

Report by the
Benefit Fraud Inspectorate

Babergh District Council

February 2000

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Abbreviations

All abbreviations used in this report are written in full when they are first used. For easy reference the more commonly used abbreviations are listed below.

BA	Benefits Agency
BACS	Bank Automated Clearing System
BFI	Benefit Fraud Inspectorate
BFIS	Benefit Fraud Investigation Service
CTB	Council Tax Benefit
DA	District Auditor
DSS	Department of Social Security
ES	Employment Service
FC	Family Credit
HB	Housing Benefit
HBMS	Housing Benefit Matching Service
IA	Internal Audit
IS	Income Support
JSA	Jobseeker's Allowance
JSA(IB)	Income-based Jobseeker's Allowance
JSA(cont)	Contribution-based Jobseeker's Allowance
LA	Local Authority
NINO	National Insurance number
RAT	Remote Access Terminal
RO	Rent Officer
ROA	Rent Officer Agency
SLA	Service level agreement
VF	Verification Framework
WBS	Weekly Benefit Savings

Foreword

The Benefit Fraud Inspectorate recently inspected Housing Benefit and Council Tax Benefit administration and counter fraud activity in Babergh District Council.

Babergh is a rural district council with a relatively low unemployment rate of 2.4% compared to the national average of 4.7%. In 1998/99, £12.5 million of Housing Benefit and Council Tax Benefit was paid out to nearly 6,000 claimants.

In common with a number of other local authorities we have inspected, Babergh has a number of good practices and some significant weaknesses and deficiencies in both the administration of Housing Benefit and Council Tax Benefit and its counter fraud measures.

We were impressed by the commitment of management and staff, but consider Babergh's benefit section to be under-resourced and over-stretched.

Babergh will need to, and has told us it intends to, put a considerable amount of resource into the following areas:

- revising the claim form to make sure that all the relevant information to determine the claim is collected
- remedying the identified weaknesses and deficiencies in internal security so it can be confident that its systems and processes are protected from internal and external abuse
- enhancing the training provision, operational processes and written procedural guidance to further improve:
 - its verification of claims, both new and renewal
 - its compliance with legislative requirements. For example, setting benefit periods to comply with the regulations and referring all appropriate cases to the Rent Officer Agency
 - its use of the provisions in the Social Security Administration Act 1992 and regulations with regard to landlords and recovery of overpayments
 - the sources, numbers and quality of fraud referrals to the fraud investigation team by increased fraud awareness
- interface arrangements with the Benefits Agency and the Employment Service by monitoring performance against the standards and targets agreed in the service level agreement
- identifying high risk claims by using risk analysis techniques
- creating a culture that fraud will not be tolerated.

Foreword

Babergh also needs to make significant improvements in the standard of its counter fraud work.

Babergh has already put in considerable efforts to remedy some of the identified weaknesses and deficiencies. We were told in meetings after our on-site inspection that Babergh:

- was introducing a new benefits processing system with an integrated fraud system, which interfaces with the rent and council tax systems
- has introduced operational processes to enable it to comply with section 19 requirements
- has started planning for the introduction of the Verification Framework in April 2000
- has approved plans to reorganise the benefits section and increase the number of benefit processing staff
- has introduced a Members-approved corporate anti-fraud and corruption strategy, which includes a sanctions policy to deal with prosecutions, administrative penalties and cautions
- has introduced a benefits anti-fraud strategy together with a prosecution policy which supports the corporate strategy
- has drafted and is introducing a whistleblowing policy which has Members' approval but is an interim measure subject to further report to Members in the future
- has sought legal advice and is now using the county court provision to recover Housing Benefit overpayments
- has introduced work shadowing with Bury St Edmunds Benefit Fraud Investigation Service.

We have not been able to test the extent of these measures or assess any success.

On behalf of BFI, I thank the officers and staff of Babergh for their support and co-operation during our inspection.

Susan Lingwood
Acting Inspector
Benefit Fraud Inspectorate

Summary

Introduction

1.1 The Department of Social Security (DSS) currently spends over £90 billion each year on benefits for some 30 million people. Local authorities (LAs) pay over £12.5 billion in Housing Benefit (HB) and Council Tax Benefit (CTB) to 4.5 million people.

1.2 Latest estimates, published in the *National Housing Benefit Review 1997/98*, suggest that about £840 million (16%) of this is lost each year due to fraud and error in the HB system.

1.3 The government is committed to ensuring the right money goes to the right person and has set out the strategy for achieving this in *A new contract for welfare: SAFEGUARDING SOCIAL SECURITY*. It calls for sustained and detailed effort across 4 fronts:

- **getting it right** – benefit payments should be correct from day one
- **keeping it right** – ensuring payments are adjusted as circumstances change
- **putting it right** – detecting when payments go wrong and taking prompt action to correct them with appropriate penalties to prevent a recurrence
- **making sure things work** – by monitoring progress, evaluating the strength of defences and adjusting them in the light of experience.

1.4 The Benefit Fraud Inspectorate (BFI) is an integral part of this strategy. Through our reports on LAs and DSS agencies we:

- identify areas where improvements can be made to benefit administration to raise standards
- make recommendations to address weaknesses
- identify and spread good practices.

1.5 This report records the results of our inspection on the administration of HB and CTB at Babergh District Council (Babergh). The on-site inspection was carried out between 28 June and 15 July 1999.

Background on Babergh

1.6 Babergh is on the borders of Suffolk and Essex and has a population of 80,800 located in a large, mainly rural, area. The LA has a relatively low unemployment rate of 2.4% when compared to the national average of 4.7%.

1.7 There are no reliable estimates for the level of error or fraud for Babergh. However, the *National Housing Benefit Review 1997/98* estimate suggests that Babergh could have had HB losses of about £2 million in 1998/99, of which £666,958 could be attributable to fraud. Babergh recognises the need to establish the actual level of fraud and error and told us that it had successfully detected £128,459 weekly benefit savings (WBS) in 1998/99.

1.8 Babergh told us that its efforts to reduce the amount of fraud and error have concentrated on:

- raising staff awareness
- data matching exercises
- investigating fraud referrals.

1.9 In 1998/99 Babergh spent £404,000 on administering HB and CTB and counter fraud activities. About 25% was apportioned to IT charges. About 50% can be apportioned to salaries, of which only about 25% was the salaries of benefit processors who actually assess HB and CTB claims. In view of the weaknesses and deficiencies we found, we suggest that these resources are not sufficient.

1.10 Babergh employs 10.25 full-time equivalent staff to administer benefits. There are 3 Benefit Assistants who do the preparatory work, and 4 Benefit Officers who assess and input data for new claims and adjustments. The average cost of administering benefit has increased from £67.28 per case in 1997/98 to £76.22 in 1998/99.

1.11 Babergh employs a full-time Benefits Investigation Officer and an Assistant Benefits Investigation Officer to investigate suspected fraud and abuse. The annual level of fraud Babergh claims to have detected, as measured by the WBS claimed, increased between 1993/94 and 1997/98.

1.12 The following table gives details of Babergh's expenditure for 1998/99.

Fig. 1.1: Distribution of Babergh's administration expenditure 1998/99

Expenditure	£	%
Staffing	203,521	50.3
Computer services	107,480	25.6
Internal recharges	93,442	24.1
Total	404,443	100

Source: Babergh

Main conclusions and recommendations

1.13 In this report we:

- identify the major areas where we have found strengths and weaknesses
- assess Babergh's performance in these areas
- make recommendations to help Babergh reduce fraud and error.

1.14 Babergh's benefit section is under-resourced and over-stretched. If Babergh is to fulfil its stated commitment to reduce poverty and provide an effective and efficient benefit service, it will need to put considerable resources into correcting the significant weaknesses and deficiencies we found in both benefits administration and counter fraud work.

1.15 Babergh does have a number of good practices, particularly in its provision of good customer service. These could be used as a starting point from which to further improve the security of claims including verification and counter fraud measures. We were impressed by the commitment of management and staff and have no doubt that, given support by both Members and senior officers, they will achieve Babergh's stated commitment.

Getting it right

1.16 To ensure that it collects all the relevant information to determine the legitimacy of rent allowance (RA) claims, Babergh urgently needs to stop using the shortened renewal claim form for these claims. It will also need to review and revise the claim form for new claims to ensure that it asks the right questions.

1.17 Babergh will need to consider the security of the post opening environment and processes against the good practices detailed in the *BFI Good Practice Guide* to make sure that risk of fraudulent abuse is minimised to its satisfaction.

Summary

1.18 Babergh cannot be confident that its systems and processes are protected against internal and external abuse. Babergh needs to carry out a comprehensive set of risk assessments across the benefits service and put in place measures to minimise the risks identified.

1.19 Key relationships with the Benefits Agency (BA) and Employment Service (ES) are not effectively monitored. We were particularly concerned that there was no Service Level Agreement (SLA) with ES. Although Babergh has been proactively working with the BA Benefit Fraud Investigation Service (BFIS) to ensure a co-ordinated approach to counter fraud work, this effort has not been fully effective yet.

1.20 Babergh plans to introduce the Verification Framework (VF) by April 2000. This will be introduced very shortly after a new benefit processing system so will need substantial additional resources both at the planning and implementation stages. Babergh needs to do a significant amount of work to prepare for the introduction of VF in terms of:

- training
- reviewing and revising working practices to meet the requirements of VF.

1.21 Babergh's ability to identify high risk claims is impaired by the lack of an effective fraud case management system.

1.22 Babergh's practice of restricting the setting of benefit periods to the parish and to 5 set renewal dates is unlawful and leaves it open to both fraud and error.

1.23 Babergh urgently needs to enhance the security of payments, which we have identified as an area at high risk from fraudulent abuse.

1.24 The notices of determination Babergh was using at the time of the on-site inspection did not fully meet statutory requirements. However, subsequent to our on-site inspection Babergh is introducing a new benefit processing system and we have not been able to test the notices produced by this system.

1.25 Babergh does not have a comprehensive regime of management checks to provide an assurance that it is delivering accurate, secure and prompt benefit payments.

Keeping it right

1.26 Babergh's efforts to give an assurance that payments are adjusted when circumstances change and to maintain continued contact with claimants are hampered by a number of factors which are detailed later in the report.

1.27 Babergh has a number of good practices, particularly in overpayment recovery. However, Babergh could do better at keeping it right by improving:

- fraud awareness in the LA by providing regular fraud awareness sessions
- claimant visiting by expanding the activities of the Assistant Investigation Officer to include continued contact with the claimants
- staff and claimants' awareness of the right to review by using management information to measure standards of performance and make better use of publicity material
- interface arrangements with BA and ES to make sure that reported changes of circumstances are communicated to all appropriate offices
- suspected fraud reports from members of the public by reconsidering the decision not to introduce a fraud hotline
- data matching exercises by using analysis techniques to make full and effective use of the results
- security of payments to landlords by collecting data to establish a landlord's fitness to receive benefit payments
- recovery of overpayments by making better use of all the provisions of section 75 of the Social Security Administration Act 1992 and its management information system.

Putting it right

1.28 Babergh needs to commit a considerable amount of resources to the following crucial areas if it is to achieve the aim of securing the gateway to the benefits system:

- enhance the training provision for the fraud investigation officers
- improve the sources, numbers and quality of the fraud referrals
- develop and introduce a fraud publicity strategy
- improve the standard of fraud investigations
- improve the organisation and management of fraud investigation activities as a matter of urgency
- formulate a prosecution policy supported by an implementation plan.

Making sure things work

1.29 At the time of our on-site inspection, Babergh had no clear or comprehensive strategies or policies about how it means to combat and reduce fraud and error in the system. This means that it is unable to plan action, take action or measure the impact of that action to inform future activity. However, in our discussions with Babergh it became apparent that wheels were in motion to improve the situation.

Findings

Introduction

2.1 Babergh is a district council with a population of about 80,800. Sudbury is the largest town with 19,700 residents. The only parliamentary constituency covering Babergh is South Suffolk.

2.2 In common with national trends, the level of unemployment in Babergh has fallen since February 1996 and in 1998/99 there were 1,067 unemployed people in the area. Babergh's gross expenditure was £27 million. At the time of our inspection there were 5,701 HB or CTB claimants, being paid over £12 million in benefits, 43% of the gross expenditure.

