are not marked as being "a true and fair copy" of the original documentation and initialled as such by a member of staff
- the verification processes do not extend to obtaining evidence of identity.

**3.17** There are no pre-award visits which, as well as covering welfare issues, can be an effective means of verifying claims. Although Capita attempts to verify residency of the claimant during the routine delivery of a claimant's first benefit cheque, opportunities to detect fraudulent claims based on misrepresentation of circumstance or false identity are being lost because the delivering officer does not have a working knowledge of benefits or information about the claimant to refer to before and during the visit. The officer delivering the cheque cannot confirm the circumstances and identity of the cheque recipient against the details given on the application form.

**3.18** We examined a sample of 52 cases from the live load to establish the range and reliability of the verification undertaken. The main shortfall related to identity. In 40 out of 52 cases (77%) identity was not verified, and in 35 out of 52 cases (67%) residency was not checked. Identity is critical to any benefit and residency is a key condition for entitlement to HB and CTB.

**3.19** There was also insufficient verification of claimants' financial circumstances, which are key to determining entitlement to HB and the rate payable. Examination of files revealed the following examples of the acceptance of insufficient verification:

- Capital
  - compliments slips recording balance of account (unsigned and undated) from a building society in one case and a bank in another
  - claimant failed to produce evidence of a bank account balance for 5 months, yet HB remained in payment.
- Income (IS/JSA)
  - benefit paid from May 1994 to March 1997 on the basis of IS confirmation dated May 1994
  - a photocopy of IS letter to claimant. There was no record of who had photocopied the letter, nor a signed statement that it was a true and fair copy
  - photocopy of order book. There was no record of who had photocopied the order book nor a signed statement that it was a true and fair copy.
- Earned income
  - photocopies of wageslips bearing only the first name of the claimant. There was no record of who had photocopied the wageslips nor a signed statement that they were true and fair copies.

**3.20** The current verification processes and standards within Broxbourne fall short of those recommended in the DSS's Verification Framework. The framework represents a basic standard of claim verification that might be employed by an LA.

### ***Liaison with the Benefits Agency***

**3.21** Capita has links with two BA Districts (Leaside District through Tottenham Benefit Office, and North and East Hertfordshire District through Hertford Benefit Office). Capita's assessment staff reported that they do not enjoy good liaison with their counterparts in the BA. There is no direct line telephone line for Broxbourne to contact the BA offices, and this causes significant delays in dealing with enquiries. Although information can be faxed to the BA by Broxbourne if urgent, these faxes are not given priority by BA.

**3.22** Form NHB1 is the application form for HB and CTB included in the IS/JSA claim pack. The claimant is instructed to send this form back to the BA who will

forward it to the relevant LA with confirmation of IS/JSA entitlement. The BA target for sending NHB1s to Broxbourne is 95% within 15 calendar days. However, a sample of post received from Leaside BA on 19th March 1998 showed this target was being achieved in only 29% of cases. Further details are in Appendix G.

**3.23** There is a signed service level agreement (SLA) between Broxbourne and BA, and there are regular meetings. Examination of the minutes of these meetings indicated that Broxbourne has raised a number of issues which BA need to address, such as BA delaying post (particularly NHB1s) to Broxbourne, and a lack of BA direct line numbers. Sample analysis results and discussions with Capita during the inspection highlight the fact that these issues are still outstanding.

### ***Referrals to the Rent Officer Service***

**3.24** LAs must refer all claims for rent allowance to the Rent Officer, except in certain circumstances. The decision whether or not a case is to be referred to the Rent Officer Service is governed by Housing Benefit regulation 12A and Schedule 1A. As these are determinations, they can only be made by Client Side. There was no evidence seen that these referrals were made by the Client Side rather than CAPITA.

**3.25** The Rent Officer confirmed that there is a good working relationship with Capita and that the standard of referrals is good. Referrals for determination are passed to the Rent Officer by post. Pre-tenancy determinations are usually faxed through on the same day as they are received in the authority. No delays were identified. The Rent Officer would like Broxbourne to use the RoConn system, a direct computer link between the Rent Officer and the local authority, but recognises that the finance may not be available and has therefore not approached Broxbourne on the matter.

### ***Claims cleared within the 14 day target***

**3.26** Regulation 76(3) of the Housing Benefit Regulations 1998 requires LAs to determine claims within 14 days of the provisions of regulations 72 and 73 being satisfied. Regulation 72 relates to the validity of claim forms. Regulation 73 puts the claimant under a general duty to furnish further evidence if insufficient evidence is adduced to enable a determination to be made.

**3.27** Client Side manually produces the 14 day target performance figures based on when the recommended determinations are passed to them by Capita, but it should be when the determination is made by Client Side. Client Side completes a quality control check sheet on which one of the checks made is whether Capita has assessed the claim within 10 working days of receiving all the required information. The target of 10 working days is stated in the contract. As a result it is very difficult, depending on how quickly Capita processes the claims, to ensure that determinations are made within the statutory time limit of 14 days. Each member of Client Side maintains a weekly tally sheet identifying whether or not targets are met on individual cases. The information is collated and monthly management reports are produced.

**3.28** There are no supervisory checks of Client Side staff by their line manager to ensure that quality control sheets are completed for each determination, or that these sheets are accurate. The manager considers that working in close proximity to staff adequately addresses the need for a formal management check. However, without such checks Broxbourne has limited assurance about the overall standard of its assessments and compliance with the regulations.

**3.29** The HB computer system used within Broxbourne can calculate performance against the 14 day target automatically. Broxbourne abandoned the use of this facility as Broxbourne believed there was a system error, because performance was repeatedly showing a 60-70% achievement of the 14 day target.

**3.30** Broxbourne's reported performance for processing claims within 14 days is higher than the reported average for LAs in Great Britain.

**Fig. 3.2: % of claims processed within 14 days of receipt of all information**

Year	New claims		Renewal claims	
	Broxbourne	Great Britain	Broxbourne	Great Britain
1995/96	99	81	99	86
1996/97	96	77	96	83
1997/98	68	n/k	n/k	n/k

Source: ASD and Borough of Broxbourne

**3.31** We selected a random sample of 100 cases to test Broxbourne's reported performance against the 14-day target performance indicator. Four of the files could not be located and 5 cases could not be reconciled with Broxbourne. In 54 of the 100 cases the determination by Client Side was not made within 14 days of all relevant information being received. In only 37 cases, therefore, was there evidence to show that the 14 day target was achieved. Further details are in Figure 3.3.

**Fig. 3.3: Days taken from receipt of further information to final determination**

	Council Tax		Rent Rebate		Rent Allowance		Total	
	No.	%	No.	%	No.	%	No.	%
0-14 days	1	25	8	23	28	45	37	37
15-30 days	3	75	23	68	24	39	50	50
31-99 days	0	0	2	6	2	3	4	4
Can't reconcile	0	0	1	3	4	6-5	5	5
File not available	0	0	0	0	4	6-5	4	4
<b>Total</b>	<b>4</b>	<b>100</b>	<b>34</b>	<b>100</b>	<b>62</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: BFI inspection sample

**3.32** There is a major disparity between Broxbourne's reported performance and performance indicated by the sample analysis. This disparity raises a number of concerns whether:

- the data supporting the reported statistics is incorrect or wrongly calculated
- management can place assurance on the statistics produced
- errors may not be being identified (there are no sample checks of the supporting data)
- if errors are not identified, Client Side would be able to raise contractual matters such as penalties with contractors.

**3.33** The intention behind the 14 day rule is to ensure that cases are processed as quickly as possible, compatible with proper verification. We are concerned that Broxbourne's achievement of this is prejudiced by excessive delays in requesting

**3.34** further information. Figure 3.4 shows the results from the sample of 100 cases. In 22 of these cases the time taken could not be discerned from the files. In a further 21 cases it took Broxbourne over 15 days to request the further information necessary to determine the claims.

**Fig. 3.4: Days taken to request further information**

Period	No. of Rent Rebate Cases	% of Rent Rebate Cases	No. of Rent Allowance Cases	% of Rent Allowance Cases	Total	%
0-5 days	2	5	2	3.25	4	4
6-10 days	2	5	9	15	11	11
11-14 days	7	17.5	17	28.25	24	24
15-20 days	6	15	8	13.25	14	14
21-30 days	2	5	2	3.25	4	4
31-50 days	1	2.5	0	0	1	1
Over 50 days	2	5	0	0	2	2
N/A	6	15	12	20	18	18
N/K	12	30	10	17	22	22
<b>Total</b>	<b>40</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: BFI inspection sample

**3.34** We were also concerned about the length of time from the date of the claim to when a claimant first received benefit. To check this, we sampled 59 rent allowance cases, but because of the variable standard of file management we were unable to identify the interval in 26 of these cases. In 15 of the 33 remaining cases, the total time to pay from date of claim was more than a month.

**3.35** During the inspection period, delays in determining claims were compounded by computer downtime for loading system enhancements. This downtime meant that a backlog of assessment work built up. There is no formal contingency plan in place for dealing with backlogs of assessment work.

### *Payments on account of a rent allowance*

**3.36** Regulation 91(1) of the Housing Benefits (General) Regulations 1987 provides that:

*Where it is impracticable for the appropriate authority to determine a claim for a rent allowance within 14 days of the claim for it having been made and that impracticability does not arise out of the failure of the claimant, without good cause, to furnish such information, certificates, documents or evidence as the authority reasonably requires and has requested, the authority shall make a payment on account of any entitlement to a rent allowance of such amount as it considers reasonable.*

**3.37** In our sample there were 60 rent allowance cases. In 11 of these (18.3%) no request for further information was made until 14 days or more had elapsed since the

date of the claim. In those cases Broxbourne were under a duty to make a payment on account but did not do so.

**3.38** Broxbourne routinely does not make payments on account and therefore fails to comply with the regulation. This can lead to claimants suffering hardship. Broxbourne advised us that making payments on account would necessitate a change in working practices.

### *Legality of determinations*

**3.39** Broxbourne states that all determinations are made by Client Side staff in accordance with current legislation covering the contracting-out of HB/CTB (Appendix C). We could not confirm this from the evidence available in the sampling exercises or during our visits. Evidence should be available to demonstrate that decisions have been properly made by the Client Side.

**3.40** When the contract first started, Client Side confirmed the determination by completing a form on every case. This procedure was agreed with the DSS. Broxbourne's then Director of Resources later authorised the change to the current practice, as he thought the original procedures were too time consuming. The DSS was not informed of this.

### *Right to review*

**3.41** There are some weaknesses in the notices of determination that Capita issue to claimants. The computer system, however, does not appear to give benefit assessors the flexibility to tailor the notices to meet the needs of individual claimants and their circumstances. Consequently, assessment staff make manual adjustments to the notices which can cause confusion for the claimant. We suggest amendments that could be made to improve the notices of determinations in Appendix I.

**3.42** Figure 3.5 shows internal reviews and Review Boards carried out in 1996/97 and 1997/98.

**Fig. 3.5: Broxbourne's internal reviews and Review Boards, 1996/97 – 1997/98**

	Total		Number successful in claimant's favour		% successful	
	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98
Internal reviews	90	104	40	47	44	45
Further reviews (Review Boards)	12	7	3	1	25	14

Source: BFI questionnaire and DSS

**3.43** The number of successful internal reviews in the claimant's favour is not high in relation to the overall caseload (0.4%), but is high in relation to the number of internal reviews requested (44%). Broxbourne does not analyse the outcome of appeals. This is compounded by the absence of written work procedures and guidance to staff.

**3.44** Details of further reviews between January 1997 and February 1998 are as identified in Figure 3.6.

**Fig. 3.6: Details of further review (Review Board) requests made to Broxbourne**

Month	Number of requests for further reviews	Number found in the claimant's favour	% of requests found in the claimant's favour
January 97	2	0	0
February 97	0	0	0
March 97	1	0	0
April 97	0	0	0
May 97	1	1	100
June 97	1	0	0
July 97	0	0	0
August 97	0	0	0
September 97	0	0	0
October 97	1	n/k	0
November 97	1	0	0
December 97	0	0	0
January 98	0	0	0
February 98	2	0	0
<b>Total</b>	<b>9</b>	<b>1</b>	<b>11</b>

Source: Borough of Broxbourne

3.45 Figure 3.6 shows that there are a low number of requests for further review (Review Boards).

### *Training strategy*

3.46 Broxbourne is responsible for training Client Side staff, and Capita train its own staff. Neither organisation has a formal training strategy for HB and CTB training. There is no mechanism to ensure that any errors found by Client Side are used to identify training needs. Broxbourne has, however, sent 2 members of staff on the IRRV technicians course.

3.47 Broxbourne does not have a procedures manual. This issue has been raised by Internal Audit. The then Director of Resources at Broxbourne believed that a detailed procedures manual would be of limited value, given that DSS changes the rules frequently. Legislative changes are disseminated to staff by memos and circulars, but only if relevant to the assessors' work. There are written guidelines covering Capita's benefit manager's job responsibilities for use if the manager is absent.

## *Payment and accounting*

3.48 These processes should

- deliver automatic or manual payments correctly
- identify incorrect payments
- maximise overpayment recovery.

