

Report by the  
Benefit Fraud Inspectorate

***Amber Valley Borough Council  
Inspection of Security***

June 2007



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The maps on this page show the area covered by Amber Valley Borough Council in relation to neighbouring authorities, and its geographical location in the country.

	Administrative Centre
	Local Authority Locator
	Local Authority boundary
	Other Authority boundaries



# Executive summary

## *Background*

**1.1** This report assesses Amber Valley Borough Council's Security arrangements. We have limited the scope of this inspection to those Performance Standards' components that have a direct impact on Amber Valley Borough Council's Security performance, which includes counter-fraud.

**1.2** This report should be read in conjunction with the Performance Standards pack, which can be downloaded from the Department for Work and Pensions' (the Department) website at:

<http://www.dwp.gov.uk/housingbenefit/publications/perf-stands/index.asp>.

**1.3** In December 2006, the Parliamentary Under Secretary of State for Work and Pensions announced a programme of inspections designed to target specific areas of benefits administration and security activity. Amber Valley Borough Council was selected for inclusion in this programme through the Department's risk engagement process.

**1.4** The Executive Director (Financial Services) managed the Benefits service and counter-fraud operation.

**1.5** The Benefit Investigation Unit comprised a Benefits Investigation Manager, a Senior Investigation Officer and an Investigations Administration Officer, who provided clerical support. An Investigations Officer post had been vacant since November 2006.

**1.6** Our work to establish the effectiveness of Amber Valley Borough Council's security arrangements included:

- analysis of quarterly performance returns provided to the Department
- workshops and interviews with:
  - key managers and staff
  - staff from the Department's Fraud Investigation Service
  - Internal Audit
- randomly selecting and sampling:
  - 20 new claims decided between 1 October 2006 and 31 January 2007
  - 15 claims where there had been a change in the customer's circumstances, decided between 1 October 2006 and 31 January 2007
  - 20 fraud files closed between 1 April 2006 and 31 January 2007
  - 5 fraud files from the Benefits Investigation Unit's live caseload

- examining documents and management information
- observing post opening and customer service activities.

1.7 We are grateful to Amber Valley Borough Council's managers and staff for their help and cooperation throughout this inspection, the on-site phase of which took place between 19 February and 6 March 2007.

## *Overall performance*

1.8 Amber Valley Borough Council had made significant efforts to provide an effective and secure gateway to prevent fraud and error from entering its Benefits service. This was demonstrated by its verification of claims, which was being undertaken to a high standard. In addition, it was undertaking high levels of interventions to ensure that claims in payment were correct. We noted that in the first 10 months of 2006/07 the council had already well exceeded its annual target for home visits.

1.9 Despite a comprehensive quality-checking regime, the level of accuracy had slipped to 95.2% in the third quarter of 2006/07. The council was committed to bringing its performance back to Standard and had increased levels of checking to identify the underlying causes of error and was providing for any training needs identified.

1.10 The council's counter-fraud effort was supported by very effective joint working arrangements with the Department's Fraud Investigation Service. It had successfully applied a commendable 35 sanctions against fraudsters during 2005/06 and was on track to meet its increased target of 38 sanctions for 2006/07. This was despite operating with reduced staff resources.

1.11 Management checking of fraud cases was limited and additional checks needed to be introduced to provide assurance that investigations were being progressed effectively and in line with legislation. Although investigations were generally sound, we had some concerns at the over-use of pre-surveillance checks and an ineffective sifting process that had led to investigation time being wasted on unproductive cases. Both these issues were reviewed and improvement made whilst we were on site.

## Summary of recommendations

1.12 The following table lists the recommendations we have made in this report in priority order.

<b>Recommendations</b>		
<b>High priority</b>		
<b>We recommend that Amber Valley Borough Council:</b>		<b>Paragraph</b>
<b>1</b>	<ul style="list-style-type: none"> <li>• <b>introduces management checks at key stages of all investigations to:</b> <ul style="list-style-type: none"> <li>○ <b>confirm that all activities are accurately recorded and a full audit trail maintained</b></li> <li>○ <b>identify and take action on any delays in the investigation process</b></li> <li>○ <b>ensure interviews under caution are conducted correctly</b></li> <li>○ <b>provide assurance that investigations are conducted in line with agreed procedures and legislation.</b></li> </ul> </li> </ul>	<b>2.57, 2.66</b>
<b>2</b>	<ul style="list-style-type: none"> <li>• <b>reviews its Prosecution and Sanctions Policy to include financial guidelines for deciding on the appropriate sanction.</b></li> </ul>	<b>2.89</b>
<b>3</b>	<ul style="list-style-type: none"> <li>• <b>improves the standard of file maintenance to ensure that:</b> <ul style="list-style-type: none"> <li>○ <b>all actions are recorded and clear audit trails are maintained</b></li> <li>○ <b>decisions to support the issuing of sanctions are fully documented.</b></li> </ul> </li> </ul>	<b>2.60, 2.93</b>
<b>4</b>	<ul style="list-style-type: none"> <li>• <b>develops a business plan for the Benefit Investigation Unit covering all aspects of service delivery and ensuring that individual responsibilities for tasks are specified and that progress against the plan is monitored.</b></li> </ul>	<b>2.75, 4.12</b>
<b>5</b>	<ul style="list-style-type: none"> <li>• <b>reviews its policy on the use of pre-surveillance checks to ensure that all instances are proportionate to the objectives of the investigation.</b></li> </ul>	<b>2.71</b>

