

APPENDIX 1

Benefit Fraud Inspectorate Report - Executive summary and Recommendations

Introduction

- 1.1 This report assesses Stevenage Borough Council's performance in dealing with claims processing. We have limited the scope of this inspection to those Performance Standards' components that have a direct impact on Stevenage Borough Council's reported claims processing performance.
- 1.2 Stevenage Borough Council was selected for a claims administration focused inspection, as it was one of 5 authorities whose published performance figures indicated that it took longer than most to process claims for Housing Benefit (HB).
- 1.3 By the time the on-site phase of our inspection began in March 2006, Stevenage Borough Council's reported performance for the time taken to process new claims for HB and Council Tax Benefit (CTB) had improved from an average of 55 days in quarter 2 to an average of 29 days in quarter 3 of 2005/06.
- 1.4 To examine Stevenage Borough Council's reported performance we randomly selected 34 new claims and 41 reported changes of circumstances processed in the period from 1 October 2005 to 31 January 2006. The council confirmed that our findings were representative of its caseload of HB and CTB claims. We also examined and analysed management information from the Benefits IT system and interviewed Benefits managers and staff.
- 1.5 The 2-week on-site stage of this inspection was conducted between 13 March and 31 March 2006.
- 1.6 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:

<http://www.dwp.gov.uk/housingbenefit/publications/perf-stands/index.asp>
- 1.7 We are grateful to Stevenage Borough Council for its help and cooperation throughout this inspection.

Background

- 1.8 Stevenage Borough Council is located in South-East England, about 20 miles north of London and covers the new town of Stevenage, an area measuring some 5 miles by 6 miles. HB and CTB processing takes place at the council offices in Stevenage town centre where Customer Service Centre staff accept and verify documentation in support of HB and CTB claims. The Benefits service is located near to public transport terminals and is, therefore, easily accessible to residents in the borough.
- 1.9 The Assistant Chief Executive (Finance) was the authority's Section 151 Officer and a member of the Strategic Management Board. The post holder had responsibility for a number of service delivery units delivering a range of corporate services, which included:

- Benefits
- Revenues
- Anti-Fraud
- Internal Audit
- Corporate Procurement
- Accountancy.

1.10 A new post of Head of Revenues and Corporate Support was created in 2006 and the council was actively recruiting whilst we were on site. In the meantime, the Assistant Chief Executive (Finance) was performing most of the functions of this role, which included responsibility for the Benefits service. The Deputy Benefits Manager had been in post for only 4 months and was not yet operational. This meant that the Benefits Manager was required to perform the duties of both roles. This was having a significant impact on the strategic management of the Benefits service.

1.11 In May 2003, Stevenage Borough Council was formally notified by its IT provider that technical support for its IT hardware and software infrastructure was being withdrawn at the end of November 2004. This resulted in the council having to replace all its financial systems at the same time, including:

- General ledger
- Debtors
- Revenues
- Benefits.

1.12 The replacement of financial systems was divided into 2 separate projects. The new financial management system went live on 11 October 2004 followed by the integrated Revenues and Benefits IT system in November 2004. Both projects were delivered on time and within budget. However, senior managers acknowledged that the importance and relevance of post-implementation reviews and any subsequent action had been underestimated.

1.13 Housing Benefit and CTB new claims were being processed in an average of 39 days and changes of circumstances in an average of 12 days, immediately prior to the implementation of the new Benefits IT system.

Overall performance

1.14 Impressive improvements had been made in the time taken to process new claims, from an average of 55 days in the second quarter of 2005/06 to 29 days in the third quarter of 2005/06.

1.15 Despite the council reporting similar improvements for processing changes of circumstances, from an average of 25 days to 11 days for the same period, our sampling of cases showed that these were being dealt with in an average of 29 days. This is poor performance. We were concerned that inaccurate management information produced by the Benefits IT system meant it was impossible to accurately determine how long customers waited for their claims to be reassessed following a reported change of circumstances.

- 1.16 This was symptomatic of fundamental weaknesses with the management information produced by the Benefits IT system, and weaknesses in the way the council responded to these issues undermined its management of the Benefits service. The council had no reliable information on which to set targets, monitor performance or meet its obligations to provide accurate statistical information to the Department. This had the potential to impact on the level of subsidy funding received.
- 1.17 We found weaknesses in the council's internal security that provided increased opportunity for fraud and abuse. These included appropriate system IT access levels, a lack of monitoring and control and an absence of routine management checking.
- 1.18 These issues seriously impacted on the assurance that senior officers and Members received on the efficiency, effectiveness and security of the Benefits service. This was compounded by a lack of transparency in the work of Internal Audit and a failure to implement all audit recommendations.

Claims administration

- 1.19 The results from our sample of cases showed that new claims were being processed in an average of 29.9 days, which supported the council's reported figure of 28.6 days for the third quarter of 2005/06.
- 1.20 However, we were concerned that the results of our changes of circumstances sample showed that only one case had been assessed within the Standard time of 9 days. In addition, the average time being taken to process changes of circumstances was 28 days. Our analysis did not support the council's reported performance figure of 11.3 days for the third quarter of 2005/06.
- 1.21 Changes of circumstances were not prioritised, although in order to help prevent overpayments, a process was in place to identify those changes likely to lead to a reduction or cessation of benefit.
- 1.22 A serious weakness, acknowledged by the council, was its failure to implement a management checking regime, particularly as the Benefits IT system required clerical workarounds to pay certain claims. As a result the council was unaware of the potential level of error in its caseload, or whether the drive for faster processing times had compromised the quality of claims processing.
- 1.23 We were concerned that the Benefits service was restricting access for those customers attempting to make contact by telephone. The council had no method of monitoring whether there was sufficient capacity to deal with the volume of incoming calls received.