### *Paying benefit promptly and correctly*

3.49 Broxbourne pays rent allowance claimants fortnightly, one week in arrears and one week in advance. This is contrary to the provision of regulation 90(2), which provides

*...any payment of rent allowance shall be made, in so far as it is practicable to do so, at the end of the period in respect of which it is made.*

3.1 This means that if the claimant has a liability to pay rent fortnightly, HB must be paid at the end of that fortnight. This rule does not apply to claimants continuously in receipt of HB since 6th October 1996 in respect of the same address.

3.2 Regulation 94(1A) provides that in cases where the claimant has not discharged the liability, if it is in the interests of efficient administration of the HB scheme, the first payment of rent allowance can be made payable to the landlord but sent to the claimant. This allows the claimant to discharge their rental liability but ensures the landlord receives the payment. No use of this power has been identified at Broxbourne.

3.3 Broxbourne uses the **First Software** system to administer HB and CTB claims. The system was in place before Capita won the contract. It calculates benefit payable and creates an output file from which payments are generated either as a credit to the Council Tax or Rent Account system or, in the form of rent allowance cheques, through the associated payment system **Chameleon**. The **Chameleon** system then sends details of cheque numbers back to Oracle. A weekly interface run between **First Software** and **Chameleon** up-dates cheque encashment details.

3.4 A member of Broxbourne's exchequer team oversees the printing of the cheques. A member of staff signs for a block of cheques withdrawn from stock when they are required for printing. The first and last numbers are recorded. After printing, any unused cheques are returned to stock. The form is not checked or countersigned by another officer, although the supervisor retains it.

3.5 The cheques are printed on continuous stationery and are folded into three parts to fit into an envelope. The printed cheques are guillotined, at which point any cheques that the benefits section do not want to be sent are pulled out of the batch. The rest of the cheques are folded, enveloped, sorted into postcode order and counted into batches of 50. One member of staff oversees the operation, which is carried out in the open office, although there is no access for the general public.

3.6 Capita staff complete 2 lists of cheques to be pulled, one list covering cheques for hand delivery and the other listing cheques to be retained pending further action. About 8 to 10 cheques a fortnight are held in an unlocked desk drawer in the office. These can take 2 to 3 weeks to clear. Batches of cheques awaiting action are stored in the cashier's office.

3.7 No payments are made via the BACS system, although this is being considered for payments direct to landlord. There are no controls on the high value cheques

apart from the standard delivery of first payment rent allowance cheques. This weakness is compounded by the delays in assessing claims, which causes the production of significant numbers of high value first payments.

**3.8** Capita has no formal procedure for dealing with un-presented cheques, and Broxbourne does not monitor the clearance of un-presented cheques. We examined the current list of un-presented cheques and selected a random sample of 10 cases. The total value of un-presented cheques examined was £4,782. While the total value of cheques is not in itself significant, delays in actioning them could have resulted in significant overpayments, lost WBS if these cases were proven to be fraudulent, and inaccurate subsidy claims being made by Broxbourne. The purpose of HB and CTB is to enable individuals to discharge their rental liability, and failure to cash the cheques could indicate that a rental liability does not exist, or that the claimant is not there. The list and sample analysis raised a number of other concerns:

- two cases in the sample related to elderly claimants, one aged 83 and the other aged 61. Non-presentation of a cheque could indicate a number of things:
  - inability to deal with financial affairs
  - post being intercepted
  - death.
- Because of the delay in dealing with the un-presented cheque list none of these possibilities was considered for 9 months
- the individual values of the un-presented cheques range from £2.76 to £448.76. There was no evidence that cheques were prioritised for clearance
- the age profile of the cheques ranged from 01/10/96 to 18/11/97
- two of the sample cases involved outstanding overpayments, but Capita have not offset the un-presented cheques against these overpayments. One of the cases has reached the stage of legal action, but the un-presented cheque and a previous cheque to the value of £630 have not been offset against the overpayment. Broxbourne have now taken steps to reconcile un-presented cheques and the related overpayments.

## *Computer security*

**3.57** There are significant weaknesses in the security of the HB and CTB computer system, which restrict the level of assurance management can take from the statistical information generated from the computer system and which increase the risk of internal fraud. Internal fraud is dealt with in the section of the report headed **Prevention**. The weaknesses include

- a definitive list of users was not readily available as it is currently held on computer
- no “time out” facility, where a PC automatically shuts down if the user has made no key strokes in a specified period of time, for example 5 minutes
- no routine management or security checks, for example, the system does not provide details of unauthorised attempts to access restricted screens or computer fields
- limited use is made of the exception reports available from the system.

## ***Identification and classification of overpayments***

**3.58** Overpayments are generated by Capita staff following the processing of either the cancellation of a claimant's entitlement to HB or CTB or a change in the claimant's circumstances. However, whether or not there is an overpayment at all is a determination that must be made by Client Side.

**3.59** The computer system automatically classifies overpayments into 2 categories ***other*** (mainly claimant error) and ***technical error***. Classifying overpayments in other ways, such as fraudulent overpayments or LA errors, requires manual intervention by Capita staff. The classification determines the level of subsidy payable and is a decision that should be made by Client Side under the terms of article 10(5)(a) of the Housing Benefit and Council Tax Benefits (Subsidy) Order 1997 (that applicable to the 1996/97 financial year). Given the law, Client Side should determine the classification of overpayments. Although the inspection team was told that all overpayment calculations by Capita are checked and determined by Client Side we found insufficient evidence to confirm this.

## ***Recovering overpayments***

**3.60** Broxbourne has attempted to recover all types of overpayments, including those caused by their own error. These are decided on a case by case basis, but there is no written guidance to staff so there is a danger that this may become a blanket policy. The regulations covering recovery of overpayments caused by local authority error are Regulation 99 of the Housing Benefit (General) Regulations 1987 and Regulation 84 of the Council Tax Benefit (General) Regulations 1992.

**3.61** Recovery is generally sought from the recipient of the benefit whether it is the landlord or the claimant. Rent rebate overpayments are posted to the claimant's rent account. CTB overpayments are posted to the claimant's Council Tax account. Sundry debtor invoices are raised for rent allowance overpayments.

**3.62** There is little evidence on the files examined to show that Client Side are making the decision whether there is an overpayment or if it is recoverable or not, as they are required to do by law. In cases where the claimant has continuing entitlement to HB there was no evidence seen that Client Side rather than Capita is making the decision to recover on an instalment basis from benefit and the amount of the instalment. This would be contrary to the law, as discretionary decisions should be made by Client Side.

**3.63** The exchequer team, which is part of Financial Services Direct Service Organisation is responsible for the recovery of HB overpayments. The team issues the reminders and monitors the debt through to either full recovery or write off. They can also refer outstanding overpayments to the authority's bailiff recovery staff.

**3.64** Arrangements for repayment of the overpayment by instalments are made by the credit controller who determines the reasonableness of the instalment offer made. For example, an offer to repay £1.00 per week by a debtor who is in work would not be considered to be acceptable. Agreements are generally made over the phone without any signed statement.

**3.65** We found that Broxbourne was only able to supply limited data on

- the numbers of overpayments raised
- the amount recovered and the number of cases on which recovery is underway
- backlogs

- the number of cases in the backlog on which recovery is outstanding.

**3.66** Fourteen days after notification of the overpayment to the person from whom it is being recovered, notification of the overpayment case is sent to the exchequer team. At the same time a reminder letter is sent to the claimant. Two weeks later a second reminder is sent. Arrangements can be made for the claimant to repay by instalments. These arrangements can be made either with exchequer team or with the internal bailiff. Such arrangements are not formalised in writing. Larger sums (over £600) still outstanding after 2 reminders may be passed to the legal section, especially if they are fraudulent overpayments.

**3.67** If a claimant appeals against the overpayment, recovery action is suspended, usually for 6 weeks. All appeals received by the exchequer team are passed to the benefits section and the progress of the appeal is monitored.

**3.68** If at any stage the debtor is found to have gone away and no forwarding address is known, the debt is passed to Client Side for write-off, although a record is retained in case the debtor returns to the area at a later date. Client Side does not undertake any sample checks to ensure that this control is working effectively.

**3.69** Broxbourne does not control overpayments adequately. There is limited evidence that Client Side determines whether there is an overpayment, how it is classified, whether it is recoverable, and whether and how it should be recovered. If they do not make the decisions this does not comply with the legislation relating to contracting-out of HB and CTB administration. In addition, Client Side does not monitor or undertake quality sample checks of the overpayments raised and classified by Capita to ensure that they are accurately calculated and correctly classified. The lack of analysis by Client Side of the nature and type of overpayments restricts the gathering of management information on performance, efficient recovery of the overpayments, maximisation of subsidy and their ability to take steps to improve performance in this area.

### *Extended payments*

**3.70** Extended payments can be made to specific claimant groups whose IS or JSA(IB) ceases on returning to work or because of an increase in their hours or wages. They help bridge the gap between the last payment of means-tested benefits and the first payment of wages. The statistical information forms completed by Broxbourne for the first 3 quarters of the 1997/98 financial year record a total of 292 claims for extended payments received. A sample of 19 extended payment cases were examined.

Fig. 3.7: Extended payments

	Number of claims	% of sample
Number of claims in sample	19	100
Number of claims – authorised by BA as meeting conditions of entitlement	18	95
Payments incorrectly made	3	16
Payments incurring no subsidy incentive or penalty incurred	8	42
Payments qualifying for subsidy incentive	11	58
Payments incurring subsidy penalty	0	0

Source: BFI inspection sample

**3.71** From the sample, 18 (95%) of these cases had been correctly authorised by the BA. The remaining case had a photocopied extended payment form on which the date stamps were not the usual date stamps of the BA and ES. There was no record on the file to show that the authenticity of the form had been checked with either agency. In 3 cases (16%), extended payments had been made incorrectly. Further details are in Appendix J.

**3.72** The legislation requires that the decision to make an extended payment should be made by Client Side. From examination of the files it appears that Client Side's only involvement in the decision making process is completion of the determination report on the inside back cover of the file. No quality check sheets had been completed or, if they had been completed, they were not retained on the claimant's file.

**3.73** The extended payment scheme carries subsidy incentives and penalties to encourage LAs to fast track extended payment claims. No data has been returned on the number of claims which might satisfy the conditions for fast tracking. The reason given over the last 3 quarters for the failure to provide the data is that the computer system is unable to provide the figures.

### *Receiving and despatching post*

**3.74** Benefit forms, documentary evidence and miscellaneous incoming post are delivered by the Post Office to the top of a fire escape in the borough offices complex, from where it is collected and opened in the post room. The sacks of post were left unattended, in the open, until the post clerk arrived. Since we raised this with Broxbourne, more secure arrangements are now in place for both delivery and collection of post.

**3.75** All post for the HB section is separated and then opened by the 2 receptionists at their desks. All items, including valuables, are left in a tray on the 2 desks until the operation is finished, then mail is distributed. During our observation of post-opening procedures, staff left the desk unattended while they attended to claimants at the reception counter.

**3.76** Out-going post is collected periodically during the day and taken to the post room. At the end of the day, the out-going post is put into sacks, which were left at the top of the fire escape steps for collection by Royal Mail. Again the post was left in the open, unattended and on view, accessible to anyone using the borough offices complex. At the time of our inspection we found that Broxbourne and Capita's control of post was very poor. The mail procedures were wide open to abuse, and there were many opportunities for mail to be tampered with or stolen.

**3.77** At the time of the inspection there was about one month's post awaiting action. This backlog included all types of benefit post, such as new benefit claims, NHB1s, renewal claims, and general correspondence. Broxbourne said the backlog was due to the computer being down for system enhancements to be undertaken. There were no formal contingency plans in place to address the issue. As post is not prioritised, no action was taken to clear those items of post which can be classified as urgent, for example new claims.

### *Change and repeat claims*

**3.78** This covers the receipt and processing of changes in circumstances reported directly by the claimant or via the BA.

**3.79** Capita does not prioritise the in-coming post and Client Side does not require them to do so. This means that documents relating to a change of circumstances, as well as new and repeat claims, are all dealt with in date order unless a telephone or personal enquiry from the claimant or landlord prompts any earlier action.

**3.80** Benefit periods vary from between 26 or 52 weeks according to the claimant's circumstances. For example, 52 week benefit periods are used for pensioners, whose circumstances relatively rarely change. However, our work on the sample of overpayments showed that benefit periods are not tailored to known changes such as increases in private pensions, and this results in small overpayments each year.

## *Management checks*

**3.81** Various management checks underpin good practice in benefits administration as a whole. We have listed these at Appendix F.

**3.82** Of the 12 checks listed, one is fully in place in Broxbourne and 3 are partially implemented.

## *Counter fraud*

### *Deterrence*

**3.83** Deterrence seeks to discourage people from submitting fraudulent claims.

### *Deterrence strategy*

**3.84** Broxbourne does not have a formal counter fraud strategy, approved by Members. The Chief Investigations Officer and the Head of Legal Services have, however, produced a policy to prosecute in suitable cases, and 2 prosecutions are under active consideration. Some prosecutions, although not always of benefit fraud, are done via the police – for example a forthcoming trial where the defendant has been accused of theft of over £35,000 from the authority.