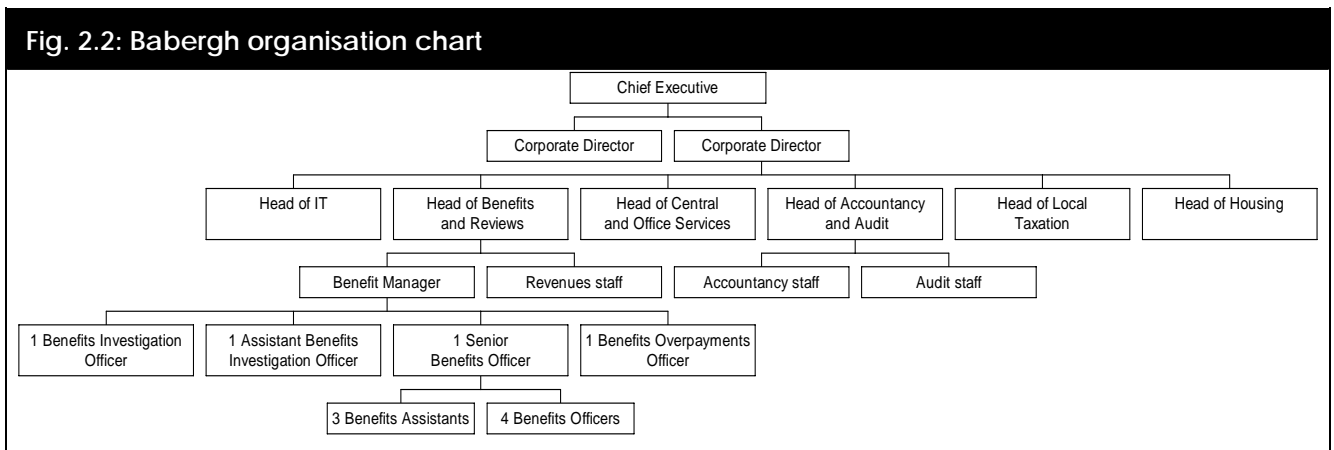
Fig. 2.1: Benefit expenditure (£ million) 1997/98 to 1998/1999

Benefit	1997/98	1998/99
RA	4,229,999	4,032,798
Rent Rebate (RR)	5,934,232	5,918,821
CTB	2,530,212	2,587,413
Total	12,694,443	12,539,032

Source: DSS/Babergh

2.3 Babergh's main objective is to 'sustain the economic well-being of the district', by supporting initiatives to keep unemployment to a minimum.

2.4 The benefits service is part of the Benefits and Revenues Division. The current benefit service organisation is shown in Figure 2.2.



Source: Babergh

2.5 There are a number of factors that affect the way Babergh administers benefits and tackles fraud and error, including:

- working relationships with other agencies
- internal working practices and strategies
- the large geographical area covered.

2.6 Babergh is participating in a 3 year pilot DSS sponsored initiative called 'ONE'. This requires close working between Babergh, BA and ES. The overall aim is to provide a work-focused single point of contact for claimants. This is a significant initiative in the government's welfare reform programme. At the time of our on-site inspection, Babergh was preparing for the launch of ONE on 29 November 1999. Considerable resources were needed to get the benefits section ready for this work.

2.7 We looked at Babergh's performance against the 4 elements of the government's fraud strategy by:

- assessing what is being done
- deciding if it is good practice
- considering if there are good practices that we have not seen before
- advising how performance can be improved.

Getting it right

Definition

2.8 *Getting it right* means benefit payments should be correct from day one. The expectation is that:

- there must be a secure gateway to the benefit system
- claimants should not be subject to excessive red tape
- Babergh provides a modern, high quality service.

2.9 To secure the gateway, organisations must:

- insist that claimants produce enough evidence of their personal details to prove they qualify for benefit before payment is made
- ensure information in relation to a claim can be checked systematically, based on a sound assessment of where that information is at risk of being wrong
- bring together all the information available at the point where the claim is being checked
- make sure there is continuing contact with claimants.

Conclusions

2.10 We examined the handling of renewal claims as well as new claims and found that Babergh does not deal with both with the same depth and rigour. This concerns us as nationally around 87% of fraud occurs after the initial claim for benefit.

2.11 Babergh's renewal claim form does not collect rent details so is not suitable for determining rent allowance renewal claims. Babergh's form for new claims meets some of the attributes of a good claim form as outlined in the *BFI Good Practice Guide*. However, further improvements must be made to make sure that the claim form captures all the relevant information.

2.12 Claim forms and associated documents, including valuables, could be handled more securely by adopting more of the good practices outlined in the *BFI Good Practice Guide*.

Babergh cannot be confident that its systems and processes are protected from internal and external abuse.

2.13 Babergh cannot be confident that its systems and processes are protected from internal and external abuse. There are a number of weaknesses that highlight the need for Babergh to undertake a comprehensive set of risk assessments across the benefit service. Internal and external auditors have identified many of these weaknesses and their recommendations have yet to be fully implemented. When we

raised this issue with Babergh we were shown the action plan that Babergh was and is continuing to work through.

Findings

2.14 Babergh was unable to demonstrate that all appropriate housing association and 12 month referral cases are being referred to the Rent Officer Agency (ROA).

2.15 Babergh needs to improve its interface arrangements with both BA and ES.

2.16 We identified serious deficiencies in the verification of identity, residency, income, and capital whether it is by interview, correspondence, or visit. Because of this Babergh cannot provide assurance that it has:

- collected and checked all the necessary evidence and information to correctly determine claims
- identified, assessed and taken the necessary steps to minimise the potential risks for fraud and error
- put in place effective counter measures to address the risk of fraud and error.

2.17 Babergh does not use risk assessment techniques to identify high risk claims. Nor does it tailor benefit periods to minimise the risk of fraud.

2.18 There are weaknesses in the processes Babergh has in place to ensure the security of payments.

2.19 The notices of determination do not in all cases meet statutory requirements. Babergh needs to make sure that these failings are addressed in the notices of determination produced by the new benefit processing system.

2.20 Babergh does not have a robust checking regime to help identify the nature and incidence of fraud and error. We found that there were some management checks on claim assessments, but that their frequency and quality had been reduced because of a lack of resources.

2.21 Babergh tries to provide a high quality service to claimants, but there are significant weaknesses in its security measures. The emphasis on processing claims as quickly as possible to

meet the 14-day payment target and avoid unnecessary hardship to claimants needs to be balanced by an equal emphasis on ensuring the accuracy and security of claims.

Babergh does not have a robust checking regime to help identify the nature and incidence of fraud and error.

Findings

Claim forms

2.22 A good claim form for both new and further claims plays a vital part in efficient administration, securing the gateways into the benefit system and improving the quality of service to claimants and landlords.

2.23 Babergh uses a renewal claim form that does not collect sufficient rent details to allow it to determine RA renewal claims. We have advised Babergh to stop using this form because it means that:

- RA renewal claims are not being subjected to the same rigour of scrutiny as new claims when in fact they should be, so there is a grave risk of fraud and error
- information that was needed for the original claim is not being collected for the renewal claim.

2.24 Babergh uses a claim form which Babergh, Ipswich, Mid-Suffolk, St Edmundsbury and Suffolk Coastal LAs jointly developed. The form, which has a plain English award, was designed in October 1998 and introduced by Babergh in January 1999.

2.25 We examined Babergh's new claim form for relevance of questions, content, clarity and ease of use. We found that:

- the form is clearly and simply written and uses a typeface that is easy to read
- the form uses signposting but the questions are laid out horizontally rather than vertically and the YES option has been put first
- although the form asks some of the questions we consider to be relevant and necessary in a way that would capture sufficient information, there are some significant omissions or deficiencies. For example:

- it does not ask about entry to the *common travel area* within the last 5 years or the last date of entry into the UK, and there is no advice for claimants in this situation
- although it asks about children for whom the claimant or partner get Child Benefit, it does not ask about children who live with the claimant or other person in the accommodation
- claimants and partners are asked if they are in **paid** work. The phrasing of the question means that there is a risk that work which could be considered under the notional earnings provision will not be declared. The question should be phrased to catch all work
- claimants and partners are asked about other income (other than earnings) but the form asks *...how much do you get?* which means that people will declare the **net** amount (after deductions) rather than the **gross** amount (before deductions)

Findings

- the form asks the claimant and partner to list *all your cash, savings and investments*. But it does not ask for account numbers although people are asked to provide up-to-date passbooks and documents
- the form asks whether the claimant or partner is related to the landlord or partner but does not give a definition of the term *related*
- the claimant is asked to provide their tenancy agreement or rent book and is advised to ask the landlord to fill in the attached 'rent proof' form if they do not have one. We consider this to be bad practice and an invitation to fraud. The advice should be for the claimant to write to the LA explaining the circumstances and for the LA to contact the landlord direct seeking the required information
- although the form asks about the amount and frequency of rent paid, it does not ask if the rent is paid up to date
- Babergh estimates that it has to ask for further information in about 45% of new claims received. This raises a question about the efficiency of the claim form and the effectiveness of the guidance notes. Babergh needs to collect and analyse data on the reasons for these further requests to find the reasons why such a high proportion of claims cannot be processed without asking for more information.

We recommend that:

- **Babergh stops using the shortened renewal form immediately and takes steps to review all live claims where this form has been used in the past to make sure that sufficient evidence has been provided to substantiate the determination**
- **Babergh revises the current new claim form to address the failings highlighted in this report.**

Customer service

2.26 Claimants expect to receive a modern, secure, high quality service that deals with claims promptly and pays the correct benefit. Babergh is committed to good customer service and has a number of good practices, including:

- claimants can get advice on HB and CTB at Sudbury Advice Centre
- a selection of social security benefit leaflets at the main reception in the council offices
- a selection of clear HB and CTB leaflets covering different aspects of the scheme, for example reviews and review boards, backdating claims
- a corporate customer suggestion form
- a corporate complaints form
- responsive staff and operations.

2.27 However, to improve awareness and security of the benefits system Babergh needs to:

- introduce briefing packs for landlords which make them aware of their duties and responsibilities
- make better use of the local media to get the message across that fraud is not tolerated in Babergh
- introduce training to improve awareness of the need to verify information and be vigilant in the fight against fraud in front line staff.

We recommend that Babergh further improves the security of its customer service provision by developing and introducing:

- **briefing packs for landlords**
- **publicity material for the local media which supports Babergh's counter fraud measures and activities**
- **training for all front line staff to enable them to carry out sound verification of any data and information provided and to give them the knowledge to ask the right questions to check the validity of all claims for HB and CTB.**

Post opening

2.28 We tested Babergh's post opening processes against the good practice given in the *BFI Good Practice Guide*. The place where Babergh opens the benefits post has space constraints that make it difficult to completely secure the post opening processes, but there are some weaknesses that need to be addressed. For example:

- there is inadequate segregation of duties between staff opening post and dispatching valuables
- there is restricted access to the HB post opening room rather than closed access. Staff can enter or leave the room while post is being opened
- there is limited supervisory control of post opening.

2.29 Babergh told us that although it is not aware of any problems caused by the current post opening arrangements, it will review the current processes and look to put in place the good practice given in the *BFI Good Practice Guide*.

We recommend that Babergh considers the current post opening processes and puts in place the good practices detailed in the *BFI Good Practice Guide* to minimise the risks to its satisfaction.

Internal security

2.30 We found that Babergh is extremely vulnerable to the risk of internal fraud because of significant weaknesses in its systems and processes. For example:

- at the time of the on-site inspection, recommendations by the District Auditor (DA) in management letters over the last 3 years were being considered within a timetable. Babergh had not adopted a fraud and corruption strategy or whistleblowing policy at that time
- Babergh has a register of staff interests but when we tested awareness of and compliance with the register we found it to be almost non-existent
- Babergh does not have an Audit Committee. The Internal Audit (IA) Section reports to the Head of Accountancy and Audit and does not have direct access to Members. This weakens Babergh's efforts to ensure the integrity of the benefits system
- in 1998/99 IA allocated 24 (0.04%) of the 510 audit days available to HB and CTB and planned only 16 audit days on benefit systems and processes for the current year. There is no planned IA review of the activities of the benefits investigation team. Having regard to a benefit spend in excess of £13 million and the other weaknesses detailed in this report we consider this level of activity to be totally inadequate
- IT security and controlled access to the benefits office need to be improved
- IA's involvement in the HB cheque production process and a failure to monitor and control unpresented cheques means the process is not secure
- Babergh fails to implement:
 - adequate management checks
 - code of practice for benefit staff.

