

Report by the
Benefit Fraud Inspectorate

**Inspection of the Benefits Agency's
relationship with Local Authorities**

August 2001

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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.

ABR	Area Benefit Review
AC	Audit Commission
AD	Area Directorate
ARC	Accounts Receivable Control
BA	Benefits Agency
BALACLC	Benefits Agency and Local Authority Co-ordination and Liaison Committee
BASIS	BA Security Investigation Service
BFI	Benefit Fraud Inspectorate
BFIS	Benefit Fraud Investigation Service
BIS	Benefit Investigation Service
CTB	Council Tax Benefit
DCI	Departmental Central Index
DoFO	Director of Field Operations
DPA	Data Protection Act
DSS	Department of Social Security
ECF	Electronic claim form
ES	Employment Service
ETD	Electronic Transfer of Data
FILO	Field Intelligence Officer
FIBS	Fraud Information By Sector
FIG	Fraud Investigator's Guide
FAM	Fraud Area Manager
FIU	Financial Investigation Unit
FoD	Focus on Delivery
FSM	Fraud Sector Manager
GAP	Guidance and Procedures
HB	Housing Benefit
HBMS	Housing Benefit Matching Service

Abbreviations

HBIP	Housing Benefit Improvement Programme
HRA	Human Rights Act
IB	Incapacity Benefit
IFCU	Identity Fraud Co-ordination Unit
IND	Immigration and Nationality Directorate
IS	Income Support
ISCS	Income Support Computer System
IT	Information Technology
IUC	Interview under caution
JSA	Jobseeker's Allowance
JSA(IB)	Income-based Jobseeker's Allowance
JSAPS	Jobseeker's Payment System
LA	Local Authority
LAIOG	Local Authority Investigation Officers' group
LBFIG	London Boroughs' Fraud Investigators' Group
LO	Liaison Officer
LTAf	London Team Against Fraud
LTAHAW	Living together as husband and wife
MIDAS	Matching, Intelligence and Data Analysis Services
MVA	Monetary value of adjustment
NAFN	National Anti-Fraud Network
NAO	National Audit Office
NINO	National Insurance number
NIU	National Intelligence Unit
PAC	Public Accounts Committee
POG	Practitioners' Operational Group
PPI	Programme Protection Indicator
PINS	Professionalism in Security
PPP	Programme Protection Plan
RAT	Remote Access Terminal
SLA	Service level agreement
SoIB	Solicitor's Branch
SoS	Secretary of State

WAS	Working Age Services
WBS	Weekly Benefit Savings

Foreword

The Benefit Fraud Inspectorate (BFI) recently inspected Benefits Agency (BA) and Local Authority (LA) closer working. BA currently delivers benefits through a network of 425 local offices. The sample used for the fieldwork comprised 11 sites.

The inspection of the BA was carried out during a period when significant changes were occurring within the BA organisation. A major exercise to streamline internal services and focus resources more clearly on supporting the frontline delivery of services to customers began during the inspection. The Agency and Department were also in the process of planning the transition to a client group approach focusing on children, people of working age and pensioners. There was also a great deal of work under way to develop and improve the relationship with the LAs.

Ten per cent of BA's sites are now involved in ONE pilots. The pilots, which are currently moving towards the evaluation stage, are intended to improve service to customers and ease administrative difficulties between BA, LAs and other partners. No ONE sites were visited as part of this inspection.

We find several areas where BA is failing to make sure it is working effectively with LAs to ensure benefit payments are free from fraud and error. Weaknesses exist across a wide range of activities. Action is needed to:

- XX
- monitor and comply with the standards set out in the administrative and counter fraud service level agreements (SLAs)
- train BA staff on Housing Benefit (HB) and Council Tax Benefit (CTB) matters
- pursue recovery of HB overpayments on behalf of LAs
- work more closely with LA counter fraud teams and exchange information more effectively.

Closer working with LAs has a low profile in BA. There is no BA vision or direction for progressing this activity. There are no Agency-level targets relating to closer working and BA does not collect management information on the results of closer working.

On a national level, we conclude that BA counter fraud staff have no incentive to work more closely with LA staff, particularly with the recent concentration on a narrower range of investigations which has led to increases in uninvestigated cases.

Some BA staff pay only lip service to the SLA. This is more marked amongst counter fraud staff with guidance being regularly ignored and information not always exchanged with LAs. This can lead to inconsistent application of sanctions and overpayments of HB.

Foreword

The recent appointment by BA of a Chief Investigation Officer and Head of Profession for counter fraud activity should lead to clearer strategic direction and give closer working on counter fraud a higher priority in BA.

The introduction of BA's Performance Improvement Action Teams to support equalisation of performance amongst BA offices should also have a positive impact on several of the areas of weakness identified in this report. We found examples such as verification of identity, where performance varied greatly from office to office.