**3.85** A prosecution policy for benefit fraud was presented to council members in September 1997, proposing 5 prosecutions a year on cases involving losses over £5,000. This was approved in November 1997. At the time of our inspection, 5 months later, no formal prosecution procedures have been established and consequently no prosecution has been attempted.

### *Overpayment recovery*

**3.86** Overpayment recovery is a key means of deterring fraud. We examined a sample of 42 cases where WBS had been claimed in the 1996/97 financial year to check whether or not an overpayment had been raised and the recovery status.

Fig. 3.8: Overpayment recovery status in a sample of WBS cases

Category	Number	%
Overpayment raised	34	81
No overpayment raised	8	19
Recovered in part or ongoing	7	17
<b>Total</b>	<b>42</b>	<b>100</b>

Source: BFI inspection sample

Fig. 3.9: Overpayment recovery status in a sample of WBS cases

Category	Number	%
Fully recovered	23	67.5
Recovered in part or ongoing	7	21.0
Status unknown	4	11.5
<b>Total</b>	<b>34</b>	<b>100</b>

Source: BFI inspection sample

## *Landlords*

**3.87** In 9 (26%) of the 34 WBS cases where overpayments were raised, HB was paid direct to the landlord. The fraud involved in these cases did not fall into common types of landlord fraud such as setting up a false tenancy or continuing to receive HB direct after a claimant has moved on. And there appeared to be no evidence of organised or concerted landlord fraud amongst our sample.

**3.88** Broxbourne has developed a landlord pack explaining HB and regulations governing it. There are no forums with landlords to discuss general issues and update landlords of the current legislative changes, and Broxbourne has not undertaken any risk analysis on landlords.

## *Fraud hotline*

**3.89** Broxbourne does not subscribe to any formal hotline initiative but they operate an internal hotline. This in-house hotline has been publicised and has generated referrals but is currently limited in a number of ways. These are that

- there are no formal arrangements to prioritise and assess the feasibility of referrals
- there is no analysis undertaken of the types of fraud reported, or the outcome
- there is no answering service to receive calls outside working hours
- there is no formal mechanism for referring reports to other council sections, such as Building Services, or to other LAs if the call is not directly related to HB or CTB fraud in Broxbourne
- callers are not asked how or where they got the hotline number.

**3.90** Between the start of the in-house hotline in 1995/96 and our inspection, there were 196 calls, all of which have been pursued. Broxbourne told us that 50% of the calls have resulted in the identification of an overpayment. In 1996/97, there were 97 calls, which represented 22% of the total number of referrals of suspect claims to fraud investigators for that year. However, in our sample of 42 WBS cases we found only one hotline case, which equates to 2% of the total WBS claims we sampled. Broxbourne does not advertise their internal hotline within the council buildings, for example by posters in the main borough offices or in the one-stop shops. The direct line number is publicised in the local press from time to time.

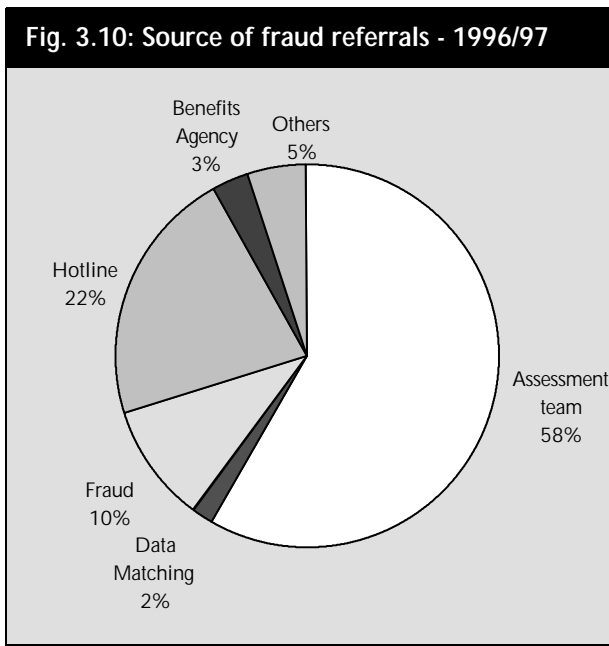
## *Publicity for counter fraud work*

**3.91** Broxbourne's counter fraud work has generated some good publicity. For example:

- "Benefit Crooks – No Hiding Place" – Article on WBS
- "£1/2m boost for Borough as fraud team crack down" – Herald 22 August 1996, article on WBS
- "Net closes in on Benefit cheats" – Mercury 23 August 1996, article on WBS
- "Snoopers pull in over £400,000" – Mercury, article on WBS
- "Public help to nail Housing Benefit cheats" – Herald, article on Challenge funding
- "Police arrest firm's workers" – Mercury 12 December 1997, article on 'Operation Cucumber' Fraud Drive.

### Staff recruitment

3.92 Staff are required to declare outstanding criminal convictions and relationships with council Members and officers, before taking up employment. A register of staff interests is maintained. Broxbourne told us that the need to comply with it is brought to the attention of all staff on induction, and that adherence to it is considered a condition of employment.



Source: Borough of Broxbourne

### Proactive work

3.93 Broxbourne undertook 442 fraud investigations in 1996/97. The source of these investigations is shown in Figure 2.10.

3.94 This shows that 12% of Broxbourne's fraud referrals resulted from proactive counter fraud work – 10% were self-generated from within the fraud section itself and 2% arose from data matching.

3.95 We found that the majority of our random sample of 42 WBS cases related to renewal or repeat claims, as shown in Figure 3.11.

Status of claim	Number	%
New	13	30
Renewal/Repeat	25	60
Unclear	4	10
<b>Total</b>	<b>42</b>	<b>100</b>

Source: BFI inspection sample

3.96 Figure 3.11 suggests that WBS cases are more likely to arise with existing HB claimants than new ones. This is in line with the DSS's 1996 Housing Benefit Review. This estimated that most new claims to HB were legitimate and only 30% of

frauds were found to have occurred in a new claim. The remaining 70% arose from claimants not reporting a change in their circumstances which would have reduced the amount of benefit they were being paid at the start of the claim.

## *Prevention*

**3.97** Prevention is minimising the opportunity for someone to commit internal or external fraud.

**3.98** Effective liaison between those assessing claims and those investigating fraud is important to prevent fraud getting into the system. The parties need to understand each other's business. We found limited evidence of co-operation and mutual understanding between Capita's assessing staff and Broxbourne's fraud investigators. We found that Broxbourne's fraud section staff give benefits staff written feedback on the outcome of each case referred for investigation. This could be underpinned by providing guidance on ways to improve the quality and quantity of referrals. Benefits staff have not been given any instructions or an aide-memoir to refer to when considering referring a case for investigation.

**3.99** There is currently no formal fraud awareness training within Broxbourne, although informal discussions are held between fraud investigation and benefit assessment staff. The benefits likely to accrue from a formal programme of fraud awareness training in relation to HB and CTB are

- the ability to identify the signs of a potential case of abuse and fraud
- increased referrals for the investigation team from a variety of sections
- better use of resources and local knowledge. Although some joint visits are undertaken with Housing and Public Health, an extension of this practice across the council would improve liaison generally.

## *First cheque delivery visits*

**3.100** Capita do not undertake any pre-award visits to any new HB or CTB claimants, but deliver all first rent allowance cheques. These cheques are usually produced on the Wednesday of the production week and passed to the benefits officer and property inspector, a member of Capita staff. The cheques are not formally passed over by Broxbourne staff and signed for by Capita. XXXXXXXXX  
XX  
XX  
XXXXXXXXXX

**3.101** The cheques are accompanied by a list which details

- the name and address of claimant
- cheque details
- whether the cheque is payable to the claimant or landlord.

**3.102** Clearly there are serious limitations to the first cheque visits as currently undertaken. The lost opportunities to make more of the visits may result in Broxbourne failing to detect and prevent a fraud at an early stage in the life of a claim, WBS subsidy may be lost, and overpayments not recovered.

**3.103** The first visit is undertaken on the Thursday and, if no contact is made, a second visit is undertaken on the Friday of the same week. Where no contact has been established with the applicant after 2 visits, the case is referred to the fraud

section to investigate. The fraud section estimated that Capita referred 100 such cases in 1996/97.

**3.104** Since September 1997, Broxbourne have employed a visiting officer to carry out post determination visits. This post is funded by money from the DSS Challenge Fund initiative. Our sampling of WBS generated by the officer suggests that the majority of time is spent on referral cases rather than on proactive work as Broxbourne proposed in their Challenge Fund bid. It is not possible to be specific about the proportion of this officer's time spent on proactive work because no statistics have been kept of the number of such visits or their outcome.

### *Internal fraud*

**3.105** There is a regular review by both internal and external audit of the HB system and management arrangements, and there are adequate arrangements in place to implement audit recommendations. There has been no internal audit coverage of fraud investigation in recent years.

**3.106** With Personnel involvement, the internal audit section is responsible for investigating internal fraud. The investigation team will become involved if requested by the Director of Resources (as section 151 officer).

**3.107** There are no guidelines or specific instructions within Broxbourne's Standing Orders to clarify staff's position in relation to dealing with the claims of friends or relatives. Good practice would be for staff to be informed of the need to declare an interest or relationship and to have no involvement in processing that particular claim. These controls are recommended to protect both the financial interests of Broxbourne and the personal integrity of each member of staff. The lack of such procedures in Broxbourne leaves the authority open to internal fraud or abuse.

**3.108** We found that the fraud section's passwords to the computer system are changed every 60 days. Some staff, however, knew each other's password. One member of the fraud section had full update facility to the HB/CTB computer system. This effectively means that a member of the fraud section had open access to all HB/CTB screens and the ability to amend or alter information stored. Broxbourne did not perceive this as creating a security risk or as giving rise to a possible conflict of interest. It is not possible to establish whether this facility is being abused as regular computer printouts detailing the activity undertaken within the system in relation to individuals' password are not made.

### *File security*

**3.109** The investigations team are based in an open plan office which is accessible to all council and Capita staff. Closed fraud files and fraud cases awaiting investigation were locked in secure filing cabinets overnight, but fraud cases under current investigation were left on investigator's desks overnight. We also found that fraud referrals from Capita to the fraud section were left overnight in a post tray in the benefits section. Although access to the building is controlled by security card, during our inspection we observed that side doors leading into the benefits section were left open during the day allowing uncontrolled admittance.

**3.110** During the working day no files are kept secure and all investigation files are accessible. During the inspection there were periods when no investigation staff were in the investigations office. There are, therefore, opportunities for files to be tampered with or removed, and for information to be passed to third parties. This could undermine or threaten the integrity of an on-going investigation.

## External and internal audit

**3.111** We understand that Broxbourne’s external auditors, Robson Rhodes, reviewed 20 WBS claims as part of their review of Broxbourne’s annual DSS grant claim for 1996/97. Broxbourne’s 1996/97 grant claim was not qualified and the external auditors did not report specifically on WBS.

**3.112** The management of internal audit has been outsourced to Bentley Jennison. The Bentley Jennison audit manager has a team of 2 staff, with one post vacant.

**3.113** There is no dedicated audit committee in Broxbourne to match audit resources to perceived prevention and detection needs, as the Audit Commission recommends, although there is a Performance Review and Scrutiny sub-committee which oversees audit more generally. The Borough Management Team consisting of the Chief Executive and the 5 departmental directors, agree the annual internal audit plan, and they establish the role, responsibilities and powers of internal audit. External audit review and report upon on the execution of the internal audit plan each year. External audit has commented favourably on the internal audit arrangements.

**3.114** Internal audit review the work of the contractor and Client Side when they review HB administration. They have not undertaken any formal risk analysis of HB/CTB since 1995/96, although we understand that the current audit plan includes provision for this during the present year.

**3.115** Internal audit have had no involvement in recent years in counter fraud activity within Broxbourne. They have not examined fraud investigation or undertaken a sample check of WBS claims. Figure 3.12 shows internal audit time devoted to benefits work.

**Fig. 3.12: Number of internal audit days allocated to HB/CTB work**

Year	Total internal audit days available	HB	CTB	HB and CTB	HB and CTB as a % of total days
97/98 (planned)	633	9	9	18 20.5	3 3.2
96/97	397	13	9	22	6
95/96	417	12	10	22	5
94/95	308	14	10	24	8

Source: Borough of Broxbourne

**3.116** Figure 3.12 shows that 22 days were allocated to HB and CTB systems by Broxbourne’s internal audit team in 1996/97, 6% of the total of 397 available audit days. It also shows that Broxbourne plan to halve the audit allocation for coverage of HB and CTB in 1997/98 to 3% of total audit days available. The actual audit days spent in 1997/98 were 20.5 resulting in 3.2% of total audit days spent on HB and CTB. This is a low allocation given the significance of HB and CTB spend to the authority. In 1996/97, for example, expenditure on HB was 40% of total revenue expenditure.

**3.117** Broxbourne’s fraud investigators are not afraid to tackle serious cases. They are helped in this by good liaison with the local police. There are weaknesses in

training and understanding, addressed below, which prevent them capitalising on the enthusiasm and energy which they bring to their initiatives.