Security

- 1.24 The principles of the Verification Framework were well embedded and staff were aware of their responsibilities when accepting evidence provided to support benefit claims. However, the procedures in place to verify residency needed to be strengthened.

Resource management

- 1.25 Stevenage Borough Council had set stretching performance targets for its Benefits service. A process was in place to report performance to the Strategic Management Board and Members each week. Performance levels were actively challenged and an explanation sought for any variation from agreed plans and targets.
- 1.26 However, performance information produced by the Benefits IT system was both inaccurate and incomplete. This lack of comprehensive and reliable management information was seriously undermining the council's ability to effectively manage the Benefits service and had the potential to impact on the level of subsidy funding received.
- 1.27 Strategic and operational service planning were adversely affected by a lack of information necessary to manage peaks and troughs in workload. This had also contributed to the delayed implementation of a Document Image Processing system. The target setting process was compromised by the council's use of information it knew to be unreliable. Monitoring of performance against these targets was therefore compromised and the council was unable to measure the extent of any deterioration or improvement in performance levels.
- 1.28 Despite a steadily improving approach to risk management over the previous 2 years, the council had failed to obtain sufficient assurance that the Benefits IT system could support the effective administration of the Benefits service. Furthermore, the council had not adequately managed the level of risk.
- 1.29 The design of the Benefits IT system meant that access was not determined by need and all staff and managers had the same level of system access. Despite the internal security risk associated with this the council had not ensured effective controls were in place for levels of access to its Benefits IT system.
- 1.30 We had concerns about the adequacy of the Internal Audit function in relation to the Benefits service. Only 59% of the audit time allocated to the Benefits service in 2004/05 was actually used, despite the implementation of a new Benefits IT system and the high level of change experienced by the service at this time. Internal Audit had subsequently failed to identify a number of important internal security issues.
- 1.31 Despite Internal Audit having a process for monitoring progress on its recommendations, we were concerned that there was no evidence that recommendations were being consistently implemented by the Benefits service.
- 1.32 A lack of transparency in the work of Internal Audit and the management of information provided by Internal and External Audit caused us major concerns. Members were not provided with copies of Internal Audit reports and details of progress on the implementation of all audit recommendations, therefore any assurance received by senior officers and Members regarding the integrity of the service was compromised.

SUMMARY OF RECOMMENDATIONS

The following tables list the recommendations we have made in this report, grouping them by priority.

Recommendations

High priority

We recommend that Stevenage Borough Council:

- 1 Actively pursues IT system issues with its IT provider to ensure the Benefits system is developed and improved to:
Paragraph 5.36
 - allow the assessment of benefit for all claim types and in all circumstances.
Paragraph 2.7
 - accurately record all system transactions for reporting purposes.
Paragraph 5.30
 - produce comprehensive, accurate and consistent management reports
Paragraph 5.38
 - allow system access levels that are determined by need
Paragraph 5.65
- 2 Ensures reliable and properly validated management information is used to:
 - inform strategic and operational plans
set targets and monitor performance against them
 - report performance against Best Value Performance Indicators to senior officers, Members and the Department.
Paragraph 5.5, 5.12, 5.37, 5.41, 5.73
- 3 Introduces a system of management checking, which incorporates a minimum of 4% pre-notification check and from which the results are used to inform service improvements and individual training needs.
Paragraph 3.55
- 4 Takes urgent steps to review risks to internal security by:
 - obtaining annual declarations of interest from all staff involved in claims administration and develops procedures for dealing with any cases identified.
Paragraph 5.55

- introducing controls to manage the level of risk introduced by system access levels.

Paragraph 5.64

- reviewing and strengthening post-opening procedures.

Paragraph 5.68

5 Introduces transparency to the work of Internal Audit to improve assurance to senior officers and Members by:

- ensuring Internal Audit is actively involved in the implementation of major projects.

Paragraph 5.18

- reviewing the Internal Audit process to ensure that sufficient time is allocated to the Benefits service based on the level of risk.

Paragraph 5.77

- introducing an Audit Committee to monitor the performance, effectiveness and findings of Internal Audit activity.

Paragraph 5.82, 5.83

- implementing Internal Audit recommendations to agreed timescales.

Paragraph 5.86

6 Takes additional steps to prevent fraud and error entering the Benefits system by:

- ensuring verification check lists are fully completed to provide a full audit trail.

Paragraph 4.6

- strengthening procedures to verify residency.

Paragraph 4.8

- the routine use of ultraviolet lamps when checking documents for authenticity.

Paragraph 4.12

Medium priority

We recommend that Stevenage Borough Council:

7 Reviews access to its Benefits service for customers attempting to make contact by telephone.

Paragraph 3.30

8 Ensures that changes of circumstances are assessed promptly and within Standard.

- 9** Ensures appropriate cases are referred to the Rent Service within statutory timescales.

Paragraph 3.36

- 10** Develops a Benefits service Business Continuity Plan and ensures all staff are aware of its contents and what is required of them in the event of serious disruption to the service.

Paragraph 5.19

Low priority

We recommend that Stevenage Borough Council:

- 11** Undertakes analysis to identify why customers fail to provide all the information required to support new claims and changes of circumstances at first contact.

Paragraph 3.9