BA has told us that a number of new processes have been introduced since the on-site inspection that, if successful, should have a major impact on driving up performance. These include:

- the commitment of the national roll out for the enhanced Remote Access Terminal (RAT) for LAs
- all overpayment work will move to the Department of Security (DSS) as part of a consolidated debt management organisation, this should improve overpayment recovery
- a much less complex planning process for counter fraud work for 2001/02
- the introduction of Scampion inspired BA and LA Strategic and Operational Boards from April 2001
- the creation of Operational Intelligence Units from April 2001, illustrating a clearer commitment to better use of intelligence across BA and LAs in identifying work to be undertaken
- use of an active case management model to develop a joint risk programme for Income Support (IS), Jobseeker's Allowance (JSA), HB and CTB.

I am grateful to the Chief Executive and the staff of BA for their assistance during the course of the inspection. In particular I am grateful for the work of identifying and managing ownership of the recommendations in the revised organisational structure.

Chris Bull
BFI Director

Summary

1.1 In 1998/99 DSS spent almost £96 billion on benefits for some 30 million people, equivalent to £80 a week for every household in the country. HB and CTB paid by LAs amounted to £13.7 billion of government expenditure paid to around 4.5 million people (Source: *Social Security Departmental Report – The Government's Expenditure Plans 1999/2000*). Benefits expenditure is forecast to increase to over £108 billion by 2001/02, over £17 billion of which will be HB and CTB.

1.2 The *National Housing Benefit Accuracy Review 1997/98* estimates that around £840 million is lost each year as a result of fraud and error in the HB system. The report suggests that around 16% of claimants are receiving an incorrect award of HB. There is no routine collection of data relating to HB fraud and error but this will be addressed from April 2001 when DSS, using BA staff, begins the annual benefit review of HB aimed at extending the measurement of incorrectness in HB.

1.3 HB and CTB are social security benefits funded and administered by LAs, although DSS pays subsidy in respect of them. However, there are important connections between HB and CTB and other income-related benefits. In particular, someone who is being paid IS or income-based Jobseeker's Allowance (JSA(IB)), although not automatically entitled to HB or CTB, must be treated by the LA as possessing no income or capital. In addition, claims for HB and CTB may be made at either BA or Employment Service (ES) offices. In May 1998 64% of HB recipients were also in receipt of IS or JSA(IB). Good liaison between BA and LAs is therefore crucial in preventing fraud or error.

1.4 In March 1999, the government published its strategy for tackling fraud and improving security in DSS and LAs – *A new contract for welfare: SAFEGUARDING SOCIAL SECURITY*. Closer working between BA and LAs is fundamental to that strategy which also explains how DSS will shift its emphasis from detection to prevention of fraud and error. The new strategy calls for a sustained and detailed effort on 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** – monitoring progress, evaluating the efficacy of defences and adjusting them in the light of experience.

Safeguarding social security

1.5 The BFI is an integral part of the strategy. Our inspections of DSS agencies and LAs inform policy development and raise standards of benefit administration by:

- recommending areas for improvement

Summary

- making sure our conclusions and recommendations reinforce objectives of the strategy
- disseminating good practices.

1.6 This report records the result of our inspection of BA. The objectives of the inspection were to:

- establish the extent to which BA and LAs work effectively together to systematically secure benefit administration
- identify risks to end-to-end benefit delivery and to make recommendations for improvements in closer working
- raise the standards of administration in BA's closer working activities and initiatives by promoting good administrative and security practices.

1.7 Closer working between BA and LAs can lead to a more secure and effective benefit service by better:

- fraud prevention:
 - improved verification of entitlement to benefit by collecting more reliable evidence
 - joint visiting to claimants
- fraud deterrence:
 - a joint approach to recovering overpayments and using sanctions
- fraud detection:
 - sharing knowledge of the types of fraud committed by claimants
 - increasing awareness of the claims that pose most risk to the benefit system
 - establishing joint investigation teams to detect and pursue frauds as far as possible with a view to taking sanctions
- administration:
 - reducing duplication of verification activity
 - sharing benefit-related information about claimants
 - helping to meet performance targets
 - realising efficiencies leading to savings to the public purse
 - increasing public confidence and co-operation by having a more efficient service.

1.8 The on-site phase of the inspection took place from May to July 2000. We used information from:

- documentation requested before the on-site inspection
- meetings and interviews before, during and after the on-site inspection
- sampling carried out during and following the on-site inspection.

1.9 More detail about the methodology and offices involved is in Appendix A.

operated by both BA and LAs. Responsibility for managing and maintaining the counter fraud SLA will be placed with the Operational Boards.

1.19 Management information relating to closer working is reported to the BA centre but it is lacking in depth by simply ensuring, for example, that an SLA is in place and an end-of-year certificate signed. There is no central analysis of whether the standards in the SLA are being delivered.