<b>High priority</b>		
<b>We recommend that Amber Valley Borough Council:</b>		<b>Paragraph</b>
<b>6</b>	<ul style="list-style-type: none"><li>• <b>reviews the fraud referral process to ensure:</b><ul style="list-style-type: none"><li>○ <b>its risk scoring methodology is objective and transparent</b></li><li>○ <b>an intelligence-led approach to referral selection is developed</b></li><li>○ <b>only high and medium risk referrals are accepted for investigation</b></li><li>○ <b>routine feedback is provided to the referral source where appropriate</b></li><li>○ <b>analysis of the origin, standard and success of referrals is conducted to inform the regular review of its risk scoring process.</b></li></ul></li></ul>	<b>2.37, 2.43 2.46</b>

# **BFI findings**



# Security

**2.1** It is important that councils have effective measures and processes to prevent, deter and detect fraud. Councils should verify information supplied by customers and reconcile conflicts identified through data matching. Sufficient resources must also be employed to investigate suspected fraud thoroughly and professionally, and appropriate sanctions should be applied.

**2.2** The council was on course to achieve 3 of the 4 Performance measures and met 16 of the 21 enablers for Security. It also met both User focus enablers tested in this section.

## *Security of administration*

**2.3** This section reports on the arrangements for interventions and the verification of claims. The Performance measures are designed to measure the impact of the council's performance in detecting fraud and error.

## Performance measures

**2.4** Figure 2.1 shows the council's reported performance against the security of administration from April 2006 to February 2007.

<b>Fig. 2.1: Performance measures – Security of administration</b>				
<b>Performance measure</b>	<b>Description</b>	<b>Target 2006/07</b>	<b>Performance April 2006 to February 2007</b>	<b>Score</b>
<b>PM 10</b>	Number of interventions for which review action completed since 1 April	4,670	4,807	Excellent
<b>PM 11</b>	% of data matches resolved within 2 months	100%	100%	Excellent
<b>PM 12</b>	Number of customers visited	1,870	6,120	Excellent

Source: Amber Valley Borough Council

**2.5** Amber Valley Borough Council had exceeded its interventions targets for 2006/07. Although the council did not have a formal interventions policy it conducted the majority of its interventions by visit. We were told that this was to minimise the amount of fraud and error in its caseload. A target to visit 100 customers per week had been consistently met.

**2.6** Intervention Visiting Officers had received, on induction, the council's full 13-week training course on Benefits administration. This included a fraud awareness session and training on the verification requirements. Appropriate refresher training had been provided and in addition, 2 officers had completed Professionalism in Security (PINS) training modules.

**2.7** The council had set a target to action data-matches within 4 weeks of receipt. A designated officer examined data-matches on receipt and passed appropriate cases to the Benefits Investigation Unit. Other data-matches were resolved and action taken where appropriate. In 2006/07 the council had consistently met its target.

## Performance enablers

### *Dealing with enquiries and compliance with HB/CTB Security Guidance*

**2.8** We increased the scope in this section to include the 2 User focus enablers E43 and E46.

**2.9** Amber Valley Borough Council met all 4 enablers.

**2.10** We interviewed staff to establish the level of training received on the verification requirements in the HB/CTB Security Guidance. All staff who accepted claim forms and assessed benefits had received initial training when the scheme was introduced or on induction. This was supported by annual refresher training and written guidance available on the council's intranet.

**2.11** In May 2006, Internal Audit carried out an audit of the council's self-assessment against Performance Standards. This was part of the approved Internal Audit plan for 2006/07.

**2.12** The audit found that staff accepting claim forms and evidence had not received training in the identification of false documents. An action plan was developed, and all staff received the appropriate training in February 2007.

**2.13** The council's 2 largest Registered Social Landlords had signed partnership agreements to become designated offices for the receipt of claims and carry out verification on behalf of the council. At the time of our on-site activity in February 2007 a similar agreement was being negotiated with a third Registered Social Landlord.

**2.14** Registered Social Landlords' staff involved in verification work were required to sign the partnership agreement annually. Interviews with these staff confirmed they had received appropriate training on the verification of documents and evidence requirements. Initially 100% of claims received from the Registered Social Landlords were checked to ensure the standard of verification required by the council was being maintained.

**2.15** At the time of our on-site activity, Benefits assessors had responsibility for assessing the quality of verification undertaken by Registered Social Landlords. They told us they were impressed by the level of verification and any issues were dealt with by exception.

**2.16** To establish the level of compliance with the requirements of the HB/CTB Security Guidance we examined a sample of 20 new claims and 15 changes of circumstances processed in the period 1 October 2006 to 31 January 2007.

**2.17** A local authority needs to gather a wide variety of documentation to satisfy the requirements. In our sample we reviewed 90 documents that had been provided as evidence to support the 20 new claims and found that they had all been correctly verified and authenticated.

**2.18** In addition we found that all 15 changes of circumstances sampled had been verified correctly. Verifying claims correctly helps to reduce the amount of fraud and error entering the system and we acknowledge Amber Valley Borough Council's achievement in this area.

**2.19** The council's main caller facilities were located in the Town Hall in the centre of Ripley. Customers could also call in to one of the council's Town Centre Offices situated in Alfretton, Belper and Heanor.

**2.20** Staff in the Town Hall and the Town Centre Offices had received the same 13-week training course on Benefits administration as the council's benefits assessors. This included a fraud awareness session and training on the verification requirements. Observations confirmed they took action to deal with any discrepancies with the information provided by customers.