2.31 More detail on our findings is given in Appendices B and C.

We recommend that Babergh revises the current action plan that addresses the weaknesses and deficiencies found in internal security by DA and ourselves. Babergh must provide sufficient resources to enable action to be taken and monitoring mechanisms put in place to measure the impact of that action to inform future activity.

Working with BA

2.32 DSS estimates that nationally 65% of HB claimants are also in receipt of either Income Support (IS) or income-based Jobseeker's Allowance (JSA(IB)). BA is responsible for administering and processing these benefits. BA and LAs rely on the information provided by each other and the degree of co-operation significantly affects the efficiency and security of the delivery of HB, IS and JSA(IB).

2.33 We found a number of weaknesses in the interface arrangements between Babergh and the BA and ES:

- BA staff have little knowledge of the relationship of HB and CTB to IS and JSA(IB)
- BA is inconsistent in the methods and timing of forwarding of claims and entitlement notices to Babergh, for example incomplete NHB1s are being sent
- BFIS does not co-ordinate counter fraud strategies and visiting programmes with Babergh.

2.34 In February 1999 a Remote Access Terminal (RAT) was installed at Babergh. This provides Babergh with direct access to DSS benefit information. However, Babergh is not able to make effective use of the RAT to reduce the number of paper and telephone enquiries because of limited training available at that time.

2.35 When Babergh gets an NHB1 from BA it sends out its own claim form. This is a good and necessary practice because:

- the information in the NHB1 is insufficient to assess RA claims
- BA sends incomplete NHB1s.

2.36 This practice means that claimants have to fill in 2 claim forms to get their HB and CTB. Babergh should make arrangements for BA to hold a stock of its claim forms to be issued instead of the NHB1. South Suffolk is a predominantly rural area with a high level of postal claims. Face-to-face contact with a member of BA staff at the time of the claim form is issued would provide better customer service as well as minimising the risk of fraudulent and erroneous claims entering the system.

2.37 Appendix A provides a detailed analysis of the interface issues between Babergh and BA.

We recommend that Babergh improves its interface arrangements with BA and BFIS by:

- **continuing to review the SLA to make sure it reflects local working arrangements and meets local needs**
- **holding regular liaison meetings to monitor performance against the agreed standards and targets.**

Working with ES

2.38 Babergh is a pilot site for the introduction of ONE which requires close co-operation between the LA and ES. There are a number of weaknesses in the interface arrangements which could, if not resolved, have a detrimental effect on the success of the pilot scheme. The identified weaknesses are:

- Babergh and the ES have not agreed and signed an SLA
- there are no formal liaison meetings. All liaison is informal between individuals
- there are no joint working arrangements between Babergh and ES, for example exchange visits to observe working practices and get to know staff
- there are delays in the transfer of post to Babergh from ES.

2.39 The liaison arrangements for ONE should resolve many of these weaknesses.

We recommend that Babergh uses ONE to improve its interface arrangements with ES by:

- **agreeing and signing an SLA with the ES making sure it reflects local working arrangements and meets local needs**
- **holding regular liaison meetings to monitor performance against the agreed standards and targets in the SLA.**

Working with ROA

2.40 We examined Babergh's interface arrangements with ROA in Suffolk which the Chief Rent Officer judged to be excellent. We found that:

- Babergh and ROA have agreed and signed an SLA. Performance against the SLA is discussed at the 6-monthly meetings ROA holds with all Suffolk LAs including Babergh
- Babergh does not have adequate management checks in place to ensure that all appropriate cases are referred to ROA. In 1998/99 Babergh referred 807 cases to ROA and asked for pre-tenancy determinations in respect of 121 cases. There are very few requests for re-determinations
- Babergh does not refer housing association properties to ROA because it considers rent levels reasonable for the area
- Babergh does not refer those housing association properties where the claimant is over accommodated to ROA
- to make sure that there is a smooth exchange of referrals between ROA and Suffolk LAs, a "time slot" system has been devised. Babergh has been allocated a half-hour morning period in which to fax requests for determinations to ROA. This system prevents queues of incoming faxes at ROA and means that Babergh's referrals are processed promptly. We commend Babergh for this good practice.

2.45 We also examined 20 renewal claims for collection of necessary evidence. The shortened renewal claim form in itself means there was insufficient collection of data for a proper determination to be made in RA claims. Our analysis also confirmed that there was inadequate verification of the limited evidence that had been collected.

For example:

Case study:

A previous claim form showed the capital as £6,500, the renewal claim form £7,500. There was no evidence on the file that the capital had been verified or an explanation sought for the increase in capital. The claimant and partner were pensioners but there was no evidence on file that the pensions had been verified.

2.46 The 1997/98 DA report *Countering Benefit Fraud* commented on the absence of supervisory and management checks and recommended that there should be a minimum 10% check, but we found minimal management checking of claims, whether new or renewal. We saw evidence that Babergh keeps a record of the number of supervisory checks, the type and number of errors found, or the remedial action taken following identification of those errors. However, Babergh does not use the records to:

- identify trends in types of claims or high risk groups
- monitor the performance of individual benefit processors
- calculate an accuracy rate and target
- identify training needs.

2.47 Babergh had in place the nucleus of an implementation plan to introduce VF. This was a list of action points which were under constant review and were revised to take account of new measures or actions needed. The action points included such issues as:

- training provision
- working practices
- quality assurance checks
- management information
- computer system.

We recommend that, having developed the implementation plan, Babergh needs to provide sufficient resources to make sure the framework is implemented with minimal impact on the day-to-day operation of the benefits section.

Identifying high-risk claims and setting benefit periods

2.48 A key issue in effective counter fraud activity is the ability to identify high-risk claims and target resources towards investigating them. An LA needs an IT system that can:

- store key data
- provide a case management system
- interrogate data for analysis
- provide management information that will inform on the incidence, type, and nature of identified fraud.

2.49 This will help the LA to understand and prioritise fraud risks faced and effectively target resources. It moves investigators from solely relying on experience and instinct to a more scientific risk based approach.

Babergh does not use risk analysis and...does not have the IT tools and skills to support it.

2.50 Babergh does not use risk analysis and, even if it did, does not have the IT tools and skills to support it. The only case management system available to the fraud investigation team is non-specialist software that groups all documents and information relating to an investigation in one place. The stored data cannot be interrogated to identify outcomes, risks and

trends. Babergh plans to introduce a new fraud management system as part of the overall change to the benefit IT system to be introduced later in 1999.

2.51 In 1998/99 Babergh recorded 317 fraud referrals but this may not be accurate. We found that 2 of the investigation files we looked at were not fraud investigations. Until the new software becomes available Babergh needs to find a way of identifying fraud investigation entries held on the current software as opposed to non-fraud cases. This will help management select cases for checking and will help provide feedback to officers.

2.52 Babergh does not tailor benefit periods to a claimant's circumstances, or to levels of risk as it is required to do by regulation 66 of the Housing Benefit (General) Regulations 1987. Benefit periods are set according to the parish in which a claimant lives and there are 5 set renewal dates (February, June, August, October and December) during the year. This practice has contributed to periods of increased workload and means that Babergh is not meeting its statutory requirements.

We recommend that Babergh immediately changes its operational processes with regard to the setting of benefit periods so they are aligned to likely changes of circumstances and known risk factors. The new processes should ensure that Babergh fully complies with the statutory requirement as provided in regulation 66(2) of the Housing Benefit (General) Regulations 1987 and regulation 57(2) of the Council Tax Benefit (General) Regulations 1992.

Babergh intends to introduce a new fraud management system. In the meantime it should develop a plan of action to make sure that the system is introduced successfully and is used to inform all future activities of the fraud investigation officers.

Security of payments

2.53 We tested Babergh's processes to deliver automatic or manual payments correctly, identify incorrect payments and maximise overpayment recovery against good practice in the *BFI Good Practice Guide*. The benefits of ensuring all payments are secure are detailed in Section 6 of the *Good Practice Guide*.

2.54 Babergh pays RA either by crossed cheque or by Bank Automated Clearing System (BACS). Cheques can be produced manually if necessary. There is a high risk of fraudulent abuse because of a number of deficiencies in processes:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

2.55 There are weaknesses in Babergh's procedures for replacing cheques reported lost or stolen, [REDACTED]:

- [REDACTED]
- [REDACTED]
- [REDACTED]

2.56 In February 1999 IA reported in *Housing Benefit Audit 1998/99* that Babergh was not operating adequate control of the unrepresented cheque list. [REDACTED]

2.57 Babergh has procedures in place to ensure that the amounts posted to the rents and council tax systems balance. RR and CTB are balanced weekly with the RENTS and Council Tax systems. RA is balanced every 4 weeks.

We recommend that Babergh immediately remedies the weaknesses and deficiencies identified by DA and us.

Notices of determination

2.58 In 1996 Babergh conducted a customer survey and 89% of the respondents said they found the notices easy to understand.

2.59 We examined the processes and a selection of the notices of determination and found that there are separate notices of determination for HB and CTB, including those for overpayments of benefit. The notices do not in all instances comply with Schedule 6 of the Housing Benefit (General) Regulations 1987 and the Council Tax Benefit (General) Regulations 1992. For example:

- the notices include the amounts and details of income and applicable amounts but the actual calculation is in an attached leaflet. This is not good practice
- the notices do not advise the claimant of their right to ask for a written statement or of their right to review. This is included in the attached leaflet. This is not good practice
- the notices of overpaid benefit do not give the reasons why there is an overpayment nor do they include a calculation of the amount of overpaid benefit. Again the claimant or person affected is not advised of their right to ask for a written statement or of their right to review.

2.60 Subsequent to our on-site inspection period Babergh is introducing a new benefit processing system, so we were not able to inspect the notices of determination provided by this system prior to the close of the inspection.

We recommend that Babergh tests the notices of determination produced by the new benefits processing system to ensure they meet the requirements of Schedule 6.

Monitoring performance

2.61 Babergh does not have a comprehensive regime of management checks to provide assurance that it is delivering accurate, secure and prompt benefit payments.

2.62 Babergh's reported performance, 95% of claims paid within 14 days, is very good but against that it cannot guarantee that the amount of benefit being paid is right.

2.63 We found that:

- the minimal checks done are only a check of the correctness of the input of information into the system. No checks are done on:
 - the adequacy of verification carried out
 - whether all the evidence to support the claim has been collected
 - whether the assessor has identified and questioned all discrepancies
 - whether the assessment complies with legislation
 - whether the claim has been determined/paid within 14 days
 - whether all replies to correspondence address all the issues raised
 - whether all requests for internal and further reviews have been identified and actioned within statutory timescales.
- the managers are expected to check one case from each assessor each day. IA reported in February 1999 that this check was not being done regularly. The DA report *Countering Benefit Fraud* in March 1999 confirmed this and recommended that at least 10% of HB assessments should be checked. Our sampling of new and renewal claims confirmed that the required 10% checks were not being done
- errors found during the minimal checks done are brought to the attention of the assessor concerned, which we commend
- records are kept of the results of the checks but no analysis is being done on the reasons for errors or identification made of training needs.

2.64 Babergh uses the *determine and pay claims within 14 days* statutory target as the major performance indicator for the service provided to claimants. All assessment staff have the target to determine and pay 95% of claims within 14 days. This target is linked to Babergh’s performance pay scheme and is the only measure used to assess performance. Benefit staff receive individual feedback on their performance every 2 to 3 months which is included in the 6-monthly appraisal. They also receive monthly performance statistics. Needless to say the target has always been met. Babergh has consistently reported high levels of performance achievement on processing new and renewal HB and CTB claims against the 14-day target.

Fig. 2.4: Babergh’s reported 14-day performance for new claims

Year	RR	RA	Total
1996/97	98%	95%	96%
1997/98	98%	95%	96%
1998/99	98%	94%	97%

Source: DSS ASD1 Stats 124

2.65 We are concerned about the reported performance indicators because:

- there are no quality assurance checks. Babergh's achievement against the 14-day target cannot be considered a reliable indicator of individual staff performance
- the emphasis on speed of processing could be an incentive for staff to be less questioning about claims and so allow invalid claims to enter the system
- speed of processing is often at the cost of quality assessment work and as a result Babergh is unable to give an assurance that its claims comply with the legislation and that the correct benefit has been paid.