## Detection

**3.118** This section covers the arrangements in place at Broxbourne for detecting benefit fraud.

### Performance against WBS threshold

**3.119** The DSS WBS incentive scheme was introduced in April 1993 to encourage LAs to investigate fraud and abuse in HB and CTB. Under the scheme, authorities earn subsidy when they exceed a WBS threshold set by the DSS. Generally speaking, the more an authority exceeds its threshold, the more subsidy it can get. For example, achieving 100% to 200% of threshold earns 25p in the £ subsidy, and achieving 300% of threshold earns 40p in the £ subsidy.

**3.120** Broxbourne's figures indicate that they perform well against their WBS target threshold set by the DSS.

Fig. 3.13: Performance against threshold

Year	Broxbourne's WBS threshold (£)	Broxbourne's performance (£)	Broxbourne's performance against threshold	Average performance against WBS threshold (all GB local authorities)
1994/95	78,439	389,495	496%	n/k
1995/96	90,205	402,646	446%	223%
1996/97	148,838	416,545	280%	204%
1997/98	137,205	432,504	315%	n/k

Source: DSS

**3.121** Figure 3.13 shows that Broxbourne's performance in the last 2 years was significantly above the Great Britain average. However, we found errors in the way that Broxbourne claims WBS. This is dealt with in the section of this report dealing with *Investigation*.

### Detection priorities

**3.122** Broxbourne does not have a strategic fraud plan setting out the priorities of the fraud section. We also found that there is no analysis of referrals by case type. Our sample of 42 1996/97 WBS cases showed that the majority were rent allowance cases and that rent rebate cases formed the smallest category:

Fig. 3.14: Breakdown of WBS by case type

Type of case	Number	% of total
Rent Allowance	30	71.5
Rent Rebate	4	9.5
CTB only	8	19.0

<b>Total</b>	42	100
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Source: BFI inspection analysis

**3.123** Figure 3.14 shows that less than 10% of Broxbourne’s WBS involve rent rebate cases, while over 70% involve rent allowance. In 1996/97 rent allowance represented 36% of the total HB and CTB expenditure; rent rebate was 44% and CTB 20%. It is worth noting in this context that the DSS’s Housing Benefit Review in 1996 found that some 30% of HB fraud was in rent rebate, and that the incidence of fraud in rent allowance and rent rebate is roughly the same. Broxbourne should consider analysing the risks they face to confirm whether or not their current focus on rent allowance is warranted.

**3.124** Figure 3.14 also shows that 19% of WBS cases sampled were CTB only. This indicates that, unlike many authorities, Broxbourne actively investigates CTB fraud. Broxbourne does this because of the substantial element of IS fraud in owner-occupied cases where IS is paying substantial mortgage interest and, as Figure 3.15 shows, this can lead to significant IS WBS accruing to Broxbourne.

### *Benefits Agency liaison*

**3.125** Broxbourne deals with 2 Benefit Fraud Investigation Service (BFIS) teams, Chilterns East and Leaside. Broxbourne’s fraud section has signed a Service Level Agreement (SLA) with Leaside BFIS, and this was being reviewed at the time of our inspection. This SLA is based on the model National Fraud SLA produced by the DSS. Broxbourne has not signed an individual SLA with Chilterns East BFIS.

**3.126** Broxbourne has held occasional liaison meetings with Leaside BFIS, but does not hold formal quarterly meetings as set out in the SLA. We were told, however, that the Broxbourne fraud team maintain weekly telephone contact.

**3.127** Broxbourne has adopted the “finders-keepers” procedure for investigating IS linked cases notified to them. In other words, if Broxbourne discovers a fraud which involves IS and HB before the BA does, Broxbourne can claim WBS for both benefits. Broxbourne notify the BA of the start of a fraud investigation by proformas based on the Model National Fraud SLA – SLA1s. At the time of our inspection Broxbourne was completing these forms manually, but the intention is that the forms will be generated by the *InCase* fraud management system when this becomes fully operational.

**3.128** Our sampling of 42 fraud files where WBS had been claimed showed that IS had also been in payment in most cases.

Fig. 3.15: WBS sample and IS		
Income Support in payment	Numbers	% of total
Yes	33	79
No	9	21
<b>Total</b>	42	100

Source: BFI inspection sample

**3.129** Our sample also indicated that Broxbourne faxed notifications of their investigations to the BA in all these cases, in accordance with the SLA.

**3.130** The model National Fraud SLA provides that where LAs discover fraud involving IS they send a request for adjudication on IS WBS to the BA – an SLA3 form. This form includes a tear-off slip for the BA to return to the LA indicating if IS WBS can be claimed by the authority. Broxbourne issued SLA3 forms in 23 of the 33 cases (70%) where IS was involved.

Fig. 3.16: WBS sample by issue of SLA3

SLA 3 sent?	Numbers	%
Yes	23	70
No	9	27
Not known	1	3
<b>Total</b>	<b>33</b>	<b>100</b>

Source: BFI inspection sample

**3.131** Broxbourne chase up cases where the BA do not return the SLA3 tear off slip confirming that IS benefit savings may be claimed.

**3.132** Broxbourne's use of the "finders-keepers" procedures, using the mechanisms described above, resulted in high levels of IS WBS.

Fig. 3.17: Broxbourne's IS WBS as a percentage of total WBS

Year	Total WBS recorded (£)	IS WBS (£)	% of total
1995/96	402,646	174,830	43
1996/97	416,545	177,860	43

Source: BFI inspection sample

**3.133** Figure 3.17 shows that 43% of Broxbourne's total WBS for 1995/96 and 1996/97 came from IS savings. This compares with an average of 11% achieved by all authorities for these years (source: audited subsidy returns). It generally reflects Broxbourne's determined pursuit of CTB fraud. Broxbourne told us that despite the very high levels of IS WBS they were not aware of any sense of rivalry or tension between themselves and the 2 BA BFIS teams.

**3.134** We found little evidence of joint working with either BFIS team on individual cases, however. Two joint exercises had taken place in the past year with Leaside BFIS. These were **Operation Direct** involving a meat packing factory, and **Operation Cucumber** involving a salad packing factory. At the time of our inspection Broxbourne was taking part in a joint exercise with Leaside BFIS, **Operation Recovery**.

## **HBF forms**

**3.135** Various forms have been developed by the BA to formalise their business with LAs. These are:

- HBF1 – sent to the authority to inform them that they are investigating a case when the claimant is also in receipt of HB/CTB.

- HBF2 – sent to the authority informing them of the outcome of an investigation and the IS WBS applicable.
- HBF3 – sent to the authority informing them of an investigation outcome including the effect on the IS claim.
- HBF4 – sent to the authority after the BA have completed their investigation. This form requests details of any HB/CTB payments and resulting overpayment.

3.136 BA offices dealing with Broxbourne rarely use these forms.

Fig. 3.18: WBS sample by issue of HBF forms

Form	Chilterns East BFIS	Leaside BFIS
HBF1	No	Yes
HBF2	No	No
HBF3	No	No
HBF4	No	No

Source: BFI inspection sample

3.137 This failure by BA to despatch the appropriate forms causes confusion for Broxbourne. In particular, Broxbourne cannot be sure that

- BA are not investigating a case which Broxbourne are investigating (HBF1)
- they are not losing out on WBS (HBF2)
- they are identifying all fraudulent overpayment cases. Failure to identify fraudulent overpayments will result in the authority losing the associated subsidy on fraudulent overpayments.

3.138 Broxbourne states that they have experienced difficulties obtaining adjudication decisions by the BA on past periods of IS, where HB and CTB were involved. This compromises prosecution action, as well as fraud deterrence policies, as the claimant escapes repayment of both overpayments involved. This also has financial implications for Broxbourne, who would otherwise be able to record a fraud overpayment and claim WBS, as well as retaining any money recovered.

## Investigation

3.139 This covers the methods used to establish whether a fraud exists in cases referred for investigation.

3.140 We have previously commented on good practices. However, these are often marred by technical and procedural failures which mean that Broxbourne fails to capitalise on initial good work.

3.141 Broxbourne has committed increasing resources to its fraud section, from 3.5 staff in 1995/96 to 6.5 in 1997/98. We found that there was scope for increasing the contribution of these staff by

- increased specialist training
  - only 10 days have been spent on fraud training in the last 2 years, and the 2 Challenge Fund staff have received no fraud training or any training in benefits since taking up post. Specialised counter fraud training for investigators and fraud awareness training for assessors is likely to improve effectiveness.

Broxbourne should consider, for example, training in interviews under caution to better exploit the often effective investigation work that is done.

- improved sifting and prioritising of fraud referrals
  - the investigation section accepts all referrals for investigation regardless of standard or quality. As a result the resources are not directed in the best interests of the authority. For example, there were 442 fraud referrals in 1996/97, and 295 (67%) resulted in a WBS claim. The remaining 147 (33%) did not result in a proven fraud. Clearly not all referrals will result in a proven fraud, but it is essential to maximise the limited resources in order to minimise time spent on unproductive investigations. This could best be achieved by systematic checking, assessing and prioritising of referrals.
- starting investigations earlier
  - examination of fraud files during the inspection identified an average delay of 3 months between the referral and the first action undertaken. Clearly there are advantages in managing caseload better, taking account of resource constraints in the investigation section and based on better prioritising of referrals.
- planning the work of the fraud team
  - to maximise the use of resources it is necessary to plan in advance the work to be undertaken by the team. All the referrals need to be dealt with, but it is essential that all the resources are not entirely driven by referrals. A balance between proactive and reactive work needs to be achieved.
- improved checks on the validity of WBS claims
  - every fraud officer is responsible for signing off their own investigation cases that result in WBS claims. Currently no sample checks are undertaken by management to assess the validity and accuracy of the WBS claim. In addition, any failures or clear training needs that could be identified by undertaking sample checks are not being identified and addressed by management. Interviews with investigation staff during the inspection indicated that investigators were not aware of the criteria that need to be met to claim WBS. Examination of fraud files during the inspection identified that while formal log sheets were used to record investigation action, and closure summary sheets are used to record closure action, Broxbourne does not use DSS's WBS1 forms to record individual WBS. Clearly the integrity of WBS claims is important to subsidy matters and the criteria to be met need wider circulation and understanding within Broxbourne.
- closer review of the progress of outstanding investigations
  - there are no reviews of investigation cases by management. This means management cannot identify specific investigation issues about the effectiveness and efficiency of investigators; whether there are any staff difficulties (for example inability to progress a case or a lack of experience or knowledge); or any problems within an investigation, such as inappropriate conduct by an investigator and inappropriate enquiries being undertaken.
- tighter control over the allocation of cases
  - the investigations manager allocates work in chronological order. However, we also observed that individual investigators select their own cases from the new fraud referrals. This could lead to "cherry picking". Referrals may not,

therefore, be dealt with by the most appropriate investigator who has the required knowledge and experience to undertake the referral. There is also a clear danger that some referrals could be unattractive to investigators and not be dealt with.

- monitoring the performance of individual investigators
  - no monitoring is undertaken by management of an individual investigator’s performance, in terms of quantity or quality of work. There are opportunities for management to better assess the effectiveness and efficiency of individual investigators and their development and training needs.
- setting target times for completion of cases
  - no formal targets have been set for the clearance of referrals. Interviews with investigators established that one investigator had been dealing with a case for over a year. This lack of case control could have serious consequences for the integrity of the investigation and the productive allocation of the investigation team. Target times for cases, and periodic management review, would help here.
- assessment of costs compared to results of cases
  - no record is taken or analysis made of the current costs of individual investigator’s cases or types of cases investigated. Consequently it is not possible for management to identify inefficiencies within their work programme and take the required corrective action.
- introduction of procedural guidelines for fraud cases
  - there is no standard approach to investigating specific fraud cases. A checklist detailing the enquiries and activities to be undertaken would help consistency, and could be used to prescribe minimum standards in investigation and evidence. This could be useful for prosecution cases.

### *Challenge funded staff*

**3.142** DSS has encouraged LAs to bid for money to fund local counter fraud work. In 1996/97 Broxbourne was successful in 2 bids – for a visiting officer and a liaison officer. The proposed role for the visiting officer was to undertake proactive visiting such as pre-award and pre-review visits to known high risk areas such as landlords. The proposed role for the liaison officer was to establish contact and exchange information with a number of agencies such as the BA, the police, and Inland Revenue. This officer would also be responsible for developing systems of collating and analysing sources of information.

**3.143** We checked a sample of 20 cases to see if the WBS claimed as a result of work by the Challenge funded officers conformed to the proposals put in Broxbourne’s Challenge Fund bids.

Fig. 3.19: Analysis of WBS arising from work by Challenge funded officers

Challenge Fund WBS claimed in accordance with proposal	Number	%
Yes	12	60
No	8	40

Source: BFI inspection analysis

**3.144** Figure 3.19 shows that 40% of the sample of WBS cases operated by Challenge funded officers did not arise from activities for which DSS granted Challenge funding. Broxbourne is not always using the officers for the purpose for which they were funded by DSS. We asked Broxbourne to comment on these 8 cases and they accepted that the cases fell outside the scope of their Challenge Fund bid and explained that they had been reallocated for training reasons.