**2.21** Staff in the Town Hall had access to the Benefits IT system to deal with enquiries. Although staff in the Town Centre Offices only had access to the council's document image processing system, the council provided daily benefit clinics at each Town Centre Office between 11.00 am and 2.00 pm. These were delivered by the council's interventions visiting officers who had full access to the Benefits IT system.

### *Compliance with data integrity*

**2.22** Amber Valley Borough Council met this enabler.

**2.23** The council had provided the Department with all required data in an appropriate format and within specified timescales. The Housing Benefit Matching Service (HBMS) confirmed there were no incidents rated 1 or 2 during the period April 2006 to January 2007.

**2.24** HBMS also confirmed that 98.9% of customer and partner national insurance numbers matched with Departmental records during the same period.

## Counter-fraud activities

**2.25** This section reports on the council's efforts to detect and deal with fraud.

**2.26** To assess the quality, speed and effectiveness of counter-fraud work we examined 20 fraud files, selected at random and closed between April 2006 and January 2007. We also examined 5 cases selected at random from the investigators' current caseload to measure the impact of changes to its file maintenance process introduced immediately prior to our inspection.

**2.27** Amber Valley Borough Council agreed with our findings from the sample of fraud investigation files and confirmed these were representative of its counter-fraud operation at the time.

### Performance measures

**2.28** Figure 2.2 shows the council's reported performance from 2005/06 to the third quarter of 2006/07 for its Counter-fraud activities.

**Fig. 2.2: Performance measures – Counter-fraud activities**

Performance measure	Description	2005/06	Quarter 1 2006/07	Quarter 2 2006/07	Quarter 3 2006/07
<b>PM 13</b>	Number of fraud referrals per 1,000 caseload	22.47	5.39	7.97	7.41
<b>PM 14</b>	Number of fraud investigators employed per 1,000 caseload	0.34	0.19	0.24	0.24
<b>PM 15</b>	Number of fraud investigations per 1,000 caseload	14.6	3.82	6.41	3.91

Source: Amber Valley Borough Council

**2.29** The Benefit Investigation Unit had received 200 fraud referrals during 2005/06. In the 11 months to February 2007, 209 cases had been referred for investigation.

**2.30** Sickness absence had affected the number of investigation staff employed during the first quarter of 2006/07.

## Performance enablers

### *Fraud referrals*

**2.31** Amber Valley Borough Council met both enablers.

### **Fraud awareness**

**2.32** Fraud referrals from key sources had been actively encouraged and the council remained fully committed to ensuring that its employees were made aware of their roles and responsibilities in countering fraud. We noted that 53 (25%) of the 209 fraud referrals received in 2006/07 had originated from Benefit staff.

**2.33** New recruits were provided with fraud awareness training on induction and all Revenues and Benefits staff were provided detailed and comprehensive fraud awareness refresher training through the council's online IT package, *Focus on Fraud Awareness*.

**2.34** Staff from its main Registered Social Landlord had also received fraud awareness training.

These sessions provided staff with relevant information and explained:

- the verification processes for identifying fraud and error
- the type of fraud which may be prevalent in the area
- how to complete a referral form and ensure that all the required information was captured
- the methods of investigation and legislative powers.

**2.35** Benefits staff told us that they were not routinely provided with feedback and were not always made aware why referrals had been rejected. Providing feedback to staff is an important part of the process and helps them to identify what information is required to ensure referrals are accepted for investigation.

**See recommendation 6.**

### **Fraud hotline**

**2.36** The council subscribed to the Department's National Benefit Fraud Hotline, which allowed members of the public to report cases of suspected fraud. The telephone number was publicised widely in council publications, on its website, in reception areas and in other public buildings.

**2.37** In addition, the council provided a local telephone hotline number, *Fraudline*, which was also widely advertised in a variety of locations including in its annual *Council Tax Guide* and its Benefit claim form. The 24-hour hotline was answered during the day by Investigation Officers and by an automated answering service at night. While we were onsite the council launched a new innovative campaign that advertised the *Fraudline* number on the reverse of car parking tickets purchased at ticketing machines throughout the borough.

**2.38** Comprehensive guidance to assist in the completion of fraud referrals was available on the council's website. This included the facility for members of the public and staff to report suspected fraud. We concluded that this guidance was helping the council to gather detailed information by encouraging good quality referrals. This is good practice. We noted that 38 (18%) of the 209 referrals received during 2006/07 had originated from members of the public.

### *Risk profiling referrals*

**2.39** Amber Valley Borough Council met one (E23) of the 2 enablers.

**2.40** A risk scoring system was used to sift and prioritise fraud referrals. Background checks were considered and carried out prior to risk scoring in appropriate cases. This assisted investigators in making a decision to accept or reject a fraud referral. All 20 cases in our sample had been risk assessed and scored before being accepted for investigation. However, we found inconsistencies with the scoring methodology and concluded that 3 of the 11 cases we sampled where fraud was not proven should not have been accepted for investigation because of the limited information on the initial referral.

**2.41** It is important that the risk assessment and scoring procedures are regularly reviewed to ensure only medium and high risk cases are selected for investigation based upon effective intelligence and analysis. The methodology also needs to be fully transparent and objective with controls in place to protect the integrity of staff involved in the process. Decisions to accept or reject referrals should be fully evidenced with an appropriate level of management intervention. **See recommendation 6.**

**2.42** As a result of our feedback an improved scoring process was developed and implemented while we were on site.

### **Management information**

**2.43** A module of the Benefits IT system was used to record details of investigations. We found that the system did not contain sufficient information to assist the analysis and targeting of counter-fraud activity because its capabilities were not fully utilised to record and report the end-to-end process of an investigation.