We recommend that Babergh immediately develops a comprehensive regime of management checks that enables management to monitor the performance of benefits processing staff and fraud investigation officers and ensure compliance with the law.

Getting it right – recommendations

- We recommend that:
 - Babergh stops using the shortened renewal form immediately and takes steps to review all live claims where this form has been used in the past to make sure that sufficient evidence has been provided to substantiate the determination
 - Babergh revises the current new claim form to address the failings highlighted in this report. (Paragraph 2.25)
- We recommend that Babergh further improves the security of its customer service provision by developing and introducing:
 - briefing packs for landlords
 - publicity material for the local media which supports Babergh's counter fraud measures and activities
 - training for all front line staff to enable them to carry out sound verification of any data and information provided and to give them the knowledge to ask the right questions to check the validity of all claims for HB and CTB. (Paragraph 2.27)
- We recommend that Babergh considers the current post opening processes and puts in place the good practices detailed in the *BFI Good Practice Guide* to minimise the risks to its satisfaction. (Paragraph 2.29)
- We recommend that Babergh revises the current action plan that addresses the weaknesses and deficiencies found in internal security by DA and ourselves. Babergh must provide sufficient resources to enable action to be taken and monitoring mechanisms put in place to measure the impact of that action to inform future activity. (Paragraph 2.31)
- We recommend that Babergh improves its interface arrangements with BA and BFIS by:
 - continuing to review the SLA to make sure it reflects local working arrangements and meets local needs
 - holding regular liaison meetings to monitor performance against the agreed standards and targets. (Paragraph 2.37)
- We recommend that Babergh improves its interface arrangements with ES by:
 - agreeing and signing an SLA with the ES making sure it reflects local working arrangements and meets local needs
 - holding regular liaison meetings to monitor performance against the agreed standards and targets in the SLA. (Paragraph 2.39)
- We recommend that Babergh provides refresher training for all benefit processing staff on the statutory requirements to refer all appropriate claims to the ROA supported by written procedural documentation. Having provided the training and written documentation, management should monitor all new claims and ROA referrals to make sure the statutory requirements are being complied with. (Paragraph 2.40)

Getting it right – recommendations

- We recommend that, having developed the implementation plan, Babergh needs to provide sufficient resources to make sure the framework is implemented with minimal impact on the day-to-day operation of the benefits section. (Paragraph 2.47)
- We recommend that Babergh immediately changes its operational processes with regard to the setting of benefit periods so they are aligned to likely changes of circumstances and known risk factors. The new processes should ensure that Babergh fully complies with the statutory requirement as provided in regulation 66(2) of the Housing Benefit (General) Regulations 1987 and regulation 57(2) of the Council Tax Benefit (General) Regulations 1992. (Paragraph 2.52)

Babergh intends to introduce a new fraud management system. In the meantime it should develop a plan of action to make sure that the system is introduced successfully and is used to inform all future activities of the fraud investigation officers. (Paragraph 2.52)

- We recommend that Babergh immediately remedies the weaknesses and deficiencies identified by DA and us. (Paragraph 2.57)
- We recommend that Babergh tests the notices of determination produced by the new benefits processing system to ensure they meet the requirements of Schedule 6. (Paragraph 2.60)
- We recommend that Babergh immediately develops a comprehensive regime of management checks that enables management to monitor the performance of benefits processing staff and fraud investigation officers and ensure compliance with the law. (Paragraph 2.65)

Keeping it right

Definition

2.66 *Keeping it right* means ensuring payments are adjusted as circumstances change. There are 3 critical areas:

- the design of benefit operational procedures that make it as hard as possible for fraud and error to occur
- the need to focus resources on areas where the system is weakest to target regular checks designed to keep payments right
- learning lessons from experience and combining these with existing data and information so that inconsistencies can be spotted and all available information is used intelligently.

Conclusions

2.67 Babergh tries to secure the benefit system and to maintain continued contact with claimants, but is partly hampered by:

- the limited resources it allocates to the benefit service. There is no office or staff in the largest town although there is Sudbury Advice Centre where claimants can collect or leave claim forms
- the geographic and demographic nature of the area. There is no visiting section
- limited joint working with BA and ES, although this may change with ONE
- limited management information.

2.68 All these restrictions means that Babergh cannot provide the level of continuing face-to-face contact required by the government strategy or give an assurance that payments are adjusted when changes of circumstance occur.

2.69 Babergh has taken some steps to improve fraud awareness in the benefits section. However, more could be done in the form of a formal fraud awareness programme available to all Members and council employees but particularly those who come into contact with the public.

2.70 Babergh created a permanent post for an Assistant Investigation Officer to do targeted visits. We commend Babergh for this commitment and initiative.

2.71 Babergh does not have effective operational procedures for administering requests for internal and further reviews. It is essential that people are aware of their rights of review so that errors or weaknesses in processes are identified and remedied. Nor does Babergh use management information to monitor standards of performance when handling requests for reviews and to introduce improvements. It also makes little use of publicity material to remind claimants and landlords of the right to review.

2.72 Babergh does not make effective use of the liaison arrangements with the BA and ES to deal with reported changes of circumstances.

2.73 Babergh handles claims for extended payments well. It publicises the scheme and processes the claims in accordance with the legislative requirements. We commend Babergh for its good performance in this area.

Babergh uses a number of the data matching opportunities available, particularly HBMS.

2.74 Babergh uses a number of the data matching opportunities available, particularly the Housing Benefit Matching Service (HBMS). However, it needs to analyse results to identify future opportunities and address issues where matches indicate process or claimant errors. We acknowledge Babergh's efforts to not restrict its fraud investigation activities to reactive work by doing a number of targeted investigations.

However, this proactive work could be made more effective if Babergh reviewed work done to date and took forward the lessons learnt into future initiatives.

2.75 We examined Babergh's security measures with regard to payments to landlords. Babergh could further improve the measures by maintaining a register of landlords, including HAs, containing data that would enable it to carry out the 'fit and proper' test as provided for in legislation and have control of direct payments made to landlords.

2.76 Babergh makes full use of the normal methods of recovering overpayments but, for the deterrent effect of overpayment recovery to have the maximum impact, it needs to make effective use of:

- the recovery powers in section 75 of the Social Security Administration Act 1992 and regulations
- its management information system.

Findings

Processing changes of circumstances

2.77 Babergh has a change of circumstance form for claimants and landlords to use when they wish to report a change. We found that

Babergh actions reported changes of circumstances promptly, and gives priority to cases where the change affects current entitlement.

Babergh actions reported changes of circumstances promptly, and gives priority to cases where the change affects current entitlement. But Babergh does not always verify the reported change sufficiently to ensure that the adjustment is made from the correct date and to the correct amount. Statements made on renewal claim forms or on change of circumstances forms are generally accepted as sufficient proof of the change and not followed up to ensure the accuracy of the information given. Babergh could improve its management of

these cases by making sure that correct effective dates of change are used and all suspicious cases are referred to the fraud investigation team.

2.78 We found that :

- Babergh keeps a record of the source of the reported change to identify reporting trends, but does not make use of this data to identify trends or high risk groups
- the majority of changes of circumstances are notified at renewal of the claim rather than when it occurs. We found only one case where a change had been notified at the time it occurred.

2.79 Babergh's decision to have 5 set renewal dates during the year:

- fails to comply with the law
- increases the workload on these claims
- creates unnecessary overpayments
- does not consider the risk factor when determining benefit periods.

2.80 Regulation 66(2) of the Housing Benefit (General) Regulations 1987 provides for the LA to determine the length of the benefit period having regard to any relevant circumstances which may affect entitlement in the future. In our sample, we found a case where the determination did not have regard to this regulation. We found the following example of this failure:

Case study:

A claimant's private pension increased every April in line with inflation. The claimant always failed to declare this increase until the claim was renewed in the August of that year. So for 6 years, the claimant's failure to notify the April pension increase until August, and Babergh's failure to tailor the benefit period to pick up the pension increase in April, caused unnecessary administrative work.

We recommend that Babergh immediately instructs benefit processing staff to comply with legislative requirements when setting benefit periods for all new and renewal claims. This should be supported by written procedural guidance and refresher training.

We recommend that Babergh reviews and sets appropriate benefit periods for all live claims and at the same time implements a rolling review of the live caseload on the new benefit processing system.

We recommend that Babergh immediately instructs benefit processing staff to comply with legislative requirements when determining the effective date of change. This should be supported by written procedural guidance and refresher training.

Promoting fraud awareness

2.81 The *BFI Good Practice Guide* suggests that a comprehensive fraud awareness training programme helps to reduce the risk of fraud entering the system and increases the likelihood of detecting fraud at the earliest opportunity.

2.82 Babergh recently updated its *Benefit Guidance and Office Procedures* manual to include a section on fraud awareness and the conduct of investigating officers. This is good practice but should not replace a formal programme of fraud awareness training and a specific code of practice for staff involved in the investigation of fraud.

2.83 Babergh needs to improve benefit officers' fraud awareness skills through a planned programme of fraud awareness training. Processing staff told us that they:

- have not received regular fraud awareness training
- received appropriate feedback on referrals they make
- have not received training on dealing with phone calls alleging benefit fraud.

We recommend that Babergh develops and implements a planned programme of fraud awareness training that encompasses Members, senior management, and all staff who have face-to-face contact with the public. This will help to spread the message that fraud is not tolerated in Babergh and improve the sources, numbers and quality of fraud referrals. This will increase the amount of fraud identified.

Findings

We recommend that Babergh immediately develops and introduces a specific code of practice for the fraud investigation officers.

Visiting

2.84 During 1998/99 Babergh received Challenge funding for additional visits to check on residency, further claims and targeted client groups. The post of Assistant Investigation Officer was created in July 1998. Figure 2.5 gives details of the Challenge funding visiting activity.

Fig. 2.5: Challenge funding

Title	Value
Challenge fund spend	£6,750
LA spend	£6,750
Total	£13,500
WBS claimed	£43,394

Source: Babergh

2.85 In 1998/99, Babergh made 228 visits and 75 (33%) cases produced claimed WBS. There is no data available of the numbers and amounts of fraudulent overpayments arising from the visiting activity. However, the reasons for the WBS claim shown in Figure 2.6 support the development of a structured approach to visiting high risk claims.

Fig. 2.6: Reasons for WBS claimed from Challenge Fund visiting, 1998/99

Reason for WBS claim	Number	%
Earnings increased or started work	50	67
Increase in DSS benefit	11	15
Change in non-dependant details	6	8
Maintenance not declared	2	2.5
Partner resident	2	2.5
JSA ceased	2	2.5
Other	2	2.5
Totals	75	100

Source: BFI analysis

2.86 We are concerned that in 11 cases, 15% of the sample, the irregularity identified was an increase in the level of DSS benefits in payment. The circumstances where an increase in benefit payments could result in a WBS being claimed are remote and even then an experienced benefit processor should be able to identify the possibility and tailor the benefit periods to avoid this happening. Our analysis supports our concerns about the quality of assessment work and the failure to tailor benefit periods to the circumstances of individual claimants. Babergh should also make sure that it uses the RAT to avoid such an occurrence in the future.

We recommend that Babergh expands its visiting activities using the risk criteria as set out in VF.

Review process

2.87 We could not identify internal review cases for sampling as at the time of our on-site inspection Babergh was not keeping records of requests made for internal reviews.

2.88 The *BFI Good Practice Guide* states that a well administered LA should have:

...processes to ensure claimants' right to review and appeal are recognised, communicated and properly managed and exercised.

2.89 Babergh provided us with 3 internal review cases, one of which had action still ongoing. We found that 2 of the cases had been dealt with promptly and Babergh had sent clear and comprehensive letters of explanation to both claimants.

2.90 Babergh has held only 3 review board hearings since 1996 and could only provide one case for examination (which had been dealt with promptly) so we were unable to assess the general standard of performance in this area. Babergh keeps insufficient data for us to fully establish why there has been such a low demand.

2.91 One factor may be that at the time the advice on the rights to ask for a written statement or an internal review was not included in the actual notice of determination. This, however, may have been resolved with the new benefits processing system and the new determination notices.

We recommend that Babergh immediately ensures that the right for claimants and persons affected to ask for a written statement and an internal review is included in all notices of determination.