### *Weekly Benefit Savings (WBS)*

**3.145** In 1996/97 Broxbourne claimed WBS on 177 cases. We sampled 42 of these cases (24%).

Fig. 3.20: WBS sample by type of fraud

Type of fraud	Number	%
Income related	22	53
Living together	7	17
Undeclared capital	3	7
Accommodation	4	10
Non dependants	3	7
Contrived tenancy	1	2
Change of address	1	2
Non residency	1	2
<b>Total</b>	<b>42</b>	<b>100</b>

**3.146** We checked whether each claimed WBS could be supported by documentary evidence on the fraud file and whether it complied with The Housing Benefit and Council Tax Benefit (Subsidy) Order 1997:

*"housing benefit savings" means any amount which would have been paid by way of housing benefit to a claimant during a benefit week, but for the investigation and intervention of one or more authorised persons, and which would, had the amount been paid as housing benefit, have been a fraudulent overpayment, within the meaning of article 10(5), or in a case where only a proportion of that non-payment was due to that investigation and intervention, the amount shall be that proportion".*

**3.147** We found 18 of the WBS claims by Broxbourne to be doubtful. We discussed these cases with Broxbourne but they have not been withdrawn.

### *Data matching*

**3.148** Broxbourne has not taken part in the DSS Housing Benefit Matching Service to date, although they told us they hope to join the scheme later this year. They also told us that they had undertaken a full District Audit data match for the past 2 years which followed a previous local student award matching exercise. Overall, only 10 WBS cases in 1996/97 originated from data matching work.

**3.149** Broxbourne have recently purchased the Intech **InCase** fraud management system, as part of their Challenge funding bid. At the time of our inspection the

system was not fully operational, and was being trialled alongside manual record keeping.

**3.150** Broxbourne has requested a Remote Access Terminal (RAT) from the BA, although at the time of our inspection no response had been received.

# Section 4: Summary of recommendations

## *Major recommendations*

4.1 This section provides the major recommendations designed to help Broxbourne address the areas of concern identified during this inspection. The recommendations are designed to help Broxbourne ensure that their administration of HB and CTB is in accordance with the legislation, and to improve the security of benefit delivery and administrative delivery. The recommendations seek to ensure that

- decisions and determinations are undertaken in accordance with legislation
- the administration of benefit is appropriately managed and controlled
- the verification process is strengthened
- liaison with BA and ES is improved
- internal controls are improved
- staff are appropriately and adequately trained
- overpayment processes and recovery of overpayments are managed in a more efficient and effective manner
- investigation processes are improved.

## *General administration of contracted out service*

4.2 Client Side must, in accordance with the law, undertake all relevant case decisions, such as referrals to the Rent Officer and all determinations in relation to the administering of HB/CTB, in an appropriate and timely manner. There should be evidence to substantiate this.

4.3 Broxbourne must fully review the manner in which they manage, control and monitor the contractor responsible for the processing of HB and CTB to ensure that

- the contractor's working practices are in accordance with the law, for example making payments on account where appropriate
- all legislative changes or amendments are integrated into the contractor's working practices
- the monitoring of the contractor's contribution to performance indicators such as the 14 day target must be closely monitored on a weekly basis
- the contractor adheres to the terms and conditions of the agreed contract. In instances when the contract is not adhered to, Client Side must ensure that the penalties within the contract are applied.

**4.4** Appendix K identifies the stages of good practice that should be adhered to in selecting a contractor, setting the contract specification and contract monitoring, which Broxbourne could follow.

### ***Initiation***

**4.5** Broxbourne should consider the best practice recommended in the DSS's Verification Framework and ensure that

- payments are made to the correct individual by verifying the identity of the claimant
- payments are only made to a claimant who has supplied evidence of a rental liability and that they are residing at the address for which they are claiming
- appropriate evidence is secured with regard to earned income, other income, capital and savings, IS and JSA
- the Rent Officer's decision (if appropriate) is secured. The decision to refer to the Rent Officer should be undertaken by Client Side not the contractor
- the officer undertaking the first cheque delivery has a claimant profile to establish if the claimant is resident, and to assess whether or not there is a requirement to refer the case to the investigation section, thereby maximising the effectiveness of the visits.

**4.6** The benefits for Broxbourne of the above are

- increasing the level of assurance that the right amount of benefit is paid to the right person at the right time
- confidence that all relevant, material information is verified
- assurance that legislative requirements are adhered to
- maximising effectiveness of first cheque deliveries and the identification of fraudulent claims at the earliest stage, thereby increasing the scope for WBS claims.

**4.7** Implementing such improved verification processes in Broxbourne could be partly achieved by

- improving the monitoring of the current contract
- Client Side adhering to the legislative requirements
- issuing a claimant profile to the officer undertaking the first cheque delivery.

**4.8** The only improvement to incur additional cost and increased workload for Broxbourne is the issuing of a claimant profile. This recommendation would involve

- printing relevant claimant HB/CTB screen prints
- passing HB/CTB application forms
- HB/CTB training
- fraud awareness training
- observation and questioning techniques
- appropriate training to equip the officer to complete fraud referrals.

## ***Assessment and determination***

**4.9** Broxbourne should increase its level of internal controls by

- instigating management checks, as detailed in Appendix F
- addressing poor controls identified in the post delivery, opening and despatch procedures
- implementing controls regarding the passing of cheques to the visiting officer and fraud section, and storage of cheques
- securing its information technology system to address current weaknesses
- improving file control
- increasing the current level of Internal Audit work allocation on the HB and CTB systems, above the current 3.2% of time spent on a financial area involving 40% of Broxbourne's gross revenue expenditure.

**4.10** This would benefit Broxbourne by

- reducing the risk of collusive or internal fraud
- significantly increasing the security and integrity of processes in the administration of HB and CTB enabling management to collect, collate and action information that will support future improvements
- reducing the risk of delivered and despatched mail being tampered with or stolen
- creating an environment where the emphasis on quality is reinforced and supported by a focus on internal security.

**4.11** These recommendations to improve the level of internal control would reflect Broxbourne's commitment to a highly effective and professional approach by, among other things, ensuring closer adherence to

- the Auditing Practices Board 1995, Statement of Auditing Standards (s.110) that defines the need for organisations to establish and operate appropriate internal control systems designed to deter fraudulent conduct and to detect any fraud that does occur, and
- the authority's statutory responsibilities under section 151 of the Local Government Act 1972, to ensure financial integrity of all systems within the authority.

**4.12** Broxbourne pays £15 million a year on benefits. It is reasonable to assume that stronger internal controls could deliver savings of 1% – 5% (£150,000 – £750,000) by reductions in fraud, and, thereby, a reduction in benefit payments. There could also be savings to Broxbourne's General Fund up to the value of £37,500.

**4.13** A Training Needs Analysis (TNA) should be undertaken covering all HB/CTB staff including those working in assessment, and visiting staff. Following the TNA, a formal training programme should be implemented for all front line staff, HB/CTB staff and fraud staff which might cover

- structured training for new staff, covering a comprehensive introduction to HB/CTB legislation and the in-house working practices
- fraud awareness, supported by regular fraud awareness updates so that staff are aware of fraud trends and are able to identify potential abuse and fraud cases
- regular refresher courses and detailed updates on new legislation

- communications, such as interview techniques and letter writing
- interview techniques – Police and Criminal Evidence Act (PACE)
- management training for those with supervisory or managerial duties.

**4.14** The training programme should also be linked, supported and monitored by

- quality reviews to identify individual and collective training needs
- reviewing fraud referrals to identify individual and collective training needs
- reviewing and analysing complaints to identify individual and collective training needs
- maintaining training logs of training received, to assess the effect of training on performance, and to indicate current training gaps
- undertaking a wide variety of training interventions such as secondments, shadowing, guidance notes, group sessions, one-to-one training sessions and external training.

## ***Deterrence***

**4.15** Broxbourne should undertake an internal review of identification of overpayments, overpayment management information, current levels of overpayment and existing recovery procedures. This review should include

- the correctness of the classification of overpayments identified
- the process of establishing whether recovery is appropriate
- the process of deciding from whom the overpayment is recoverable
- the management information held about overpayments and how the information is utilised
- the process by which the method of recovering the overpayment is established, instigated, monitored and controlled.

**4.16** This review would allow Broxbourne to clearly identify the current gaps and risks in their procedures for dealing with overpayments and ensure that

- all overpayments are identified
- identified overpayments are classified in the appropriate manner by Client Side
- Client Side makes the determination of whether or not the overpayment is recoverable and from whom, in accordance with the legislation
- there is a single focal point for recovery, possibly by establishing a dedicated overpayments section
- sufficient management information is maintained so that Broxbourne could
  - analyse the reason for the overpayment, thereby allowing the appropriate corrective action to be taken if appropriate, and minimising the opportunity for overpayments to be raised
  - produce an analysis of outstanding overpayments, such as type of overpayment, number of cases and value in age bands, number of cases and recovery status. This would help Broxbourne decide appropriate recovery action

- establish the costs, resource demand and benefits of recovery actions undertaken. This would identify those recovery actions that are successful or not, the cost-effectiveness of recovery action in particular cases, and the extent of any backlog of cases
- consider whether their own policies or actions are consistent with prompt settlement. For example, identifying in-house processes regarding handling defaults on repayment arrangements and the method by which disputes are quickly resolved and the overpayment is brought back into the recovery process, if appropriate
- the most efficient and effective recovery method is used for each overpayment. For example if HB or CTB is still in payment, clawback might be the most appropriate method. If the overpayment is due to the claimant working and claiming, civil proceedings leading to an attachment of earnings may be more appropriate. It is important that a formal process is followed with supporting guidance on relevant criteria to ensure that the most appropriate recovery method is applied.

**4.17** Broxbourne could benefit from the review by

- overpayments being correctly classified
- maximising overpayment recovery by correct determinations being undertaken
- collecting relevant management information to inform decisions and help compile e subsidy reports and general reports
- ensuring maximisation of resources
- identifying risks and gaps, thereby alerting management to the necessity for corrective action.

**4.18** The costs to Broxbourne would be the cost of undertaking an in-house review by internal audit or engaging the resources of external audit. The Audit Commission published hourly costs for external audit in the Hertfordshire area is £46.50. The review could be completed in 10 days at a cost of approximately £3,350.

## ***Investigation***

**4.19** Broxbourne should build on its current wide range of investigation techniques by

- establishing plans and collective and individual targets
- issuing clear and concise guidance on investigation criteria
- monitoring, controlling and checking the quality of investigation work
- analysing the outcomes of investigations to determine key risk areas
- formalising feedback to benefit assessors on referrals and the outcome of investigations
- checking that WBS claims adhere to the WBS criteria
- monitoring and managing returns from investigations.

**4.20** Broxbourne is committed to improving investigations and management information. This is shown by the enthusiasm and approach of the counter fraud staff and by the introduction of the *InCase* fraud management system. To maximise the benefits of the system we recommend that Broxbourne contacts other councils using

the system such as Ipswich Borough Council and Basildon District Council. Broxbourne should also consider attending the 6 monthly user group meetings.

## *Minor recommendations*

4.21 We set out here minor recommendations that Broxbourne should consider.

### *Liaison with the BA and ES*

4.22 Although a number of measures have been undertaken by both parties, there are clearly several opportunities to improve liaison.

4.23 Many issues arising from the inspection concern liaison and working relationships between Broxbourne and the BA and ES. Currently communication is not efficient or effective enough to support the secure and timely administration of benefit. Improving communications and working in partnership would greatly help all parties by

- improving the service available to claimants
- increasing the amount of recoverable overpayments, thereby increasing subsidy for Broxbourne, and raising levels of deterrence
- reducing the potential for fraud and error arising from failure to exchange information or to take quick action on information
- utilising all available intelligence and resources, such as exchanging information on problem addresses and undertaking joint visits
- providing opportunities for staff in all 3 organisations to improve their working knowledge and understanding of each other's work by sharing training and introducing job-shadowing and exchanges
- increasing the exchange of referrals that would otherwise not be investigated.

4.24 Adopting this approach would address concerns about liaison raised by both the National Audit Office and the Audit Commission. The National Audit Office Report, *Measures to Combat Housing Benefit Fraud* (1997) advocated

*...more joint working to exploit fully the expertise and specialist knowledge of both parties, through for example concerted proactive fraud drives.*

4.1 The Audit Commission *Countering Housing Benefit Fraud* stated

*...co-operation between Benefits Agency local offices and councils has a key role in combating fraud and in providing a timely and accurate service to millions of honest claimants.*

4.25 Both reports strongly advocate the signing of and adherence to agreed SLAs and stress the importance of greater understanding of each other's business, while highlighting a general requirement for greater co-operation and co-ordination.

4.26 The initial cost of realising the benefits of greater co-operation is limited to the staff time involved in setting up meetings. Costs may arise from options discussed at the meetings (such as the implementation of a Remote Access Terminal at around £20,000) but these will need to be assessed following a full business case.

## *Initiation*

4.27 Broxbourne should consider the suggested amendments in Appendix E that would improve their current application form.