**2.44** The Benefit Investigation Unit used a combination of spreadsheets to monitor the progress of investigations, for example, cases where a sanction decision was pending. While these were effective in isolation there was no overall analysis to inform and improve the risk-scoring process.

**See recommendation 6.**

**2.45** Without considering essential management information that was readily available, senior officers could not be assured that resources were being used most effectively to tackle fraudsters.

## Gathering intelligence

**2.46** Our sample showed that effective use was made of the National Anti-Fraud Network for enquiries under the Social Security Administration (Fraud) Act 2001. The Benefit Investigation Unit also used the Department's Operational Intelligence Unit to obtain information from Her Majesties Revenues and Customs where appropriate.

## Action on referrals

**2.47** Amber Valley Borough Council met both enablers.

**2.48** It is important that referrals are progressed promptly on receipt to ensure action is taken on up-to-date information and to safeguard the rights of those suspected of fraud. Staff on the Benefit Investigation Unit had been set targets to sift referrals within an average of 10 working days of receipt and to commence investigations within an average of 10 working days of the sift, in line with Performance Standards.

**2.49** From our sample of 20 cases, 5 (25%) had been referred through the Department's Housing Benefit Matching Service. Of the remaining 15 (75%) cases we found sifting and scoring was completed, on average, in just under 11 days, ranging between one and 56 days.

**2.50** Although this exceeded the 10-day average target, system reports confirmed that the 209 referrals received between April 2006 and January 2007 were sifted and scored on average, within 8.5 days.

**2.51** Our sample indicated, and system reports confirmed, the first investigative activity took place on average, within 8 days following the sifting of referrals between April 2006 and January 2007.

## Fraud investigators' code of conduct

**2.52** Amber Valley Borough Council met 2 (E28 and E29) of the 4 enablers.

**2.53** The council's *Benefit Fraud Policy* incorporated a *Code of Conduct for Investigation & Visiting Officers*. This set out the standards of behaviour and professionalism expected from officers. This document detailed the importance of adhering to the Police and Criminal Evidence Act 1984 (PACE) and its Codes of Practice in addition to an investigator's responsibilities whilst undertaking surveillance or utilising other intrusive methods of investigation.

## Training for investigators

**2.54** The Benefits Investigation Manager and Senior Investigation Officer had been in post for more than 10 years and had received comprehensive training including Professionalism in Security. The team had access to comprehensive procedural guidance supplemented by:

- the Department's *Fraud Procedures and Investigations Manual*
- circulars issued by the Department.

## Management Checking

**2.55** The Benefits Investigation Manager reviewed all closed investigation files where fraud had been proven, but there were no arrangements for checking fraud cases during an investigation. We also found that investigations carried out by the Benefits Investigation Manager were not subject to any independent checks. Management checks needed to be introduced at key stages during investigations, and encompass all investigation work. **See recommendation 1.**

**2.56** Performing management checks provides assurance on the quality of work and the extent to which the investigative process complies with legislation.

## File maintenance and security

**2.57** A separate fraud file was created for each referral. The files we examined were constructed in a consistent format and documents were clearly labelled and filed in chronological order. However, we identified weaknesses with the audit trail on most of the sampled cases and concluded this was an area, which needed to be improved.

**2.58** Activity log sheets did not contain a summary of the allegation, background to the case, reason for investigation or a proposed course of action. There were also gaps in entries on the file control sheet, which made progress difficult to follow. **See recommendation 3.**

**2.59** The Benefits Investigation Manager had recognised this as an area of weakness and introduced new working practices immediately prior to our inspection. We inspected 5 recent cases and concluded that although there was an improvement in the quality of activity logs, working practices required further development in order to meet the standard recommended by the Department.

**2.60** Investigators completed official notebooks to record their daily activities. We examined the notebooks and established that regular entries had been made. Appropriate management checks were carried out and recorded each month to ensure that the content and layout of notebooks met legislative requirements.

**2.61** The Benefit Investigation Unit was located away from the main Benefits section to protect the integrity of investigations. Confidential information from the National Anti-Fraud Network and the Department's Operational Intelligence Unit was received by e-mail with restricted access.

## Interviews under caution

**2.62** Our sampling showed interviews under caution had been carried out in 12 of the 13 cases where this was appropriate and these had been arranged and conducted promptly. However, we examined one case where a taped interview had not taken place despite the allegation of fraud being well supported by evidence obtained from the National Anti-Fraud Network. We were concerned that the case notes failed to explain why this investigation had been closed without any further action.

**2.63** We examined the transcripts of the 12 interviews under caution and found that the conduct of the investigators was fully compliant with legislation. In particular, investigators were careful to check the suspect's full understanding of the caution before questioning commenced.

**2.64** However, we found that interviews under caution were only subjected to management checks on cases where a sanction was recommended. To provide assurance that interviews are conducted professionally and in accordance with legislation irrespective of the outcome of an investigation, cases where fraud is not proven need to be included in the management check selection process. We report further on this under *Management Checking*.

**See recommendation 1.**

### **Use of surveillance**

**2.65** The Regulation of Investigatory Powers Act 2000 and the Home Office Statutory Code of Practice covering covert surveillance were introduced into legislation in 2001. They provided instructions on how and when surveillance could be legitimately used by criminal investigators within the public sector.