We recommend that Babergh provides refresher training supported by written procedural guidance on how to identify and deal with requests for written statements, internal reviews, backdated benefit and exceptional payments.

We recommend that Babergh puts in place arrangements for management to monitor requests for written statements, internal reviews and further reviews to make sure all cases are identified and dealt with appropriately.

Transfer of information with BA and ES

2.92 BA does not change the HB or CTB indicator from NO to YES if Babergh makes an enquiry on an individual case. If the indicators are not changed, Babergh will not be told of changes of circumstances which are reported to BA.

2.93 BA does not tell Babergh if the claimant's IS or JSA(IB) has been suspended pending further enquiries about eligibility. This means that Babergh continues to pay HB or CTB on the basis that the claimant is still entitled to IS or JSA(IB).

2.94 BA does not always tell Babergh when IS or JSA(IB) has stopped within the timescale necessary to meet internal performance targets. Our sampling showed that only 33% of the cases were sent within timescales. This can cause unnecessary overpayments.

2.95 Babergh told us that it notifies BA of changes of circumstances only when a claimant in receipt of IS or JSA(IB) has a change relating to non-dependants in the household. Staff confirmed that BA is notified of these changes in writing. BA and Babergh should review the current arrangements to identify other areas where information held would help BA, for example information about overpayments and other changes of circumstances. In a sample of 12 fraud overpayments raised by Babergh, we found 10 cases where notification had not been sent to the BA.

We recommend that Babergh monitors BA's performance against the standards and targets detailed in the SLA and uses the regular liaison meetings to report and resolve any identified deficiencies against these standards and targets.

2.96 The new claim advisers at the ES offices told us they remind claimants of their responsibilities to report changes at the new claims interview. They make sure claimants read the responsibilities section of the form and get them to sign for the ES40. A 100% check of all new claims is done and the team leader specifically checks to see if the ES40 has been signed for. But they do not confirm identity of the person reporting the change, which weakens the process.

2.97 If a change is reported at ES, the claimant is referred to the intervention section, where a JSA460 is completed and given to BA. The claimant can discuss complicated changes with BA staff. BA then processes the change. More detail is given at Appendix A.

We recommend that Babergh agrees and signs an SLA with ES which encompasses standards and targets to resolve the deficiencies outlined in Appendix A.

We recommend that Babergh monitors ES's performance against the standards and targets detailed in the SLA and uses the regular liaison meetings to report and resolve any identified deficiencies.

Babergh's performance in administering the extended payment scheme is generally good.

Extended payments

2.98 Babergh's performance in administering the extended payment scheme is generally good. We examined 10 cases where an extended payment had been made and only found one error. In all of the cases an in-work claim had been made. All of these cases had been determined within the timescales. Babergh actively publicises the extended payment scheme.

Fraud hotline

2.99 Babergh has a direct telephone line to the fraud investigation team, but this is not widely publicised and there is no answerphone for calls to the fraud investigation team after office hours. Fraud hotlines can also provide a rich source of fraud referrals. Babergh has no plans to introduce a hotline.

2.100 The value of providing easy and simple telephone access to the public is clear from referrals received by Bury St Edmunds BFIS. Between January and March 1999, 26% of BFIS referrals were from the public and of these 38% came from the BA national fraud hotline. None of the 22 fraud cases we examined at Babergh came from members of the public.

2.101 Staff likely to receive telephone calls and potential fraud referrals from members of the public should be able to refer to a list of questions to ask. We advocate the use of a standard form when taking anonymous telephone calls. This ensures that fraud investigators have all essential information to help their investigations. The Audit Commission's *Countering Housing Benefit Fraud Audit Guide* and the *Fraud Investigators Manual* provide advice and guidance on questions to be asked.

We recommend that Babergh reconsiders the decision not to introduce a fraud hotline.

Data matching

2.102 Data matching is the automated comparison of information collected about the same person from different sources, to identify discrepancies and anomalies which may indicate fraud or error.

2.103 Babergh makes use of a number of data matching options to detect benefit fraud. It uses HBMS, which matches data with that held by other LAs and with DSS benefit data.

2.104 HBMS is a DSS sponsored project for which there is no charge to LAs. For Babergh this has proved to be a beneficial and cost effective method of receiving referrals and investigating possible fraud. Results from the use of data matching for the last 2 years is in Figure 2.7, and shows that in 1998/99 nearly 20% of Babergh's WBS claims came from HBMS data matching.

Fig. 2.7: Results from HBMS data matching

Year	Number investigated	WBS claims	% of all WBS claims
1997-98	62	28	–
1998-99	95	34	19

Source: Babergh

2.105 DA oversees the National Fraud Initiative and participating LAs are charged for the service. Babergh told us that National Fraud Initiative now produces very few successful investigations so has not been as cost effective as HBMS. However it continues to pay for the service. Babergh also told us that it has extended data matching by matching HB records against other LA records, such as payroll.

Proactive work

2.106 Babergh told us that in the past it had targeted certain claim types, which have produced good results. However, we could not find evidence of any analysis or evaluation on this work. This type of proactive work would be more effective if the selection of cases was informed by analysis of results from previous exercises.

We recommend that Babergh analyses the results from its proactive and data matching exercises to help develop future exercises.

There are weaknesses in the control of payments to both private sector landlords and HAs.

Payments to landlords

2.107 We found that there are weaknesses in the control of payments to both private sector landlords and HAs.

2.108 Babergh makes payments of benefit direct to private sector landlords and HAs. If there is more than one payment due for different

claimants for the same landlord, the payments are listed on a schedule and a cheque or BACS payment raised for the total amount due. Babergh was unable to confirm the total amount of RA paid direct to landlords

2.109 Babergh does not maintain a register of information on private sector landlords. Because it does not hold sufficient data on private sector landlords Babergh does not have the means to exercise the 'fit and proper' person provision in regulations 93(3) and 94(1B) of the Housing Benefit (General) Regulations 1987 as it must by law and regulations, nor the provision in section 126A of the Social Security Administration Act 1992 setting out the circumstances in which an LA can require information from landlords and agents.

2.110 These weaknesses in the control of payments to landlords could result in fraud or overpayments of benefit. Section 8 of the *BFI Good Practice Guide* highlights the advantages of working closely with landlords.

We recommend that Babergh sets up a register of private sector landlords collecting sufficient data to determine the landlord as a 'fit and proper' person to receive HB payments.

Overpayments

2.111 By interviewing staff and observation we examined Babergh's processes to recover overpayments and found:

- distinctive stationery is used in the files so that previous overpayments can be easily be identified by benefit staff
- because the current computer system has limitations, Babergh transfers all RR overpayments to the Housing Revenue Account and does not recover from ongoing benefit where possible, as they do for RA cases. This was confirmed by our sampling. All overpayments transferred to the Housing Recovery Account are manually removed the following day, and a sundry debtor invoice is raised
- that there had been limited feedback to benefits staff on those processing errors that had been identified. As we have already stated elsewhere in the report, identified errors are not analysed and used to identify a training need or to give feedback as a matter of course
- there is a rising level of debt from £124,799 in 1996/97 to £135,534 in 1998/99 and no provision made for 'bad debt'. It is important to control the level of debt and to make provision for debts which cannot be recovered
- Babergh does not use the provisions of section 75(7) of the Social Security Administration Act 1992, whereby the HB overpayment determination can be used to register a debt in the county court
- Babergh does make use of the provision to recover HB overpayments from other social security benefits
- Babergh refers HB overpayments to a debt collection agency for recovery.

2.112 We also examined a sample of 30 cases (20 random and 10 from the fraud investigation caseload). Detail is at Appendix D but in summary we found that:

- the classification of the overpayment was not correct in one case (5%) of the random sample of 20, and 7 (70%) were incorrect in the 10 fraud investigation cases
- the notices of determination sent to claimants did not comply with Schedule 6, paragraph 14 of the Housing Benefit Regulations 1987 which requires an LA to give the claimant reasons why there is a recoverable overpayment
- although Babergh considers whether the chosen method of recovery is the most cost-effective and efficient, it is not always successful. For example, we found a number of cases where the claimants had capital from which they could have fully discharged the debt but Babergh had chosen to recover the debt by instalments from ongoing benefit
- Babergh does minimal management checks. We found no evidence that consistent checks were made on the correctness of the determination

We recommend that Babergh reviews the operational processes for the recovery of HB overpayments to make sure that all overpayments are recovered in the most cost-effective and efficient way, and makes provision for bad debts.

We recommend that Babergh revises the operational processes for the recovery of overpayments so that the provisions contained in the Social Security Administration Act 1992 as amended by the Social Security Administration (Fraud) Act 1997 are incorporated supported by training and written procedural guidance.

Keeping it right – recommendations

- We recommend that Babergh immediately instructs benefit processing staff to comply with legislative requirements when setting benefit periods for all new and renewal claims. This should be supported by written procedural guidance and refresher training. (Paragraph 2.80)
- We recommend that Babergh reviews and sets appropriate benefit periods for all live claims and at the same time implements a rolling review of the live caseload on the new benefit processing system. (Paragraph 2.80)
- We recommend that Babergh immediately instructs benefit processing staff to comply with legislative requirements when determining the effective date of change. This should be supported by written procedural guidance and refresher training. (Paragraph 2.80)
- We recommend that Babergh develops and implements a planned programme of fraud awareness training that encompasses Members, senior management, and all staff who have face-to-face contact with the public. This will help to spread the message that fraud is not tolerated in Babergh and improve the sources, numbers and quality of fraud referrals. This will increase the amount of fraud identified. (Paragraph 2.83)
- We recommend that Babergh immediately develops and introduces a specific code of practice for the fraud investigation officers. (Paragraph 2.83)
- We recommend that Babergh expands its visiting activities using the risk criteria as set out in VF. (Paragraph 2.86)
- We recommend that Babergh immediately ensures that the right for claimants and persons affected to ask for a written statement and an internal review is included in all notices of determination. (Paragraph 2.91)
- We recommend that Babergh provides refresher training supported by written procedural guidance on how to identify and deal with requests for written statements, internal reviews, backdated benefit and exceptional payments. (Paragraph 2.91)
- We recommend that Babergh puts in place arrangements for management to monitor requests for written statements, internal reviews and further reviews to make sure that all cases are identified and dealt with appropriately. (Paragraph 2.91)
- We recommend that Babergh monitors BA's performance against the standards and targets detailed in the SLA and uses the regular liaison meetings to report and resolve any identified deficiencies against these standards and targets. (Paragraph 2.95)
- We recommend that Babergh agrees and signs an SLA with ES which encompasses standards and targets to resolve the deficiencies outlined in Appendix A. (Paragraph 2.97)
- We recommend that Babergh monitors ES's performance against the standards and targets detailed in the SLA and uses the regular liaison meetings to report and resolve any identified deficiencies. (Paragraph 2.97)

Keeping it right – recommendations

- We recommend that Babergh reconsiders the decision not to introduce a fraud hotline. (Paragraph 2.101)
- We recommend that Babergh analyses the results from its proactive and data matching exercises to help develop future exercises. (Paragraph 2.106)
- We recommend that Babergh sets up a register of private sector landlords collecting sufficient data to determine the landlord as a 'fit and proper' person to receive HB payments. (Paragraph 2.110)
- We recommend that Babergh reviews the operational processes for the recovery of HB overpayments to make sure that all overpayments are recovered in the most cost-effective and efficient way, and makes provision for bad debts. (Paragraph 2.112)
- We recommend that Babergh revises the operational processes for the recovery of overpayments so that the provisions contained in the Social Security Administration Act 1992 as amended by the Social Security Administration (Fraud) Act 1997 are incorporated supported by training and written procedural guidance. (Paragraph 2.112)

Putting it right

Definition

2.113 *Putting it right* means detecting when payments go wrong and taking prompt action to correct them, with appropriate penalties to prevent a recurrence. The *National Housing Benefit Accuracy Review 1997/98* estimated that around 87% of fraud occurred when claims were in payment. It is vital that fraud and error is detected as soon as possible to limit losses.

2.114 The greater emphasis on securing the gateways is to allow fraud investigators to concentrate activities on those who intend to steal from social security. There are a number of crucial areas to make this work:

- ensuring that fraud investigators are well-trained
- providing high quality referrals to investigators
- passing on experience and information to others investigators quickly
- publicising the efforts of fraud investigators
- providing fraud investigators with sufficient resources
- sharing information with other agencies
- applying effective sanctions.