4.28 Broxbourne should develop a publicity plan in order to ensure that up to date HB/CTB information is displayed in all available offices. To maximise the effectiveness of publicity material, posters and leaflets should be displayed in all council areas open to the public. This would include places like council reception areas, one-stop shops, public libraries, community centres, leisure centres, and BA and ES offices.

4.29 A formal complaints system should be implemented within the HB/CTB section, controlled, monitored, analysed and regularly reported on to management and members. Such a system should also be formally linked to the training programme for the contractor staff, ensuring that any service or processing issues identified in complaints is addressed through training.

## *Payment and accounting*

4.30 The security of post and cheque control should be reviewed by internal audit and the appropriate internal controls introduced or strengthened.

4.31 A formal system should be introduced to deal with unrepresented cheques, monitored by Client Side on a weekly basis. Where appropriate, suspect cases should be referred to the investigation section as soon as possible.

## *Prevention*

4.32 Broxbourne should review the provision of fraud awareness training and ensure that future training includes advice on referrals, fraud trends and specific information to increase the effectiveness of the verification process. For example, training staff to recognise and understand information from payslips, such as a second job that has not been declared by the claimant, that warrants a fraud referral.

## *Deterrence*

4.33 Fraud staff should be provided with the procedures and appropriate training to undertake prosecutions in accordance with the law and good practice.

4.34 The internal hotline should be publicised to all council staff to ensure that its effectiveness is fully utilised.

4.35 The security and internal controls for the withdrawal and handover of first cheques to be delivered should be reviewed by internal audit and the identified weaknesses addressed.

4.36 A formal declaration system should be implemented so staff are encouraged to declare conflicts of interest, and a formal record maintained to ensure integrity.

## *Investigation*

4.37 Broxbourne should fully utilise the **InCase** system to automatically produce and log the issue and return of forms SLA 1 – 3 to reduce demand on staff resources.

4.38 Broxbourne needs to ensure that it fully meets the HB and CTB subsidy Regulations for claiming WBS, and must therefore provide evidence to show that all 4 WBS criteria are met.

**4.39** Broxbourne needs to ensure that investigation files are kept secure at all times to maintain the integrity of the files and reduce the risk of tampering or removal of documentation.

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# Appendix A: BFI methodology

## *Introduction*

In this appendix we summarise the methodology used during the BFI inspection at Broxbourne.

The Social Security Administration (Fraud) Act 1997 sets out the legislative framework for the BFI, namely:

*...to report on the administration by authorities of housing benefit and council tax benefit and in particular their performance in the prevention and detection of fraud relating to those benefits.*

To undertake this, BFI analyses processes to identify both best practices and areas where an authority could work more effectively and efficiently. The 2 main areas that are considered during the inspection are:

- benefits administration
- counter fraud work.

The inspection process is divided into 3 stages:

- Set-up
- Inspection
- Reporting.

## *Set-up*

BFI met with Broxbourne to outline proposals for the inspection, following an invitation from the authority. This meeting included a presentation from Broxbourne about their organisation, and from the BFI about the inspection process. At this stage, provisional dates were agreed for the capture of data using a questionnaire, for the on-site inspection, inspection dates, the presentation of emerging findings and the drafting and clearance of the report.

## *Inspection*

The inspection process began with an analysis of the data provided by Broxbourne and that collected centrally by DSS. A pen-picture was developed identifying the perceived strengths and weaknesses of Broxbourne in both benefits administration and counter fraud aspects of their work. This pen picture allowed BFI to identify where they needed to concentrate their efforts, in terms of interviewing, data analysis and sampling when carrying out the field work in Broxbourne.

The inspection covered 8 areas essential to administer benefits effectively and securely, grouped under the 2 main headings.

## ***Benefit administration***

### ***Initiation***

Initiation is the planned programme of activities which include the design of claim forms, the handling of enquiries from claimants and potential claimants, the receipt and timely handling of new claims and the gathering of sufficient information to determine entitlement to benefits.

To promote and receive new legitimate claims to benefit, a well administered local authority would have

- a clearly communicated policy to maximise the legitimate take-up of benefit
- a well designed and effective claim form
- help available for claimants, in particular for completing claim forms and dealing with queries by interview or telephone
- a process in place to respond to customer complaints and deal with enquiries from MPs and Members
- a tightly controlled process for receiving claims and entitlement notices from third parties such as landlords and the Benefits Agency
- processes to ensure that key information about claims is shared within the council and where appropriate with third parties
- a process to monitor the cost effectiveness of the service they deliver.

### ***Assessment and determination***

This includes claim form processing, the quality of verification obtained prior to determination, management of workflow, control of backlogs, the level of accuracy and monitoring of performance.

To assess and determine claims to benefit, a well administered authority would have

- clearly documented processes to ensure sufficient evidence is gathered to verify a claim
- management processes to monitor the speed of throughput and to ensure that claims are cleared within target
- management processes to monitor the quality and accuracy of decisions to inform how and where the authority may identify, learn from and remedy weaknesses
- processes to ensure that claimants' rights to review and appeal are recognised, communicated and properly managed and exercised
- a clear training strategy to ensure that staff are equipped to deliver a timeous quality service

### ***Payment and accounting***

These processes should deliver automatic or manual payments correctly, should identify incorrect payments and maximise overpayment recovery. To pay and account for benefit, a well administered local authority would have

- systems to pay benefit promptly and correctly
- processes to identify and classify overpayments
- processes to recover benefit overpaid
- a clear policy for managing overpayment write-offs
- secure arrangements to receive and despatch post and valuables
- processes to ensure the reconciliation of payments issued and cashed.

### ***Change and repeat claims***

This covers the receipt and processing of changes in circumstances reported directly by the claimant or via the BA. To manage changes of circumstances and repeat claims, a well administered local authority would have

- clear notification to benefit recipients of their obligations to report changes in circumstances
- arrangements for receiving and processing changes of circumstances notified directly by the public or via the Benefits Agency
- processes for monitoring the speed of throughput and for treating as a priority changes which will result in a cessation of benefit
- a clearly communicated policy on repeat claims
- arrangements to investigate the non-return of repeat claim forms.

### ***Counter fraud***

#### ***Deterrence***

Deterrence covers activities designed to discourage potential claimants from submitting fraudulent claims for HB and CTB. A local authority intending to deter claimants from making fraudulent applications would have

- a clearly communicated policy on prosecutions
- effective arrangements to identify and recover fraudulent overpayments in a timely manner
- a benefit fraud hotline
- a publicity programme to raise doubt in the mind of the potential fraudster
- clear guidance to staff on what to refer and what to do if they suspect internal fraud
- a means of identifying high risk groups so that it can develop and implement a programme of visits to these claimants to reinforce its other deterrence related work.

## ***Prevention***

Prevention is minimising the opportunity for someone to commit internal or external fraud. A local authority intending to maximise efforts to prevent fraud would carry out activities such as

- increasing fraud awareness in staff administering benefit
- extending the programme of pre-award visits to cover rent rebate claimants and developing a joint programme of visits with the BA
- expanding the work of Internal Audit to provide assurance on the effectiveness of controls to prevent internal and external fraud
- implementing effective recruitment and vetting arrangements for assuring the integrity of new staff within benefits sections.

## ***Detection***

Detection covers the authority's arrangements for detecting benefit related fraud, including the processes in place to identify claims suspected to be fraudulent. A local authority seeking to maximise the number of suspect benefit claims detected would have

- issued clear referral criteria to authority staff on which claims to refer to designated fraud officers for investigation by them
- effective arrangements in place to exploit existing data to assist in the detection of suspect benefit claims
- adopted a programme of data matching, using externally available information to assist in the detection of potentially fraudulent benefit claims
- a close working relationship with BA to share information leading to the detection of potentially fraudulent benefit claims
- management information on WBS available to assess performance against threshold.

## ***Investigation***

Investigation is the working methods used by the authority to establish whether a fraud or irregularity exists in the cases referred for investigation by designated fraud officers. A local authority trying to maximise the effectiveness of its fraud investigations would have

- effective policies and procedures for prioritising which referrals should be investigated first
- robust case management systems enabling management to monitor the workload of case officers to a successful conclusion
- effective arrangements to maximise value for money from the use of investigative resources
- clear and consistent working methods and standards for investigating and for documenting the results of investigations
- effective liaison arrangements with BFIS
- a regular training programme so that investigators maintain their ability to undertake investigations to the highest standards.

## *Inspection methodology*

The main elements were

- a walkthrough of the benefits administration and counter fraud systems with Broxbourne officers
- interviewing Borough of Broxbourne staff, the Benefits Agency and Employment Service
- seeking expert advice where necessary
- observing Broxbourne's working practices
- inspecting individual benefit claims and claims for WBS and cross-checking information in these claims across BA and the Authority
- analysing referrals to the fraud team
- examining documents relating to reviews, overpayments and internal audit work.

## *Reporting*

Initial findings were presented to Broxbourne's benefits and finance staff in the course of the inspection. A further presentation of emerging findings taking into account feedback from the initial presentation and also further findings from the continuing analysis was given to the Chief Executive, the Director of Resources and the external auditors at the end of the on-site phase of the inspection.

The inspection report was drafted around the 8 areas outlined above and findings from fieldwork used to draw conclusions and make recommendations in each of the 8 areas of benefits administration and counter fraud activity.

Draft factual reports were sent to the Chief Executive for comment. Meetings were held with Broxbourne to discuss the draft, and written comments were received and fully considered before the report was finalised.

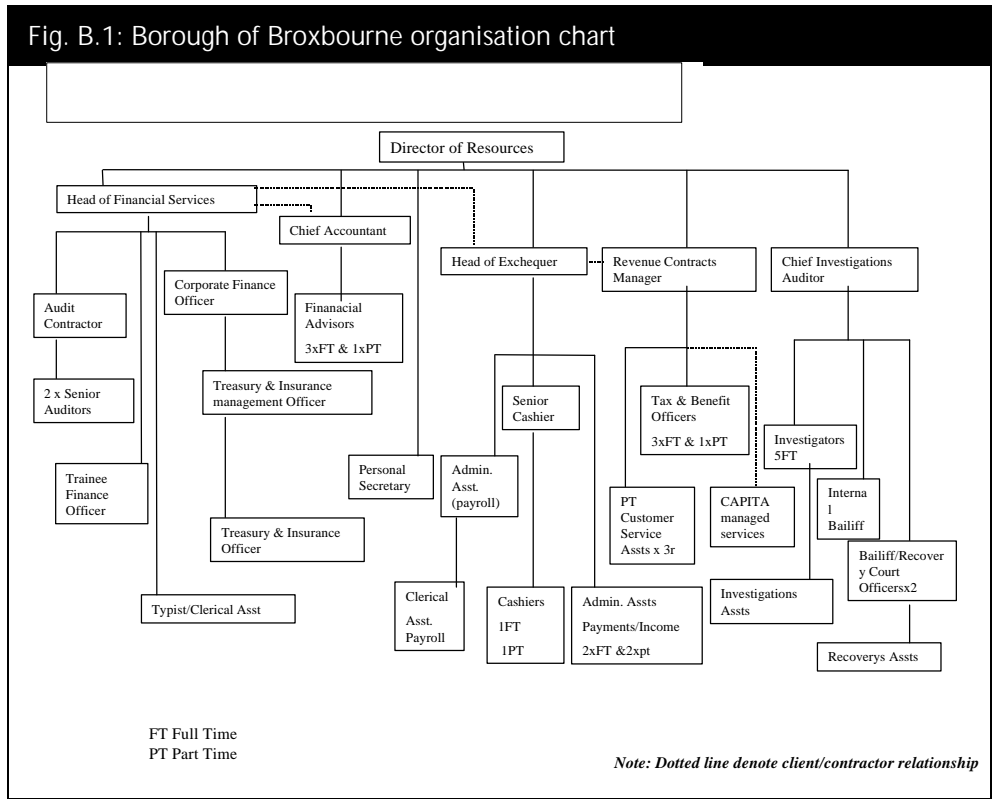


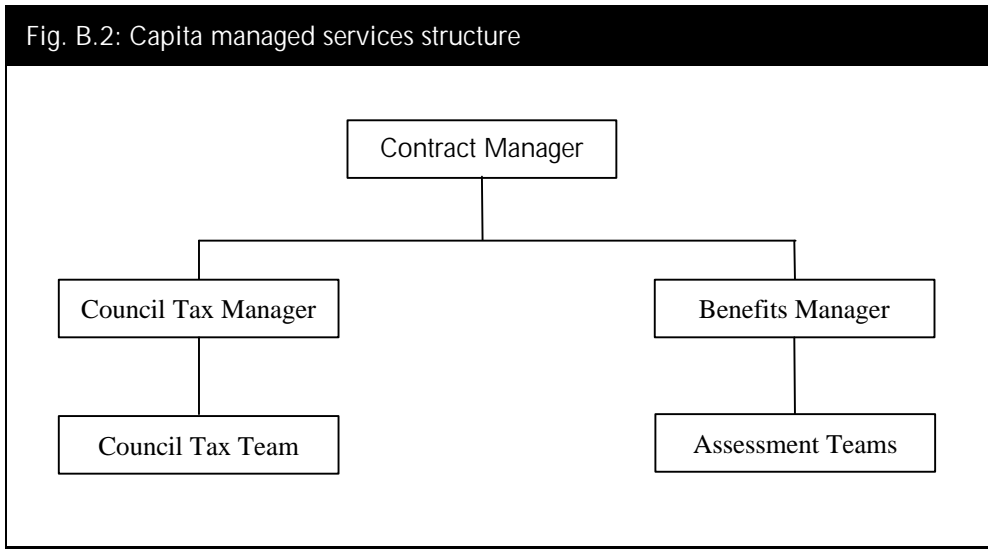
# Appendix B: Authority background

Broxbourne is one of 10 authorities in Hertfordshire. It has a population of approximately 81,000 and is the third smallest authority (by area) in the county. The authority is located on the northern boundary of Greater London. The towns of Hoddesdon and Cheshunt form a tight knit urban area on the western side of the Lee Valley following the A10, which runs through the authority. The eastern half of the authority is primarily residential. There are areas of industrial and commercial development. The western half of the borough is mostly open countryside in agricultural use, which includes woodlands and horticultural glasshouses. Broxbourne is currently controlled by the Conservative Party.