**2.66** To comply with legislation, councils were required to develop and endorse a policy and ensure that strict procedures were followed before any surveillance was authorised or carried out.

**2.67** Amber Valley Borough Council introduced a *Surveillance Policy* during 2001 that was reviewed and endorsed by the Office of the Surveillance Commissioner in 2003. Adherence to the policy was monitored and controlled by the council's Legal Team.

**2.68** In 2 cases sampled we were concerned about the number of pre-surveillance checks carried out by the council's Investigation Officers. These totalled 30 and 24 respectively. While these checks can be used effectively to risk assess a situation or provide a spontaneous verification, the absence of any documented or recognisable reason for their repeated use on either case led us to conclude that this constituted systematic covert surveillance that required authorisation under the Regulation of Investigatory Powers Act 2000.

**2.69** The council agreed with and responded positively to our findings by developing additional procedural guidance on the use of pre-surveillance checks while we were on site. This set out the criteria for monitoring and controlling the use of these checks as a surveillance technique and included:

- an initial assessment of the case
- regular management intervention to review their necessity.

**See recommendation 5.**

### *The local authority fraud policy*

**2.70** Amber Valley Borough Council met 4 (E31, E32, E33 and E34) of the 5 enablers.

**2.71** Members had approved its revised *Fraud Policy* and *Prosecutions and Sanctions Policy* in November 2006. The documents set out the aims and objectives for the Benefit Investigation Unit as:

*Responsible for the investigation and detection of suspected Housing Benefit and Council tax Benefit fraud.*

2.72 In order to meet this aim the council implemented a number of actions, including the commitment to:

- operate and comply in full with the Department's Security Guidance
- develop a separate policy for considering prosecution and other sanctions for benefit fraud cases
- participate in government initiatives wherever possible and maintain effective working arrangements with the Department's Fraud Investigation Service.

2.73 Its *Benefits and Revenues Performance Plan* included targets for its sanctions activity. However, we were told that the council had not developed a specific plan for its Benefit Investigation Unit. It is important that policies are supported by a counter-fraud business plan against which the progress, outcomes and the quality of investigations are monitored. Plans should be built on, and consistent with, the policy objectives for the Benefits service as a whole. Members require assurance that:

- counter-fraud strategies are working as intended
- sanctions targets will be achieved
- best use is made of trained investigative resources.

**See recommendation 4.**

### **Authorised officers**

2.74 A check with the Department's central records confirmed that all Investigation Officers had been correctly registered as authorised officers with the Department's Programme Protection Division.

2.75 Individual training records confirmed that the council's investigators had completed the relevant training. This enabled them to lawfully request and obtain information from individuals and organisations regarding suspected benefit fraud offences.

2.76 From our sample of 20 investigation files, we found that authorised officer powers had been used in 6 (30%) cases. These were used to obtain wages information from employers and information from the XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX. Central records were maintained to show how, when and why these powers had been used for all cases.

2.77 When information was requested from organisations listed at section 109B(2A) of the Social Security Administration Act 1992 (as amended), there were adequate controls in place to separate the investigation and intelligence gathering functions. The Benefits Investigation Manager considered and authorised requests and the National Anti-Fraud Network obtained information using these powers.

### **Fraud Partnership Agreement**

2.78 Although the council did not have a formal *Fraud Partnership Agreement* for 2006/07, it had very effective liaison arrangements with the Department's Fraud Investigation Service. Monitoring of the arrangements was achieved through quarterly meetings of the Derbyshire Investigators Group.

**2.79** From our sample of 20 investigation files, 5 (25%) had been jointly investigated and one of these had resulted in a successful prosecution. During 2006/07 the council had successfully sanctioned 33 cases of which 18 (55%) were as a result of joint investigations. Records showed that the Department's solicitors were considering a further 17 sanctions arising from joint investigations. We commend the council for its commitment to joint working.

## Sanctions

**2.80** This section reports on the arrangements for applying sanctions against benefit fraudsters.

## Performance measures

**2.81** Figure 2.3 shows the council's reported performance for 2005/06 and the period April 2006 to February 2007.

<b>Fig. 2.3: Performance measures – Sanctions</b>			
<b>Performance measure</b>	<b>Description</b>	<b>Performance 2005/06</b>	<b>Performance April 2006 to February 2007</b>
<b>PM 16</b>	Number of successful sanctions per 1000 caseload	3.84	3.70
	Number of successful prosecutions	10	7
	Number of administrative penalties agreed	8	1
	Number of cautions accepted	17	25

Source: Amber Valley Borough Council and the Department

**2.82** In its *Benefits and Revenues Performance Plan*, Amber Valley Borough Council had set a target to achieve 36 sanctions for 2005/06 rising to 38 sanctions for 2006/07. By 28 February 2007 the Benefit Investigation Unit had successfully applied 33 sanctions with an additional 27 cases referred for sanction action.

**2.83** Records showed that 17 of these 27 cases were awaiting action by the Department's Adjudication Officers and Decision Makers. This issue was discussed at liaison meetings and the council monitored all cases to establish timescales for the return of decisions and ensure cases were concluded within legal requirements.