Conclusions

2.115 Babergh will need to commit a considerable amount of resources to the crucial areas listed in the paragraph above to achieve the aim of securing the gateway.

2.116 Babergh provides ongoing training for fraud investigations staff but this needs to be increased to improve the standard of the investigation work.

2.117 Babergh needs to improve on its sources and numbers of fraud referrals, which we found to be limited and of poor standard. The limited number of fraud referrals Babergh receives leads us to conclude that fraud is not being identified and investigated.

2.118 Babergh has no fraud publicity strategy, which inhibits the effectiveness of its counter fraud measures. It is generally accepted that publicity about successful prosecutions can have a deterrent effect on both opportunistic and organised fraudsters. However, at the time of our on-site inspection, Babergh was preparing for the introduction of such a strategy.

2.119 There is room for considerable improvement in the quality of the fraud investigation work and the management of fraud investigation documentation.

2.120 Babergh has no prosecution policy nor has it implemented the use of administrative penalties as an alternative to prosecution. However, at the time of our on-site inspection, Babergh was preparing for the introduction of such a policy.

Findings

Fraud training

2.121 Training is essential if fraud investigation staff are to have the necessary skills to carry out fraud investigation work of a high standard. We acknowledge that as a small district council Babergh has limited financial resources which restricts the access both benefit processing and fraud investigation staff have to external training provision such as the recently developed Professionalism in Security programme.

We recommend that Babergh immediately reviews and revises its training provision for the fraud investigation officers by:

- identifying their training needs
- developing and implementing a formal training programme.

We recommend that Babergh makes sure that all training given is evaluated for effectiveness and is supported by written procedural guidance.

Babergh does not refer all cases of suspected fraud arising from changes of circumstances to the fraud investigation team.

Referrals to the fraud team

2.122 Babergh does not refer all cases of suspected fraud arising from changes of circumstances to the fraud investigation team. We were told that the fraud investigation team has told assessors that where the change has been revealed to Babergh prior to their intervention, this is not regarded as fraud so the LA is unable to claim WBS.

2.123 Although WBS may not apply, all cases of suspected fraud should be referred to the fraud investigation team. A proper fraud investigation could establish that the declaration itself is false and that a fraudulent overpayment has occurred.

2.124 The *BFI Good Practice Guide* sets out the benefits of having effective procedures in place to maximise the quality and quantity of referrals.

2.125 The limited data provided by Babergh suggests that around 400 referrals were made in 1998/99. This breaks down into 228 (57%) from Challenge fund work and 172 (43%) from referrals from outside the fraud section. The 400 referrals equate to 8% of Babergh's average HB caseload. BFIS produced a referral rate equivalent to 31% of its average IS/JSA live load. Babergh should try to establish why this disparity exists and how it can generate more referrals.

2.126 Our sample of fraud investigation cases showed only 3 sources of fraud work:

Fig. 2.8: Referral sources on 1998/99 cases examined

Referral source	Number	%
Benefits	7	32
Data matching	4	18
Self generated	9	41
Not fraud related	1	4.5
No fraud papers	1	4.5
Total	22	100

Source: BFI analysis

We recommend that Babergh reviews and revises the operational processes for generating fraud referrals with the aim of achieving a significant increase in the sources, types and numbers of referrals.

We recommend that Babergh uses the provision of regular fraud awareness training to make sure that all fraud referrals are of high quality and generate an increase in the amount of fraud identified and numbers of fraudulent overpayments generated.

Publicity

2.127 Babergh has no publicity strategy even though publicising successful prosecutions can be a powerful deterrent to fraud and error. We were told that the 1998 summer edition of 'Babergh News' included an article on the cost of fraud to Babergh residents and what action the LA is taking to reduce this cost. In order to build up a strong anti fraud culture the message that fraud will not be tolerated needs to be reinforced on a regular basis. So it is important that articles such as this should be a regular feature of any publicity campaign.

Counter fraud objectives

2.128 Babergh's fraud investigators use the *DSS Fraud Investigators Manual* as a guide for their investigative activities. We commend them for this but they should also use the Audit Commission's *Countering Housing Benefit Fraud Audit Guide* as further authoritative guidance on the organisation, management and investigation of fraud.

2.129 We sampled 22 cases selected at random from the fraud investigation caseload. We also interviewed the fraud investigation officers and examined data provided by Babergh. We found that much of the fraud work lacked the depth and standard of investigation necessary to effectively promote fraud prevention and deterrence.

Findings

2.130 The fraud file and associated paperwork were not kept separate from the benefit file. This is not good practice because of the need to secure material of a sensitive nature and have a distinct audit trail.

2.131 Babergh's fraud investigation officers keep documents and information relating to their investigations in the HB claim file. An index and summary sheet separates these from the HB claim papers. We were told that not all the documentation associated with an investigation is kept together. They keep some and the remainder are filed in the HB claim file, which they consider to be an extension of the fraud file.

2.132 The keeping of fraud investigation documentation on HB claim files is not good practice. The fraud investigators should keep separate files of all fraud investigation documentation but put markers on the main HB claim file as an indication that they have an interest in the claim.

2.133 At Babergh the performance of the fraud section is primarily measured in terms of WBS claimed.

Fig. 2.9 Performance on WBS

Year	WBS threshold	WBS claimed	% of threshold
1996/97	£129,542	£187,003	144
1997/98	£138,951	£205,802	148
1998/99	£129,095	£128,459	99.5

Source: Babergh

2.134 The 1997 NAO report *Measures to Combat Housing Benefit Fraud* reported that the level of IS WBS claimed by LAs nationally in 1995/96 was 11.2%. In 1998/99 only 7% of WBS recorded by Babergh was for JSA(IB) or IS so it is possible that Babergh is potentially under-recording a large amount of WBS. If in 1998/99 Babergh had achieved the average performance of 11.2% it would have claimed over £5,000 of additional WBS.

2.135 We examined the 22 cases for the validity of the WBS claimed. Our findings are shown below.

Fig. 2.10: Findings from WBS sample

Findings	Number	Value	%
WBS claimed	13	£8,322.36	100
Doubtful cases	9	£4,932.92	69
Agreed with WBS claim	4	£3,389.44	31

Source: BFI analysis

2.136 There was evidence that the investigative activity was being targeted towards those cases that provided a fast route to a WBS claim. We found cases in our sampling where the investigation work had been stopped short of the point where, if it had continued, a WBS could have been claimed.

Fig. 2.11: WBS – doubtful cases

Reason for doubt	Number	Value	% of doubtful cases
No. of cases	9	£4,932.36	100
Intent not established	7	£2,922.36	78
No DFO intervention	1	£1,609.28	11
Benefit not ended or reduced	1	£401.28	11

Source: BFI analysis

2.137 Our finding that 69% of our sample had doubtful WBS claimed has financial implications for Babergh. If this is extrapolated to the WBS claimed in 1998/99 it would suggest that Babergh has only achieved 41% of the DSS threshold and could suffer subsidy penalties.

We recommend that Babergh immediately provides refresher training and supporting written procedural guidance for management and the fraud investigation officers on the criteria for claiming WBS to make sure that only valid claims for WBS are made. Babergh should immediately put in place a checking regime for all WBS claimed.

Management controls

2.138 The Benefits Manager has operational control of the fraud investigators. Other than authenticating the WBS claimed he has no involvement in:

- the allocation of referrals to individual investigators
- the prioritising of investigations
- monitoring the progress of investigations
- assuring the quality of the investigative work done.

We recommend that Babergh reviews and revises the line management responsibility of the operational control of the fraud investigation team to put in place the requirements listed.

Closer working with BFIS

2.143 Although the relationship between Babergh and parts of BFIS (Bury St Edmunds office) has been improving, there has been little formal discussion or planning to identify opportunities for joint working. Babergh told us that it has been meeting with BFIS but has not been able to secure agreement on monitoring arrangements for the SLA, nor on how to achieve closer working.

2.144 Babergh and BFIS use the SLA and HBF series of forms to share limited information about ongoing investigative work. Both organisations report that the procedure works well. We cross-examined investigations by Babergh with investigations done by BFIS and found no duplication of investigations.

2.145 We found that BFIS did not refer to Babergh those cases described as “No Fraud Action” because there is:

- no record of a DSS administered benefit in payment, or
- the alleged fraud or change in circumstance would not affect entitlement to the DSS benefit.

2.146 However, these cases may have some entitlement to HB and CTB even though they are of no interest to BA. Babergh has recently started to receive referrals of such cases from BFIS.

We recommend that Babergh makes sure that BFIS notifies all 'No Fraud Action' cases where there is HB or CTB involvement. This can be done through the regular liaison meetings. Babergh should monitor the flow of these cases and collect data on the results to establish the effectiveness of the procedure in decreasing the level of fraud in Babergh.

Putting it right – recommendations

- We recommend that Babergh immediately reviews and revises its training provision for the fraud investigation officers by:
 - identifying their training needs
 - developing and implementing a formal training programme. (Paragraph 2.121)
- We recommend that Babergh makes sure that all training given is evaluated for effectiveness and is supported by written procedural guidance. (Paragraph 2.121)
- We recommend that Babergh reviews and revises the operational processes for generating fraud referrals with the aim of achieving a significant increase in the sources, types and numbers of referrals. (Paragraph 2.126)
- We recommend that Babergh uses the provision of regular fraud awareness training to make sure that all fraud referrals are of high quality and generate an increase in the amount of fraud identified and numbers of fraudulent overpayments generated. (Paragraph 2.126)
- We recommend that Babergh immediately provides refresher training and supporting written procedural guidance for management and the fraud investigation officers on the criteria for claiming WBS to make sure that only valid claims for WBS are made. Babergh should immediately put in place a checking regime for all WBS claimed. (Paragraph 2.137)
- We recommend that Babergh reviews and revises the line management responsibility of the operational control of the fraud investigation team to put in place the requirements listed. (Paragraph 2.138)
- We recommend that Babergh develops and implements a prosecution policy which incorporates the provisions of the Social Security Administration Act 1992 as amended by the Social Security Administration (Fraud) Act 1997. Babergh should draft an implementation plan for the prosecution policy, which should include:
 - training
 - development of operational processes to support the policy
 - review and revision of IT provision to support the policy. (Paragraph 2.142)
- We recommend that Babergh provides training for fraud investigation officers on interviews under caution to meet the requirements of the Police and Criminal Evidence Act 1994. The training should be supported by written procedural guidance and the necessary tools, for example tape machines. (Paragraph 2.142)
- We recommend that Babergh makes sure that BFIS notifies all 'No Fraud Action' cases where there is HB or CTB involvement. This can be done through the regular liaison meetings. Babergh should monitor the flow of these cases and collect data on the results to establish the effectiveness of the procedure in decreasing the level of fraud in Babergh. (Paragraph 2.146)

Making sure things work

Definition

2.147 *Making sure things work* means planning action, taking action and then measuring the impact of that action to inform future activity.

2.148 Key points are that:

- activity must focus on the required outcome of reduced fraud and error
- there must be effective measures
- compliance must be subject to assurance
- countering fraud is everyone's business and all concerned must co-operate.

Conclusions

2.149 At the time of our on-site inspection we found limited evidence of:

- Member support of or involvement in benefits delivery
- clear and consistent set of strategies or policies on benefits delivery and counter fraud measures
- compliance testing to give an assurance that strategies and policies are being complied with
- effective use of implementation planning tools.

Babergh does not have a comprehensive counter fraud strategy or implementation plan.

2.150 Babergh does not have a comprehensive counter fraud strategy or implementation plan, which are essential if Babergh is to identify risks and to devise and implement effective counter measures. Babergh plans to address this as part of a service delivery planning review.

2.151 Babergh does not have wholly effective and efficient working practices or performance targets to ensure the quality and accuracy of both benefit administration and counter fraud activities.

2.152 Babergh is developing a Service Plan for the Benefits and Revenues Service which details, amongst other things, the objectives, targets and performance indicators for the section.