The 1995 annual employment census estimated that there were some 24,200 jobs in Broxbourne (excluding agriculture). Over 75% of employment is in the service sector. Two thirds of the jobs in Broxbourne are full-time, and women take 80% of the part-time jobs.

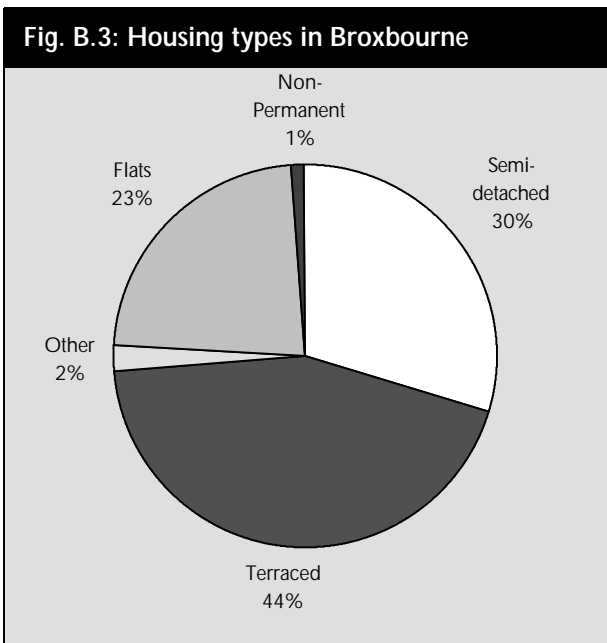
## Organisational structures and charts





### Unemployment rates

In common with national and county trends, Broxbourne’s unemployment rate has been falling. Between April 1996 and April 1997, the numbers of registered unemployed fell by 924 to 1,769. Broxbourne’s current unemployment rate is one of the highest in Hertfordshire and contains significantly higher rates of youth unemployment and long-term unemployment when compared to the rest of the county. Over 42% of unemployed people have been registered unemployed for over a year. The local workforce has traditionally relied on job opportunities outside Broxbourne’s boundaries, to the extent that in 1991, the census revealed that only 35% of residents worked inside the borough, with 43% working in London.



Source: Census 1991 Key Facts

### Housing mix

Broxbourne estimates that there are some 33,500 properties on the Council Tax register and over 75% are owner-occupied. Of the rest, 10% are privately owned but rented and 15%, about 5,000 dwellings, are LA owned. Figure B.3 sets out information on housing types in Broxbourne. Figures B.4 and B.5 highlight the average and specific rents in Broxbourne.

Fig. B.4: Average LA weekly rents as of April 1996

Type of accommodation	Broxbourne (£)	Outer London Boroughs (£)
One bedroom flat	45.70	47.07
Two bedroom flat	49.48	54.65
Three bedroom flat	53.06	60.44
One bedroom house	52.41	50.79
Two bedroom house	56.83	58.66
Three bedroom house	58.74	63.94

Source: CIPFA

Fig. B.5: Private sector rents in Broxbourne – February 1998

Number of rooms	Cost per week (£)
(i) 1 room with substantial board and attendance (eg hotel room)	55.00
(ii) 1 room non self contained - no board or attendance (eg bed/sit)	45.00
(iii) 1 room self contained - no board or attendance (eg studio unit etc)	83.00
(iv) 2 rooms	91.00
(v) 3 rooms	105.00
(vi) 4 rooms	115.00
(vii) 5 rooms	130.00
(viii) 6 Rooms	179.00

Source: Rent Officer

### *Benefits expenditure*

In 1996/97 Broxbourne paid over £15 million in HB and CTB. The amount of rent allowance represented less than half of all benefit paid. The actual benefit payment details are shown in Figure B.6.

Fig. B.6: Broxbourne's benefits business

1996/97	Total cases	Benefit paid (£)	% of whole
Rent Rebate	2603	6,736,000	44
Rent Allowance	1161	5,493,000	36
Council Tax Benefit	6102	3,092,000	20
<b>Total</b>	<b>9866</b>	<b>15,321,000</b>	<b>100</b>

Source: Broxbourne

## *Trends in benefit*

The HB and CTB caseload has increased over the last two years, as shown in Figure B.7:

<b>Fig. B.7: Change in HB/CTB caseload</b>			
	<b>1995/96</b>	<b>1996/97</b>	<b>Change in caseload</b>
<b>Rent Rebate</b>	2754	2,687	- 67
<b>Rent Allowance</b>	1181	1,202	+ 21
<b>Council Tax Benefit</b>	6639	6,339	- 300
<b>Total</b>	10,574	10,228	346

Source: DSS

## *Costs of administering benefits*

Broxbourne employs 3.5 full-time equivalent staff within Client Side and the contractor employs 14 staff on-site to administer benefits. The average cost of administering benefit per claimant in 1995/96 was £72.91, which is lower than the national average, as shown in Figure B.8.

<b>Fig. B.8: Unit cost 1995/96</b>	
	<b>HB/CTB: unit cost per claimant (£)</b>
<b>Broxbourne</b>	72.91
<b>Great Britain</b>	77.54

Source: Audit Commission

# Appendix C: Rules governing the contracting out of the administration of HB and CTB

By section 134(1) of the Social Security Administration Act 1992, HB is to be **“funded and administered by the appropriate housing authority or local authority”**. Section 139(1) provides that **“council tax benefit...is to be administered by the appropriate authority”**. The Deregulation and Contracting-Out Act 1994 gave the Secretary of State wide powers to increase the amount of work that could be contracted-out, but no Order under this Act relating to HB or CTB has been made.

Some of the functions which can be contracted out are:

- issuing claim forms
- checking claim forms for correct completion
- gathering evidence such as evidence of earnings or other income, capital, proof of rent paid, breakdown of gross rent in rent allowance cases
- maintaining written case records
- inputting data onto software when authorised by the authority, and referring data to the authority as required
- making preliminary calculations of benefit
- making payments of sums determined by the authority
- dealing with general enquiries from the public
- staffing the public caller section
- carrying out any check visits directed by the authority and reporting the results
- preparing the statistical returns for the authority
- exchanging information with the BA.

Under the law, therefore, the contractor may perform a large number of functions integral to benefits administration, including making preliminary calculations of the amount of benefit to be paid, but responsibility for all determinations rests with the authority. The process of determining benefits cannot lawfully be contracted out.

Referrals to Rent Officers are also reserved in law for LAs and must therefore be carried out only by staff directly employed by the authority.



# Appendix D: XXXX XXXXXXXXXXXXXXXXXXXX

*This appendix does not appear in the published report.*





Minor improvements could be made in several sections of the form –

The questions in Section 1 and 2 seem to be to help benefits processing staff rather than the claimant. It would be better to put the questions on nationality in the sections **About yourself** and **About your partner**. There should be a definition of the UK. The question about Income Support is repeated in Section 7D.

The questions in Section 4 are the same as Section 3 but appear in a different order which may confuse claimants.

Section 5 has an instruction *please tick appropriate boxes*, but this would only be appropriate to 3 out of the 8 questions. **Forenames** could be more clearly referred to as **first names** and **relationship to applicant** could be **relationship to you**.

In section 6, columns should be headed **You** and **Your partner** rather than **Yours** and **Your partners**. This would correct the punctuation and would also match other usage through the form.

Section 7 has been subdivided to try and break the form into easier parts. Unfortunately, subdivision causes problems in 2 areas. Firstly, it can complicate routing like the instruction after the first question in 7D that says **go to the next part of D**. This is very confusing. Another drawback of dividing forms is the risk that too much division causes the form filler to forget what topic they are answering.

One possible answer is to make subdivisions into separate sections with different topics. For instance **Earnings, Money from boarders and lodgers, Benefits and pensions** and **Other income** could be separate sections.

Section 7D refers to *Disabled Living Allowance* which should be *Disability Living Allowance*. There are other examples of wrongly named benefits. This might confuse claimants, and cause incorrect answers to questions about benefits received.

In Section 10, putting customer instructions in the space marked **For office use only** is unwise as they will not be read. The term **mentally impaired** is not acceptable and could cause complaints. Any definitions should be attached to the questions they relate to so that they are not missed.

The box before the Declaration for any other information should be made larger or discarded and replaced with the suggestion that any other information should be put on a separate sheet of paper.

# Appendix F: Management checks

We would expect the following statistical counts and management checks to be undertaken in an authority with good administrative procedures:

Type of check (responsibility for check)	Purpose	Suggested frequency	Carried out in Broxbourne
Itemised log of all work received by each member of staff (Capita)	To ensure even distribution, smooth workflow and avoidance or management of backlogs	Daily	No
Itemised log of all cases passed to client-side for determination (Capita)	To monitor workflow and provide audit trail	Daily	Yes – partially
Supervisory scrutiny of all incoming post (Capita)	To identify any potential problems or urgent matters for special attention.	Daily	Yes
Supervisory sample check of new claims (Capita) both paper file and computer input and calculation	To ensure correct procedures are being followed at the start of the claim, and to identify any weaknesses and training needs.	At least weekly	No
Random sample check of determinations undertaken by Client Side Management (Client Side)	To check accuracy and security control	At least weekly	No
Random sample check of computer assessments by supervisor (Capita)	To check accuracy and security control	At least weekly	No

Check of high value payments (Client Side)	To ensure calculation is correct and monitor security	Each payment	Listing of over £500 cheques is produced but no evidence of special action except for first payments
Sample check of overpayment classifications by supervisor (Capita)	Quality and accuracy control	Weekly	No
Sample check of overpayment recovery against target (both HB and Sundry Debtor systems)	Financial control	Weekly	No – no-one has overall responsibility for overpayments
Detailed notation of management and quality control checks (Client Side management)	To show checks have been done and record findings for further reference or action	Each check	Partially
Internal audit check of management checks	To monitor effectiveness of management controls	At least annually	No
External audit check of management checks	To ensure proper controls are in place	Annually	

Management checks in an authority where HB has been outsourced serve different purposes for each party, additional to the common goals of accuracy, speed and security.

The contractor has a vested interest in accuracy – there are financial penalties for errors.

Client Side retains overall responsibility for HB administration, and therefore has to ensure the contractor adheres to the contract as a means of control.

# Appendix G: Details of delays in receiving post from BA

## *Analysis of post received at Broxbourne on 19 March 1998*

### *Time delays on receipt of NHB1s*

A person claiming IS or JSA(IB) may also be eligible for HB or CTB. To facilitate claims, an application form for HB and CTB (NHB1) is included in both the IS and JSA claim packs.

For IS claims, BA has a nationally agreed target of 13 calendar days from the date of receipt in which to process 87% of all claims, including the NHB1 claim forms they travel with. Broxbourne's SLA with BA Leaside states that 95% of all NHB1s should arrive at the council within 2 working days of this, the rest within 4 working days. Therefore, 87% of all IS related NHB1s should arrive at Broxbourne within 15 days, and 95% within 19 days. For JSA, the BA target is to process 90% of claims in 14 days, and all JSA related NHB1s should arrive at Broxbourne within 18 days.

Of the NHB1s received from BA Leaside at Broxbourne on the morning of 19 March 1998, 42 were clearly marked with a date of receipt from the IS or JSA claimant. From this data we can measure the time between the form arriving at BA and its arrival at Broxbourne.

Figure G.1 gives the results of this analysis.

**Fig. G.1: Analysis of NHB1s received at Broxbourne**

Processing Time	Number of cases
Under 5 days	0
Under 10 days	5
Under 15 days	10
Under 20 days	12
Under 30 days	30
Under 40 days	34
Under 50 days	37
Under 60 days	38
Over 60 days	4

Source: BFI inspection sample

From this it appears that only 12 out of the 42 NHB1s from Leaside (29%) arrived within 20 days.

This analysis also highlights that 4 of the 42 NHB1s (9.5%) from Leaside arrived after 60 days from the date of receipt by the BA. The 4 cases had delays of 66 days, 105 days, 162 days and 223 days.

Another 23 NHB1s were received which were not stamped or the stamp was not clear. As it was not clear which office they came from or when the office had received them they were not included in the sample above.