## Performance enablers

### *A balanced sanctions policy*

**2.84** Amber Valley Borough Council met 2 (E36 and E37) of the 3 enablers.

**2.85** We reported earlier that Members had approved its *Prosecutions and Sanctions Policy*, which stated:

*The Council is committed to protecting public funds and will consider taking prosecution action against any person suspected of committing benefit fraud...*

**2.86** While its policy guidance was mainly consistent with the Department's, some flexibility had been included, for example it stated that:

*The Council's Prosecution Policy is not entirely related to the monetary value of the offence; all cases will be considered on their own merits and any mitigating circumstances taken into account...*

**2.87** Although the intention to provide flexibility is in line with best practice, we concluded that its *Prosecutions and Sanctions Policy* provided insufficient financial guidance to ensure decisions were made consistently.

**See recommendation 2.**

**2.88** Sanction decisions on joint investigations were made using the criteria set in the Department's guidance. In all other cases the decisions were made using the council's *Prosecution and Sanction Policy*, which set out the process for applying sanctions in appropriate cases.

**2.89** Our sample of files contained 8 cases where a sanction had been applied. In 2 cases the council had prosecuted the offender. We were satisfied that the correct authorisation and sanction had been applied in these cases.

**2.90** However, we were concerned that a sanction had been administered inappropriately in a case where a formal caution had been offered and accepted. We listened to the taped recording and examined the transcript of the interview and considered that the council had not satisfied its policy guidance to obtain a clear and reliable admission from the suspect that they had knowingly committed an offence with the intent to obtain benefit.

**2.91** In addition, there were insufficient case notes to support the council's decision. The council should be more explicit when recording its reasons for the decision on the appropriate sanction to apply. **See recommendation 3.**

**2.92** We examined the process and confirmed that the Benefits Investigation Manager checked each case to ensure that checks of previous convictions, cautions and administrative penalties had been made. In all cases the appropriate notification to the Department for recording the outcome of the investigations were issued.

**2.93** The *Prosecution and Sanction Policy* described its intention to prosecute in cases where an Administrative Penalty or Formal Caution was refused. We were told that this situation had arisen in 2 cases during 2006/07. We examined both cases and were satisfied that the appropriate action was followed.

## **Publicity**

**2.94** We consider the deterrent effect of publicity to be one of the most valuable outcomes of a prosecution by improving public perceptions and confidence in the Benefits system. We commend the council for publicising its successful prosecutions in the local press.



# Claims administration

## *Claims processing*

- 3.1** It is important that new claims and changes of circumstances are processed rapidly and accurately in order to eliminate the risk of fraud or error entering the system.
- 3.2** We limited the scope in this area to one Performance measure (PM6) and 2 enablers (E3 and E10).

## Gathering information

- 3.3** Amber Valley Borough Council met this enabler.
- 3.4** The council was operating a 7-day model for processing claims to benefit to ensure that all relevant information was requested quickly. Our sample of 20 new claims and 15 changes of circumstances confirmed that all outstanding information and evidence was requested within 7 days of receipt of the claim or notification of change.
- 3.5** The certificate of earnings form directed the employer to return the form to the council. It also advised that where the form was not authenticated by an employer's stamp and signature, or accompanied by relevant information on headed notepaper, the contents would not be accepted.
- 3.6** Benefits assessors, customer service staff and interventions visiting officers had a good understanding of the procedures for issuing a certificate of earnings form, and what to look for to authenticate the information provided.
- 3.7** Our sampling confirmed that staff were vigilant when examining certificate of earnings forms and sought further verification when necessary.

## Quality and reducing error

**3.8** Members and senior managers, who are accountable for the delivery of effective and secure HB and CTB administration, need assurance that the Benefits service and counter-fraud efforts are working as planned. A council should therefore ensure that it has arrangements to make full use of management information and checking data across the full range of their benefit activities.

### Performance measures

**3.9** Figure 3.1 shows the council's reported performance for June to December 2006.

**Fig. 3.1: Performance measures – Quality and reducing error**

Performance measure	Description	Quarter 2 2006/07 (%)	Score	Quarter 3 2006/07 (%)	Score
PM 6	% of cases for which the calculation of the amount of benefit due is correct	97.6	Meeting minimum requirements	95.2	Not meeting minimum requirements

Source: Amber Valley Borough Council

**3.10** We were concerned that for quarter 3 of 2006/07 Amber Valley Borough Council was not meeting minimum requirements for this Performance measure.

**3.11** The council was aware of this issue and had increased the level of quality checks to establish where errors were being made and had developed plans to improve its performance.

### Performance enabler

#### *Using quality checks to improve performance and reduce error*

**3.12** Amber Valley Borough Council met this enabler.

**3.13** The council had a Benefits Performance Team that undertook quality checks using the Benefits IT system's quality assurance module. Unsatisfactory results from its standard 4% check, together with its reported low level of accuracy, had prompted an exercise to check the work of individual assessment staff in detail in January and February 2007.

**3.14** This exercise provided an assessment of each individual's error rate, highlighting poor levels of performance in some areas. The council was addressing this through a series of individual meetings between assessors, their team leaders and the Performance Team leader.

**3.15** Although the council was aware of these deficiencies we were concerned that the level of checking had returned to the standard 4% for all staff, while we were on site. Following our feedback the council revised the level of checking to reflect individual performance.

**3.16** Benefits assessors and interventions visiting officers told us that a number of recent individual and team training events had been delivered as a result of trends revealed by quality checking, including overpayments, underlying entitlement and dealing with bank statements.

## *Overpayments*

**3.17** To minimise loss to public funds, councils must process HB and CTB effectively to prevent overpayments. Councils should have clear policies and procedures to manage overpayments and should pursue recovery by the speediest, most cost-effective and efficient methods available, in line with legislation.