Findings

2.153 We did not find any concrete evidence that Babergh was developing an integrated corporate approach through the adoption of a corporate framework for the benefits service. Although we were told that Babergh is developing a number of policies that will address many of our concerns about the standard of benefits administration and counter fraud work. For example, it plans to seek member approval of its draft prosecution policy before the end of 1999

2.154 We consider that a successful corporate framework should have:

- the active support and commitment from all Members
- documented aims and objectives
- clear, comprehensive, and consistent documented policies and strategies that support the corporate vision
- a detailed and robust counter fraud and corruption strategy
- agreed and achievable targets for service delivery
- effective planning and monitoring mechanisms, giving regular reports to Members on the achievements of the benefits service against set performance standards and targets, and involving staff.

2.155 We were told that Babergh is developing a comprehensive counter fraud strategy that:

- identifies and addresses internal and external risks
- determines a programme of counter measures to prevent and deter fraud
- ensures benefits and other authority staff are fraud aware.

2.156 In *Getting it right, Keeping it right* and *Putting it right* we reported on the weaknesses and deficiencies we found in:

- internal security
- IT security
- counter fraud measures
- the role of IA
- management controls
- the use of prosecution, administrative penalties and publicity.

2.157 We were told that Babergh is developing an operational plan for a comprehensive counter fraud strategy. Any such plan should support the draft strategies and give clear direction to the benefits manager, benefits processors and the fraud investigators on what they to do to reduce the levels of fraud and error. The operational plan should clearly set out:

- Babergh's counter fraud objectives and how these will be achieved
- achievable targets for the benefit manager, benefit processors and fraud investigators
- the measurements to be used to assure quality in the investigation process and recorded performance.

2.158 We examined the counter fraud working practices at Babergh and found there was no:

- fraud-specific business plan setting out the strategy and direction for counter fraud activities. Babergh accepted the 1997/98 DA recommendation that such a plan should be introduced by August 1999 but at the time of our inspection this had not been achieved
- publicity strategy that seeks to maximise deterrence by promoting anti-fraud policies
- detailed investigator's code of practice setting out the standards it expects investigators to comply with, such as:
 - how they should present themselves when dealing with claimants, landlords and others
 - the timing of visits and whether the circumstances of the interviewee means the investigator should be accompanied
 - handling sensitive cases, for example people who might be aggressive, the elderly or people with a disability, in an appropriate manner.

2.159 Babergh needs to standardise the procedures in terms of investigation quality, levels of service, and public awareness by adopting the practical improvements recommended elsewhere in this report.

2.160 Babergh has recognised that additional resources are needed to make improvements, for example introducing VF by April 2000. We welcome this, as it is clear that the expenditure on front line processing staff, currently around 25% of the total administration spend, is insufficient to address the recommendations in this report.

2.161 Babergh will need to undertake a thorough integrated planning review of the resources allocated to the benefits service to:

- cost the introduction of VF and our recommendations
- examine the current use of resources to identify inefficiencies
- review the benefits section recharges to ensure that all recharges for central services are evenly apportioned
- assess and plan for the impact of the introduction and implementation of the new benefit and fraud IT systems
- address the impact of these changes on other parts of its business, for example training and accommodation
- identify and take advantage of funding and other resource opportunities available, for example DSS VF funding, Professionalism in Security training for fraud investigators, and assistance with prosecution work (DSS are currently engaged in pilot projects in this area of work).

We recommend that Babergh implements all necessary strategies, policies and operational processes to make sure that counter fraud efforts work and reduce the level of fraud in Babergh.

We recommend that Babergh collects and analyses sufficient management information to measure the success of the measures in place and to inform future action to improve.

Making sure things work – recommendations

- We recommend that Babergh implements all necessary strategies, policies and operational processes to make sure that counter fraud efforts work and reduce the level of fraud in Babergh. (Paragraph 2.161)
- We recommend that Babergh collects and analyses sufficient management information to measure the success of the measures in place and to inform future action to improve. (Paragraph 2.161)

Appendices

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Appendix A:

Joint issues with BA and ES

In this appendix we bring together specific issues affecting the interface arrangements between Babergh, BA and ES. The issues follow the government's strategy for safeguarding social security, *A new contract for welfare: SAFEGUARDING SOCIAL SECURITY*

Fig. A1: Getting it right – payments should be correct from day one

Issue	Impact	Recommendation
BA and ES staff have little knowledge of HB and CTB.	Potential failure by BA and ES staff to take into account matters which may affect HB and CTB.	BA, ES and Babergh should liaise to raise knowledge of HB and CTB and the main issues facing Babergh.
BA has inconsistent practices for forwarding claims and entitlement notices to Babergh, for example incomplete NHB1s are being sent.	BA is not meeting the standards contained in the SLA.	Comply with SLA.
BA and Babergh do not exchange information to co-ordinate visits.	Claimants could be receiving visits from Babergh, BA and BFIS.	BA and Babergh exchange information and co-ordinate visits.
BA does not notify Babergh where it has undertaken an intervention visit on a new claim.	BA may get information at visits that affects HB/CTB entitlement.	BA should design a form to notify Babergh of visits and outcome to comply with current instructions.
BFIS and Babergh do not co-ordinate counter fraud strategies and visiting programmes.	Potential for claimants being investigated by both organisations.	BFIS and Babergh co-ordinate activities and ensure accurate transfer of information.
BFIS and Babergh do not co-ordinate publicity campaigns.	Lack of publicity on counter fraud work done jointly and individually by the 2 organisations.	BFIS and Babergh co-ordinate publicity activities.
BFIS and Babergh do not undertake joint risk analysis.	Failure to recognise and tackle high risk groups that threaten security of all locally paid benefits.	BFIS and Babergh to undertake a joint risk analysis immediately.

Fig. A2: Keeping it right – ensuring payments are adjusted as circumstances change

Issue	Impact	Recommendation
<p>BA does not change the HB or CTB indicator from <i>No</i> to <i>Yes</i> if Babergh makes an enquiry to BA.</p>	<p>If indicators are not changed Babergh will not be notified of changes of circumstances.</p>	<p>BA changes the HB or CTB indicator to <i>Yes</i> if Babergh makes an enquiry.</p>
<p>BA does not inform Babergh if IS is suspended pending further enquiries about eligibility.</p>	<p>Babergh continues paying HB and CTB on the basis that IS is continuing in payment. BA is not meeting the standards included in the SLA.</p>	<p>BA informs Babergh when suspending IS and gives the reasons for the suspension. BA should notify Babergh if a suspension is removed and benefit continues.</p>
<p>BA does not always notify Babergh of termination of benefit within laid down timescales.</p>	<p>Will cause HB/CTB overpayments. Our sample showed only 33% of cases sent within target.</p>	<p>Termination notices to be given priority and sent on time.</p>
<p>ES is not confirming identity when claimants report changes of circumstances such as a change of address, but does confirm it for all new claims.</p>	<p>There is a risk of bogus changes of circumstances being notified to Babergh.</p>	<p>ES to revise working practices to ensure verification.</p>
<p>BFIS and Babergh do not undertake joint fraud awareness programmes and feedback sessions to BA and LA staff.</p>	<p>BA and LA staff are not made aware of fraud risks to all locally paid benefits and do not receive positive feedback on cases referred by processing staff.</p>	<p>BFIS and Babergh to undertake joint fraud awareness programmes and feedback sessions.</p>

Fig. A3: Putting it right – detecting when payments go wrong and taking prompt action to correct them

Issue	Impact	Recommendation
BFIS and Babergh do not examine current fraud IT systems to identify opportunities for sharing of information, data matching, and common areas of risk.	Missed potential for sharing information on risks and successes in countering fraud.	BFIS and Babergh to examine ways to share information, data-matching, and common areas of risk.
BFIS and Babergh do not work together to identify opportunities for joint work on fraud drives on areas of high risk.	Missed opportunities to combat fraud in common areas of high risk.	BFIS and Babergh to identify opportunities for joint work on fraud drives on areas of high risk.
BFIS and Babergh do not identify and share areas of good practice in fraud investigation.	Missed opportunities to share good practices which help both organisations improve the quality of fraud investigations and results.	BFIS and Babergh to identify and share areas of good practice in fraud investigation.
BFIS does not send No Fraud Action referrals to Babergh. These are cases where there is not a BA interest, (for example no BA benefits in payment).	Missed opportunities for Babergh to detect potential fraud. In a sample of 12 No Fraud Action referrals we found 5 (42%) had HB/CTB in payment.	BFIS to send No Fraud Action referrals to Babergh once checked if HB or CTB is in payment.
BFIS does not send notification to Babergh when investigation ends.	Babergh may receive fresh allegation of fraud which they fail to investigate in the belief that BFIS is looking at the case. Of the 15 cases sampled, 9 should have been notified to Babergh. Only one was notified.	BFIS to notify Babergh of all ceased investigations.
BFIS does not always send QB64/65 (notification of overpayment and/or prosecution) forms to Babergh to check for HB/CTB overpayments.	If BA case is prosecuted, court will not be made aware of full extent of fraud.	BFIS to ensure all forms are sent.

Fig. A4: Measuring performance – monitoring progress, adjusting arrangements where necessary

Issue	Impact	Recommendation
SLA between BA and Babergh does not take account of relevant operational requirements and is not monitored	Babergh receives an inconsistent service from BA	SLA to be reviewed and tailored more closely to local needs. Monitoring mechanisms to be put in place.
ES and Babergh do not have an SLA.	ES and Babergh have no formal liaison arrangements against which to monitor performance.	ES and Babergh draft and sign up to an SLA. Monitoring mechanisms to be put in place.
BFIS, BA visiting, and Babergh have no joint programme protection plan to co-ordinate activities designed to reduce fraud and error in locally paid benefits.	Unco-ordinated effort to reduce fraud and error.	BFIS, BA visiting, and Babergh to develop joint programme protection plan to co-ordinate activities.
Lack of co-ordination on visiting claimants.		

Appendix B: Security and control

Background

DA and IA place great emphasis in their recent work on HB on ensuring system security. DA's report *Countering Benefit Fraud* issued in March 1999 focused on Babergh's security controls and made a number of recommendations. Babergh has agreed to implement many of the recommendations including:

- introducing more supervisory and management checks
- implementing VF by April 2000
- team working to minimise the risk of one person working on the same claim.

Babergh needs to build on the measures it has taken since the issue of the DA report, particularly in the areas of:

- corporate security
- IA coverage
- security of the benefit process.

More detail is given below.

Appendix C: IT security

Introduction

Information is an important asset to any organisation. In this context the term 'information' is broader than data stored on IT systems or transmitted across networks. It includes that printed out or written down on paper (or other media) and spoken in conversations. The basic elements of an IT security are:

- confidentiality
- integrity
- availability.

Findings

Babergh needs to improve the security of its IT systems. There is no IT strategy and there are areas of weakness which could lead to potential abuse of the system.

We looked at the way that Babergh protects information and the IT systems that process HB and CTB information against the British Standard BS7799 *A Code of Practice for Information Security Management*. BS7799 describes 10 key information security controls, which should be implemented by all organisations. We assessed Babergh's compliance with these key controls. The results are shown below.

Fig. C.1: Information security controls		
Control and objective	Level of compliance	Observations and recommended action
Existence of information security policy	Low	Babergh does not have a security policy. Babergh should produce a security policy that: <ul style="list-style-type: none"> • includes a commitment to maintaining security of information • describes its security objectives • clearly allocates security responsibilities.
Allocation of security responsibilities	Low	Babergh issued general instructions on confidential information. A more detailed document should be included in the policy document above.
Information security education and training	Medium	Babergh states that it tells staff about system security and the guidance and procedural manual includes this. IT security is covered in induction. Nothing corporate at the moment. Developing a corporate strategy in the next few months (IT manager responsible).
Reporting of security incidents	Low	There are no set procedures for reporting security incidents.
Virus controls	High	Most staff only use the mainframe though PCs are being introduced. The PCs do have a virus checker. Suppliers cannot dial in. They have to come to the office and be supervised by the IT section. All e-mails including internal memos go through virus checkers.
Business continuity planning process	Medium	Babergh has a business continuity plan to support the continuation of benefit payments if any current systems or procedures fail. This should widely publicised
Control of proprietary copying	High	Babergh is aware of the need to monitor the legality of software used.
Safeguarding of organisation's records	High	There are nightly back-ups of the information held on the HBIS computer system. System back-ups are taken weekly and stored off-site. DA recommended a regular testing regime to assess the integrity of these back ups and this is being carried out by the IT section.
Compliance with data protection legislation	High	Staff have had training and written guidance on the data protection legislation. The solicitor to the LA is responsible for data protection and issues guidance.
Compliance with security policy and standards	Medium	Babergh uses IA and DA to carry out computer audits but there is no formal monitoring and testing of compliance to security policy and standards.