### ***NHB1s travelling with printouts***

When IS and JSA(IB) claims are processed and are accompanied by an NHB1 application for HB or CTB, the BA processor will input details of the LA and record that HB or CTB has been claimed. This will prompt the computer system to print a notification to the LA that IS or JSA(IB) has been assessed and awarded or not awarded. This printout should then be linked to the NHB1 and sent to the LA. This practice is documented in the SLA.

Of the 65 NHB1s received on 19 March 1998, only 3 were travelling with printouts. On the same day 3 printouts were received travelling without NHB1s.

This is significant, because before staff at Broxbourne can process a claim they need both the NHB1 (to establish the date of claim to HB or CTB) and the printout (to establish the date IS/JSA(IB) was awarded from and the amount of the award). As Broxbourne only received 3 out of 65 NHB1s with printouts it is clear this process is breaking down. This, in turn, will have a detrimental effect on the speed of processing at Broxbourne and will generate customer enquiries about entitlement to HB and CTB at Broxbourne, and consequently at the BA and ES offices.

## ***Analysis of post received at Broxbourne on 13 March 1998***

### ***Time delays on receipt of NHB5s***

An NHB5 form is an LA form issued to the BA requesting further information, and is used extensively by Broxbourne to request details of benefit entitlement. The SLA sets out agreed response times for Leaside to respond to NHB5s – 90% will be cleared within 5 working days of receipt, and the rest cleared within 15 days of receipt.

Figure G.2 on the next page shows the results of an analysis of the NHB5s received in Broxbourne on 13 March 1998. It shows that Leaside are not responding within the specified timescales. The average response time is 45.8 days, well outside the wider 15 day target. This is clearly detrimental to the speed of processing benefits at Broxbourne.

**Fig. G.2: Analysis of NHB5s received at Broxbourne**

Case	Date of Issue	Time taken by BA (working days)	Respond in 5 days	Respond in 15 days
1	02/03/98	10	N	Y
2	20/12/97	60	N	N
3	02/01/98	50	N	N
4	20/12/97	40	N	N
5	10/01/98	45	N	N
6	22/12/97	59	N	N
7	07/01/98	48	N	N
8	19/12/97	60	N	N
9	19/12/97	60	N	N
10	25/11/97	78	N	N
11	19/12/97	60	N	N
12	18/02/98	17	N	N
13	08/01/98	47	N	N
14	20/01/97	38	N	N
15	30/12/97	52	N	N
16	19/12/97	60	N	N
17	06/01/98	48	N	N
18	22/12/97	59	N	N
19	18/02/98	17	N	N
20	19/02/98	16	N	N
21	20/12/97	60	N	N
22	17/02/98	18	N	N
23	22/12/97 (4th request)	59 (220 original)	N	N
24	17/02/98	18	N	N
<b>Total: 24</b>			0	1
<b>Percentage</b>			0%	4.2%

Source: BFI inspection sample

## End of entitlement notices

End of entitlement notices are IS and JSA system printouts that notify LAs that entitlement to IS or JSA(IB) has ceased, giving the reason for the cessation of benefit, the date benefit was last paid to, and the date benefit ceased. The local SLA states that 95% of all end of entitlement notices will be sent within 2 working days of production and the rest within 4 days.

Figure G.3 shows the results of an analysis of the end of entitlement notices received in Broxbourne on 13 March 1998. The table highlights the fact that Leaside are not responding within the specified timescales. The average response time is 9.1 days. This is clearly detrimental to the speed of processing benefits at Broxbourne.

**Fig. G.3: Analysis of end of entitlement notices received at Broxbourne**

Case	Date of Issue	Time taken by BA (working days)	Respond in 2 days	Respond in 4 days
1	27/02/98	14	N	N
2	03/03/98	8	N	N
3	04/03/98	7	N	N
4	05/03/98	6	N	N
5	02/03/98	9	N	N
6	04/03/98	7	N	N
7	02/03/98	9	N	N
8	02/03/98	9	N	N
9	03/03/98	8	N	N
10	05/03/98	6	N	N
11	23/02/98	18	N	N
12	02/03/98	9	N	N
13	02/03/98	9	N	N
<b>Total: 13</b>			0	0

Source: BFI inspection sample

# Appendix H: Analysis of Broxbourne's notice of determination

Matters to be included in the notice of determination are set out in schedule 6 of the Housing Benefit (General) Regulations and Council Tax Benefit (General) Regulations.

Paragraphs 2 – 5 deal with matters that the LA must include in its notice. Parts II to VII deal with specific sets of circumstances and the matters that must be included in the notices.

The Schedules detail the minimum amount of information Broxbourne should make available in the notice about the determination of the claimant's benefit.

The notices gave inadequate details of claimants' rights both to a review of a determination and to a written statement of reasons

The detail should be sufficient to allow claimants to check the basis of the LA's determination. Broxbourne's notices give sufficient detail. They also include an explanation of the legal terms used and a reminder to claimants of their duty to tell the benefits section in writing of any change in their circumstances.

The computer system does not appear to give assessors the flexibility to tailor the notices to meet the needs of individual claimants and their circumstances. In a number of the samples seen there were manual additions and adjustments to the details given.

The detail for notices where no award is made meets the requirements of Schedule 6.

The detail for notices where there is a recoverable overpayment meet the requirements of Schedule 6 except the fact that the HB notices do not state there is a **recoverable** overpayment but the CTB notices do. The layout of the detail for cases where there are overpayments is not always easy to understand and in some of the examples seen there had been manual adjustments to the figures given.



# Appendix I: Analysis of extended payments sample

## *Background*

Extended payments of HB and CTB were introduced in April 1996. They are designed to help long term unemployed people who are returning to work. The aim of the scheme is to help with housing costs during the period between the last payment of IS or JSA(IB) and receipt of the first wages. It is therefore vital that LAs have systems in place to process extended payments promptly.

Regulations 2(1), 62(A), 69(8), 76(4) and schedule 5(A) of the Housing Benefit (General) Regulations as amended, and regulations 2(1), 53(A), 66(4) and Schedule 5(A) of the Council Tax Benefit (General) Regulations 1992 as amended provide for extended payments of HB to be made.

Claimants must satisfy certain criteria for payment of HB and CTB to be made:

- the claimant starts employment or self-employment or increases hours or earnings
- entitlement to IS or JSA(IB) stops as a result
- new job or conditions will last for 5 weeks
- for the last 26 weeks the claimant must have received JSA or IS because they were available for and actively seeking work or getting IS as a lone parent or carer or on a government training course
- there must be a properly completed and certified application form
- the claim for extended payment must be made within 8 days of IS or JSA(IB) stopping
- the claimant must be liable to pay rent or Council Tax for another 5 weeks or more
- the claimant must be aged less than 60 on the day after IS entitlement ceases and under 65 if a man or 60 if a woman the day after JSA(IB) ceases.

Claims for extended payments must be on form NHB1-EP. Claimants may return the completed form to an ES jobcentre or their local BA office. Claimants can also returned the form directly to the LA but this delays the process as it then has to be sent to the BA. The form must be stamped with the date of receipt. This is vital as this date counts towards the claimant satisfying the rule that a claim for extended payment must be received within 8 days of IS or JSA(1B) stopping.

The completed form is checked by the BA to certify that the 26 week qualifying condition has been satisfied.

The scheme has proved to be complex for both BA and LA staff. No problems with the extended payments scheme were reported during interviews with processing staff at Broxbourne. The staff did, however, report that these claims are treated no differently from any other claims.

The extended payment scheme carries subsidy incentives and penalties to encourage LAs to fast track extended payment claims.

The Stats 124 forms completed by Broxbourne for the first 3 quarters of the 1997/98 financial year record a total of 292 extended payments claims received. No data has been returned on the number of claims which satisfy the conditions for fast tracking, and the reason given for this is that the computer system is unable to provide the figures.

We examined a sample of 19 extended payment cases and 18 of these (95%) had been correctly authorised by the BA. However, one case had a photocopied extended payment form on which the date stamps were not the usual date stamps of the BA and ES. There was no record on the file to show that the authenticity of the form had been checked with either agency.

**Fig. I.1: Analysis of extended payment sample**

	Number of claims	% of sample
<b>Number of claims in sample</b>	19	100
<b>Number of claims – authorised by BA as meeting conditions of entitlement</b>	18	95
<b>Payments incorrectly made</b>	3	16
<b>Payments incurring no subsidy incentive or penalty incurred</b>	8	42
<b>Payments qualifying for subsidy incentive</b>	11	58
<b>Payments incurring subsidy penalty</b>	0	0

Source: BFI inspection analysis

All the cases in the sample were checked to see whether payment had been made correctly. In 16% of the sample, extended payments had been made incorrectly. An incorrect payment rate of this level suggests a lack of knowledge of the qualifying conditions amongst the staff on both the contractor and Client Side.

The sample was also checked for performance against the subsidy incentives and penalties. There were no cases where a £10 penalty was incurred; 11 cases qualified for the £10 addition subsidy incentive, and the remaining 8 cases incurred neither incentive payment nor penalty.

Legislation requires that the decision to make an extended payment should be made by Client Side. From examination of the files it appears that the only involvement by Client Side in the decision making process is completion of the determination report on the inside back cover of the file. No quality check sheets had been completed or if they had been completed they were not retained on the claimant's file.

# Appendix J: Suggested good practice for managing contracting within HTB/CTB

## *Contract tendering*

- Scope and define the business to be out-sourced including assessment of current costs and business risks.
- Subject the contract to compulsory competitive tendering in accordance with departmental guidelines.
- Seek independent legal advice to ensure contracting arrangements comply with current procurement legislation, including European directives.
- Seek legal advice to ensure the contract complies with HB/CTB regulations.

## *Contract conditions*

- Ensure price proposals are related to achievement of contract conditions.
- Define appropriate penalties for unsatisfactory contractor performance.
- Ensure protection of local authority interests in terms of access, assets, hardware and intellectual property rights.
- Ensure adequate arrangements exist for termination of contract in the event of default by the contractor, including contingency plans for continuation of the service in the event of a disaster.

## *Contract letting*

- Ensure adequate competition from credible contractors with a sufficiency of staff and skills.
- Ensure equity in the provision of information to potential contractors, including any in-house bids.
- Ensure equity in the considering of bids from potential contractors, including professional analysis of proposals.
- Ensure credible evaluation criteria in the selection of the final contractor.

## *Contract monitoring*

- Protect access rights for audit purposes, including the establishment of a credible internal audit function.

*Appendix J: Suggested good practice for managing contracting within HTB/CTB*

- Ensure regular and routine reports on contractor performance are received from the contractor liaison officer.
- Establish sufficient and expert monitoring arrangements to ensure compliance with legal requirements of HB/CTB administration.
- Establish effective Client Side monitoring arrangements and enforcement of liquidated damages.

# Appendix K: Broxbourne's response

In this appendix we reproduce Broxbourne's response to the inspection.

## *Broxbourne's response*

Identified below are responses to the major recommendations of the BFI report. The council commits itself to the action plan outlined. More detailed actions have also been identified in response to specific findings of the BFI, and the council will also implement the minor recommendations of the report.

The implementation of these proposals should be put in the context of the council's own root and branch review of its benefit procedures. This will encompass not only the BFI report, but also Government initiatives regarding benefit take-up and fraud and the re-tendering of the council's benefits contract in 1999.

Action plan				
Recommendation	Priority	Responsibility	Comments	Completion date
Ensure client side undertakes all relevant case decisions	1	Director of resources (DOR)/Client side manager	This is the case at present in most areas, although not, as stated, referrals to the rent officer. Changes will be introduced where necessary and client side input more clearly demonstrated.	31/3/99
Improve contract management	1	DOR/Head of financial services (HOFS)	Contract management under review (previous DOR and Benefits Manager have left the council)	22/9/98
			A major report is being prepared for Committee.	22/9/98
			Performance Indicators being reviewed	31/10/98
			Automation of management information underway.	31/10/98
			Tighter management by new HOFS and DOR with regular review, reporting and meetings	31/3/99

Improve verification procedures	1	DOR/HOFS/ Client side manager (CSM)	Introduce DSS verification framework.	30/6/99
Increase internal controls	2	DOR	Internal audit coverage has been increased.	31/7/98
			Management checks will be increased.	31/3/99
			IT security will be reviewed.	30/11/98
Undertake training needs analysis and implement results	2	HOFS	The council is fully committed to training its staff and has supported benefits staff through relevant qualifications. However, further relevant and specific training will also be identified and developed.	31/3/99
Review procedures regarding overpayments	2	CSM	Clear procedures will be developed following review of current practice.	31/3/99
Formalise and clarify investigation procedures	1	HOFS	Procedures to be established for <ul style="list-style-type: none"> <li>● prioritisation of cases</li> <li>● investigation approach</li> <li>● monitoring of cases in progress</li> <li>● reviewing outcomes of investigations.</li> </ul> Targets required for <ul style="list-style-type: none"> <li>● investigation mix</li> <li>● team performance</li> <li>● individual performance.</li> </ul>	31/3/99

Key to priority rankings –

- 1 Urgent
- 2 Important