**3.18** We limited the scope in this area to one enabler (E16), which Amber Valley Borough Council met.

**3.19** The council's HB/CTB Overpayment Policy clearly stated its intention to recover and monitor all overpayments, including fraud overpayments and administrative penalties. The council's policy was supported by documented procedures for the recovery of administrative penalties. We examined the council's debt recovery system and found the recovery of debt was effectively monitored.

**3.20** If a customer was failing to repay an overpayment and associated administrative penalty, there were effective processes to escalate recovery action through the council's legal process.



# Resource management

4.1 Benefit administration, including counter-fraud activity, has to be set within the broader context of a local authority's overall strategies and responsibilities. Members, managers and staff should therefore have a clear sense of direction, purpose and focus for their work. Members and senior officers should also have assurance that HB and CTB administration is effective and secure.

4.2 The council met all of the 16 relevant enablers for Resource management.

## *Managing the Benefits service*

### Performance enablers

4.3 Amber Valley Borough Council met all 3 enablers.

4.4 The annual *Corporate Performance Plan* set out the council's priorities for improvement for the next 3 years, together with measures for success against each priority.

4.5 The *Corporate Performance Plan* for 2006/07 included a priority to *improve the speed and accuracy of processing benefit applications*.

To ensure this priority was met it set out 2 measures of success:

- *Reduce the number of days to process new benefits claims from 54.27 in 2004/05 to 35 in 2007/08*
- *Introduction of new access channels to the Housing Benefit Service.*

4.6 This plan was supported by the *Benefits and Revenues Service Plan 2006/09*, which included performance information for the past 2 years on all Best Value Performance Indicators and Performance measures relating to fraud. It also provided details of targets for the 3 years, 2006/07 to 2008/09. This highlighted the council's commitment towards continuous improvement.

4.7 In addition, the council had a number of targets relating to customer service, including:

- answering 70% of telephone calls within 30 seconds
- responding to written correspondence within 7 working days
- dealing with 85% of personal callers within 15 minutes.

4.8 A *Performance Update* report was circulated to Cabinet briefing meetings every 8 weeks. It included an update on targets considered at risk, using a traffic light system. Only targets that were amber or red were included in this report.

**4.9** In the report dated 2 March 2007, the only Benefits service targets included were the speed of processing changes of circumstances at 10.27 days and the accuracy of processing HB/CTB claims at 95.2%. Both of these were amber as they were close to the council's targeted performance of 9 days and 96% respectively.

**4.10** Although the council was focused on improving performance in these areas, it was still proactively monitoring performance in other areas to ensure it continued to achieve its targets by providing weekly updates of performance to the Executive Director (Financial Services) and portfolio holder.

**4.11** At a lower level, meetings between the Executive Director (Financial Services), the Benefits and Customer Services Manager and the Revenues and Benefits Operations Manager ensured that day-to-day performance issues were raised and addressed quickly.

**4.12** However we reported under *The local authority fraud policy in Security*, that the council did not have a documented fraud business plan. It was therefore unable to provide assurance to Members on quality of its investigation work. **See recommendation 4.**

**4.13** The council had a corporate business continuity plan, which included the Benefits service as a high priority due to its legislative obligations.

**4.14** The Corporate IT administrator confirmed that the Benefits IT system was backed up daily. Back-up tapes were removed to remote storage twice per week, which meant the maximum potential loss of work would be 2 days. Tests had been carried out to confirm that the system could be fully restored.

**4.15** Managers held copies of the council's *Business Continuity Plan*. This provided details of contingencies to meet the different types of risk the service might be exposed to, including the provision of alternative accommodation in the event of a business interruption.

### *Monitoring performance*

**4.16** Amber Valley Borough Council met both enablers.

**4.17** Senior officers told us they met weekly to discuss progress against corporate priorities and performance against the *Benefit and Revenues Performance Plan 2006-09*. The Benefits and Customers Services Manager also reported weekly to the Executive Director (Financial Services), progress in delivering key tasks outlined in the plan.

**4.18** We were told that any failure to meet targets was taken seriously. Service managers were required to explain to Members and senior officers reasons for deterioration in performance, and the actions taken to remedy any problems.

**4.19** Management information was also collected and analysed to monitor the throughput of new claims and changes of circumstances, in particular those cases over 30 and 15 days respectively. These arrangements were effective in challenging poor performance and delivering improvements.

**4.20** The council provided timely data returns to the Department, reporting on Performance measures, management information and the Housing Benefits Matching Service. It also completed self-assessments against the Performance Standards and was audited by the council's contracted internal auditors in May 2006.

### *Providing for a skilled and competent workforce*

**4.21** Amber Valley Borough Council met both enablers.

**4.22** The council had up to date corporate policies and procedures covering recruitment, induction, training and diversity in place.

These were tailored to meet the needs of the Benefits service and included:

- *Induction Policy and Procedures*
- *Learning and Development procedures*
- *Vetting Procedures for Benefit Staff*
- *Investigation and Visiting Officers Code of Conduct*
- *Racial Equality Policy.*

**4.23** Pre-appointment checks were carried out on potential new recruits. These included verifying:

- identity
- references from previous employers
- educational qualifications.

**4.24** On appointment, staff attended induction training sessions covering corporate and Benefits service specific material including Benefits IT system security and the council's code of conduct.

**4.25** Benefits staff were required to complete a declaration of interest form following their acceptance of a post. The need to report any change in personal circumstances was notified to those staff who had declared an interest.