Source: BFI and BS7799

User access controls and privileges

We also assessed Babergh's performance in the area of controlling access to the HB/CTB application. There are some good practices in this area, but we believe that there are a number of areas where performance could be improved.

Fig. C.2: Access controls

Access control element	Level of compliance	Area for improvement
<p>Access control policy <i>Requirements for user access to systems should be defined and documented.</i></p>	Medium	It is the responsibility of the benefits manager to set up the users on the HBIS system and restrict the access to the appropriate level.
<p>User registration <i>System users should be registered in accordance with their system access needs and 'de-registered' once access is no longer required.</i></p>	Medium	Babergh has different levels of access to the HBIS system for different staff groups. These are allocated depending on specific duties. For example, benefit assistants only have access to the enquiry facility.
<p>Privilege management <i>Some system privileges may allow users to override system controls and these must be identified, allocated and authorised on a 'need-to-use' basis.</i></p>	High	There is no access for users to override system controls.
<p>Review of user access rights <i>Users access capabilities should be reviewed regularly.</i></p>	High	User access rights are reviewed every 6 months and also when staff change jobs, join or leave the section.
<p>User password management <i>Allocation of user passwords should be formally controlled.</i></p>	High	There is a unique user identification for access to the system, which is a 6-character figure. Passwords have to be changed every 90 days.
<p>Password use <i>Users should be advised to follow good practice in selection and use of passwords.</i></p>	Medium	There is no specific guidance from Babergh on choosing passwords. IA have issued guidance on the use of passwords.
<p>Unattended equipment <i>Unattended equipment should be protected from unauthorised access or use, so active sessions should be terminated unless they can be controlled by a system lock or time-out.</i></p>	High	There is an automated termination of sessions following a period of inactivity. Therefore any unattended equipment is not open to unauthorised access. It is policy to 'log out' of the system at breaks, and when interviewing the public.

Access control element	Level of compliance	Area for improvement
User identifiers <i>All computer activities should be traceable to individuals.</i>	Medium	Babergh does not keep a record of failed 'log-on' attempts despite a DA recommendation. There is a limited audit trail but Babergh is lacking a full audit of user activity, including search facility.

Source: BFI and BS7799

Appendix D: Overpayments

Identifying overpayments

In general, staff identify and classify overpayments and deal with cases promptly. Babergh exceeded the internal recovery target (80%) in both 1997/98 (83%) and 1998/99 (84%). The average national figure for recovery is 84%.

A dedicated overpayment recovery team deals with all aspects of overpayment work, where recovery is not made from ongoing HB. Benefits processing staff deal with recovery of RA overpayments from ongoing benefit.

However, there are weaknesses in the management and control of fraud overpayment work. For example, we found that 7 of the 10 overpayments classified as fraudulent were incorrectly classified. Management does not collect and review a range of management information to analyse trends and oversee the total debt position. In Babergh:

- there is no process to identify and learn from trends and to provide feedback to assessment staff
- there are few checks on the accuracy and classification of overpayments.

Benefits staff use the HBIS system to identify and classify overpayments. The benefits manager is responsible for the classification of all overpayments identified as fraudulent or official error.

We examined a randomly selected sample of 20 overpayment cases, and 10 fraudulent overpayments raised in 1998/99 for accuracy of classification. Figure D.1 shows the results of our sampling.

Fig. D.1: Accuracy of overpayments classification				
	Random sample number	%	Fraud investigations number	%
Category correct	19	95	3	30
Category incorrect	1	5	7	70

Source: BFI analysis

In the one case where the classification was incorrect, we found that there was no evidence of the overpayment held on the benefit file. It was therefore not possible for us to establish whether or not the overpayment had been correctly classified. A good practice we found was that Babergh minimises the possibility of previous overpayments being overlooked by placing a distinctive coloured sheet of paper on the benefit file to indicate there is an outstanding overpayment.

In the overpayment cases we found evidence that copies of relevant notifications of overpayments had been sent to claimants. Notification letters are produced automatically by HBIS. However, we did find that the notices did not comply with Schedule 6, paragraph 14 of the Housing Benefit (General) Regulations 1987 and give reasons for the overpayment.

Recovery of overpayments

Babergh makes robust attempts to recover overpaid benefit but could make further improvements.

Babergh has a target in its *Benefits and Revenues Service Performance Plan 1999/00* to recover 80% of the current year's overpayments. We analysed the recovery status of 16 cases in our sample where action had been taken to recover the overpayment. The results are shown in Figure D.2 and confirm that Babergh is performing well against the target.

Fig. D.2: Recovery status of overpayments		
Status	Number	%
All action completed	10	62.5
Action outstanding	6	37.5
Total	16	100

Source: BFI analysis

Only 6 cases had recovery action outstanding. We examined these cases and found that 75% of the debt had been recovered with an average age of overpayment of 326 days. Details are in Figure D.3.

Fig. D.3: Overpayments with outstanding recovery action	
Number of cases examined	6
Original value of overpayments	£856.29
Amount recovered	£641.97
Amount outstanding	£214.32
Percentage recovered	75%
Average amount recovered	£106.99
Average age of overpayment	326 days

Source: BFI analysis

We also examined the time taken to initiate payment and found that Babergh initiates recovery action in the majority of cases within 10 working days of the overpayment being determined. This is a good performance.

Fig. D.4: Time taken to commence recovery action		
	Number	%
0-10 days	10	62.5
Over 10 days	6	37.5
Total	16	100

Source: BFI analysis

We examined recovery options and found that Babergh uses a number of different options. These are given in Figure D.5.

Fig. D.5: Methods used to recover overpayments

	RR	RA
Transfer to an overpayment account within the rent system	Yes	n/a
Recovery from ongoing benefit	No	Yes
Repayment by a single request	No	Yes
Instalments from claimant	Yes	Yes
Payments to landlords	n/a	Yes
Recovery from IS/JSA(IB)	Yes	Yes
Sundry debtors	Yes	Yes
Debt collection agency	Yes	Yes
Legal action cases over £100	Yes	Yes

Source: BFI analysis

But we found that Babergh was considering efficiency and cost effectiveness when it decides the recovery option, but was not always successful. In 4 cases (20%) the claimant had declared capital on their most recent claim form which would have been sufficient enough to clear the overpayment. In these cases a request for the overpayment to be repaid in a single payment would have been the most economical way of recovering the debt. Babergh does not require claimants to provide a statement of their means and assets before a decision on the method of overpayment recovery is considered.

Babergh provided data on the level of overpaid benefit awaiting recovery since 1996/97. Details are given in Figure D.6.

Fig. D.6: Analysis of benefit awaiting recovery

	RR(£)	RA(£)	Total(£)
1996/97	64,716	60,083	124,799
1997/98	81,963	42,006	123,969
1998/99	92,614	42,920	135,534

Source: Babergh

The figure shows that between 1996/97 and 1998/99 the overall level of debt:

- for RR has increased by £28,346 (43%)
- for RA has decreased by £17,163 (28%)
- outstanding has increased by £10,735 (8.6%).

The current computer system does not allow the recovery of RR overpayments from ongoing benefit. Babergh's practice is to pass all RR overpayments to the rent account. The following day a manual adjustment is made to remove the overpayment amount from the rent account.

Babergh needs to revise its operations and processes to improve the recovery of RR overpayments.

Babergh told us it was not recovering overpayments from ongoing HB entitlement in RR cases. In the cases where the claimant also refuses to pay by instalments a check is completed every 5 weeks to establish whether or not the claimant is still in receipt of benefit. Where the claimant continues to receive benefit further checks are carried every 5 weeks.

We analysed the data provided on RR cases where claimants have been overpaid and are still in receipt of HB. Details are given in Figure D.7.

Total number of cases	68
Total value of original overpayment	£17,745.83
Number of cases where additional overpayments have increased debt	23
Total outstanding at time of inspection	£17,950.26
Number of cases where no payments have been made	15

Source: BFI analysis

When a claimant fails to honour an agreement to repay the debt, or ignores requests to make repayment, Babergh treats each case on its merits and refers it to a debt collecting agency or to the council's solicitors. The agency is then responsible for tracing (if appropriate) and pursuing the debt and advising Babergh of the outcome by either:

- making payment of the recovered debt, or
- returning the account when it cannot trace the claimant
- returning the account when it cannot collect.

If a case is returned, the overpayment section considers whether to write the debt off, or refer the case to the council's solicitor for possible legal action.

If a case is referred to the solicitor's office the benefit manager will recommend whether legal action to recover the debt is justified and in Babergh's best interests. The solicitor will not pursue the case if the chances of making a full recovery are slim.

If the solicitor feels there are reasonable grounds to pursue the overpayment they will apply to the local court to obtain a judgement and attempt to prove that the debt is owed to the authority. If legal action is taken, any court costs incurred are passed back to the claimant by being added to the outstanding debt. Babergh has to return to court to obtain enforcement of the original judgement in the event of any subsequent default.

We found that Babergh has not implemented the provisions of section 75(7) of the Social Security Administration Act 1992, whereby the HB overpayment determination can be used as proof of a debt for civil proceedings. This avoids the need for a court hearing. It may be more advantageous for Babergh to consider use of this provision to reduce the chances of incurring unnecessary court costs.

Policy for writing off overpayments

Babergh does not have a written policy for the write-off of bad debts, but uses delegated powers to make decisions on individual cases. These decisions are made by the Head of the Benefits and Reviews Division.

Submissions to write off overpayments are prepared by the overpayments officer. Overpayments of £1 or less are not pursued. Those less than £10 are pursued but are written off if payment is not made within 28 days.

All requests for write-off are referred to the Benefits Manager. Further action will depend on the amount of benefit. The Head of Benefits and Reviews approves amounts up to £1,000. Any amount over £1,000 is referred to Committee for approval. Once the write-off has been approved the schedule is returned to the overpayments officer who inputs the information to HBIS so that the overpayment action is completed. Babergh has made no provision for HB overpayment bad debt for 1998/99 or 1999/2000.

Arrangements to recover fraudulent overpayments

In our sample of 22 fraud cases we identified 10 cases where a fraudulent overpayment had been raised. In 7 cases we questioned the classification, as in our opinion it had not been established that there had either been a false representation for obtaining benefit or a knowing failure to report a change of circumstance.

The Audit Commission's update on *Fraud and Lodging – Progress in Tackling Fraud and Error in Housing Benefit* stated:

Effective overpayment recovery, particularly where a prosecution or the administrative penalty is not appropriate, conveys the message that the authority will not tolerate fraud.

Various options for recovering overpayments are available to LAs. These include:

- deductions from future HB or deductions from other social security benefits
- payment by instalments against a sundry debt invoice
- civil debt procedures.

We analysed data provided by Babergh to determine the method of recovery and how successful Babergh had been in recovering the overpayments.

Fig. D.8: Recovery performance

	RR	RA	Recovery	Outstanding
1		£532.96	Reclaimed	Nil
2	£45.68		None	*£609.55
3		£135.36	Deductions from HB	Nil
4		£18.97	Court	*£321.08
5	£284.74		Awaiting claw back	£284.74
6		£363.95	Deductions from HB	£83.95
7		£54.06	Deductions from HB	*£60.75
8		£24.86	Deductions from HB	Nil
9	£19.70		No recovery as >£25	Nil

Source: Babergh

* These cases involved multiple overpayments.

We found that:

- in 2 cases where recovery was ongoing from HB entitlement, the weekly deduction rates had been set at:
 - £2.00 – overpayment raised August 1998
 - £10.00 – overpayment raised January 1998
- the oldest overpayment was 18 months old, the most recent was a month old.

Babergh tends to favour recovery by ongoing deductions from HB. This is effective only for those claimants who remain in receipt and does not take account of other means they may have of paying the debt.

In our sample were 3 cases where the overpayment outstanding was larger than the identified fraudulent overpayment. These cases had multiple overpayments. Babergh is not learning lessons from patterns of overpayments to make sure it minimises the risks of overpayments happening.

A robust system for the recovery of fraud overpayments is, along with prosecution and administrative penalties, part of an overall deterrent package against potential fraudsters. Failure to treat fraud overpayments as priority devalues this deterrent.