### **Training and development**

**4.26** A Staff Development Scheme had been in operation for a number of years, and was reviewed in April 2006 in an effort to make clearer the links between individual and corporate targets and objectives.

**4.27** A strong training culture meant that the council supported its staff in studying for relevant professional qualifications, including 24 staff undertaking National Vocational Qualifications. This had seen the Benefits service nominated as an NVQ assessment centre.

**4.28** Records were kept detailing training courses attended and courses still outstanding. A range of internal and external training organisations provided training and personal development plans were completed for all staff and managers. Training was also evaluated.

**4.29** A dedicated training officer role was created to:

- develop and deliver training sessions
- analyse performance management information
- provide coaching to staff
- disseminate important messages from Departmental circulars.

**4.30** Partnerships had been forged with other local councils to maximise opportunities for training and successful bids for Departmental funding had been made. One joint bid led by Amber Valley Borough Council helped finance a structured training programme for Benefits staff from 6 Derbyshire Authorities.

## *Value for money*

**4.31** Although there is no definitive costing structure for benefits administration, local authorities should have regard to Departmental guidance which does cover efficiency.

## Performance enablers

### *Achieving value for money and working in partnership*

**4.32** Amber Valley Borough Council met all 3 enablers.

**4.33** The council had an annual audit contract with an external provider, to report on whether the council's services represented value for money. In addition, in 2006 the Chief Executive had requested that the Audit Commission conduct a value for money review of the council's corporate and support services. These reports confirmed the Benefits service was providing good value for money.

**4.34** The council had developed a rolling programme of service reviews. At the time of our inspection around 75% of services had been reviewed. The Benefits service was recognised as a high cost service which had been a council priority to improve. However the council was considering how to make further efficiencies in service provision following the significant investment in new technology.

**4.35** Amber Valley Borough Council was a member of the Derbyshire Procurement Group and had been involved in a number of joint training initiatives. It had also delivered a series of jointly produced leaflets for HB/CTB customers.

**4.36** The council had led pilot exercises in conjunction with other councils for the Quality Assurance module of its Benefits IT system and the development of an electronic claim form. It had successfully implemented both these products.

**4.37** The council provided a central liaison officer for its Registered Social Landlords. Fortnightly meetings took place with its largest Registered Social Landlord to discuss any issues and accompanied visits were made on new tenancies.

**4.38** In addition, senior managers were actively involved in ongoing liaison with local welfare groups to discuss the local provision of advice centres and to ensure that vulnerable persons received help with claims for benefit.

### *IT systems*

**4.39** Amber Valley Borough Council met both enablers.

**4.40** We found the council's IT systems supported all aspects of paying and accounting for benefits, interfaced effectively with other relevant council IT systems, and produced a wide range of management information reports.

**4.41** The council had introduced the full suite of applications from its IT provider enabling effective integration between council tax, fraud, debt recovery and quality assurance. Internal Audit had confirmed that its IT systems provided comprehensive control over benefits and fraud administration.

**4.42** All corporate IT system contracts were managed by the corporate IT team. The Benefits and Customer Services Manager had responsibility for escalating any issues relating to its Benefits IT system with its IT provider. An escalation process was in place, but this had not been required.

## *Assurance*

**4.43** Large numbers of HB and CTB payments pass through a council's accounting and payment system. It is therefore essential that there are rigorous internal control mechanisms to provide assurance that the benefits system is secure.

## *Performance enablers*

### *Internal control mechanisms*

**4.44** Amber Valley Borough Council met all 3 enablers.

**4.45** The council had effective procedures in place to secure its IT systems. Users were confirmed on the council's staffing database before being given access to its IT systems.

**4.46** All requests for access had to be authorised on the correct forms by a nominated officer. The Corporate IT team maintained a comprehensive audit trail of all completed forms and current user profiles.

**4.47** Following authorisation to use the corporate IT systems, a business unit systems administrator set up and controlled access to the Benefits IT system.

**4.48** All systems were password controlled and staff were aware of the protocols required to maintain system security, for example, changing the password every 90 days and not using an easily identifiable password.

**4.49** New releases for its Benefits IT system were virus checked and user tested on its test system, before being loaded onto its live system. User testing ensured that existing procedures were not affected by the new release.

**4.50** We found the post opening procedures to be well documented and observed that staff adhered to the process for secure control of all documents. We noted that the council's comprehensive written procedures had been recommended to other councils as a good practice model.

**4.51** A check of performance data was carried out daily. This included new claims and changes of circumstances that had taken over 30 and 15 days to process respectively, and a random 10% sample of all other assessments. The check took account of the dates used to calculate performance and for changes of circumstances, whether the case was correctly recorded.

**4.52** Any anomalies were reported to the Benefits and Customer Services Manager and corrective action taken. Any trends identified were also addressed by individual or team training.

**4.53** In addition, an audit of its Best Value Performance Indicators was carried out quarterly, before figures were submitted to the Department.

### *Secure administration*

**4.54** Amber Valley Borough Council met both enablers.

**4.55** The Audit Manager had established 3 separate audit contracts for financial services, non-financial services and value for money. The council did not specify a number of days required for each audit, but determined its requirements according to risk.

**4.56** Audit reports and recommendations were agreed with the Benefits and Customer Services Manager. Action plans were developed to address any recommendations. The Audit Manager, who is required to report regularly to the Governance and Audit Board, monitored progress against action plans.

**4.57** Our examination of recent audit reports, and discussion with managers and staff indicated that recommendations were being effectively addressed and implemented within agreed timescales.