1.20 As performance is not measured there is no historical data on which to base meaningful standards. The lack of realistic standards leads to BA staff not taking them seriously. We found some evidence where BA managers openly accepted they could not meet some of the standards and they had still signed up to the SLA.

1.21 There is a lack of accountability for achieving closer working with LAs. Performance against SLAs is not recorded in the BA business plan, nor in key work objectives of BA managers, and there is no incentive or penalty for delivery of the SLA or associated closer working activities.

1.22 BA's commitment to closer working needs to be proven through delivery and monitoring of the administrative SLA and other closer working activities. There must be accountability for this.

1.23 We found that training of BA staff on HB and CTB is inadequate. Staff awareness of the content of the administrative SLA was weak and training to deliver effective closer working with LAs insufficient. BA staff need to be properly trained on SLA, HB and CTB issues.

1.24 Poor training and awareness has led to serious weaknesses in ensuring any HB interest is annotated on clerical claims. Only 31% of clerical cases we sampled were correctly annotated. It is important that BA staff are able to identify any IS or JSA claims with an HB interest so they can notify the LA of any changes that might affect the HB claim. This failure poses a serious risk to the benefits system. The 69% of cases with no indication of HB interest may well lead to incorrect payments of HB where the LA is not notified of a change that would affect payment of HB.

1.25 We did find offices that were making greater effort than others. The problems with verification of identity, for example, are not universal but only a small minority of the offices visited were performing well in trying to ensure the service they provide to LAs is of a high order. Although not part of our sample offices, Appendix B gives details of 3 BA offices and their neighbouring LAs that have, following BFI inspections, made significant progress in improving closer working. This shows some of the improvements it is possible to achieve.

Keeping it right

1.26 Keeping it right depends on adjusting payments promptly as circumstances change. The claimant should notify changes to BA and the LA where appropriate but does not always do so. It is therefore vital that BA staff identify and notify LAs urgently and accurately of any change of circumstances that might affect HB or CTB.

1.27 Our sampling showed that BA does notify LAs of change of circumstances within the 5 working day target as set out in the SLA. However, our sampling could only consider those cases where BA had already identified a change of

circumstances. Our interviews with BA staff revealed weaknesses in identifying what constitutes a relevant change for HB or CTB purposes.

1.28 We have already mentioned the failure to accurately annotate an HB interest in 69% of clerical cases sampled. This failure to recognise HB or CTB matters in non-computer system controlled cases was also apparent for change of circumstances. Staff were not always aware of the need to notify changes to the LA or able to identify those changes which might affect an HB claim.

1.29 BA staff told us they would not normally notify LAs if IS or JSA(IB) was suspended, withheld in part or backdated. BA overpayments staff said that they would not normally notify the LA if an overpayment amount or period altered. We were told, following the on-site inspection, that guidance was being revised to cover this issue. All could affect an HB or CTB claim and failure to notify the LA could lead to incorrect payments being made.

1.30 We attribute the weaknesses in identifying change of circumstances to BA's failure to sufficiently train its staff in HB and CTB issues.

1.31 Recovery of overpayments is another key component of keeping it right. BA is not resourced to recover HB overpayments or CTB excess benefit. Nor do such recoveries contribute to BA's overpayment recovery target. Managers freely admitted to us that they did not actively seek referrals from LAs, and staff told us they would always give BA overpayment cases priority over LA cases even though they have a legal duty to make such recoveries.

1.32 Nevertheless Secretary of State (SoS), in the form of BA, is legally obliged to accept any requests for recovery that meet the prescribed requirements from LAs and, if possible, instigate recovery action.

1.33 We found a wide variation in performance both in our sample of 11 BA offices and across BA as a whole. Some LAs made good use of this recovery facility, some made none at all.

1.34 This was disturbing given that in 1997/98 there was an estimated total of £358 million overpaid in HB alone. [Source: *DSS Research Report number 19 – LAs and Benefit Overpayments*].

1.35 BA and DSS have been aware of this problem for some time and are acting to resolve it. DSS will assume control of debt from April 2001 as part of a consolidated debt management organisation. We were told that the LA HB and CTB Overpayment Project was considering the optimum operational model in which to deliver increased performance and consistency of approach in respect of HB overpayments and CTB excess benefit.

1.36 However, the project is not planned to be fully rolled out until March 2002. Until then BA must do more to publicise the service it offers and liaise closely with LAs to make maximum use of it.

Putting it right

1.37 The poor quality and general lack of closer working we found between Benefit Fraud Investigation Service (BFIS) (Benefit Investigation Service (BIS) in Scotland) and LA counter fraud investigators caused us considerable concern during the period of the inspection.

Summary

1.55 Weaknesses in monitoring the SLA are particularly worrying. We found that monitoring is superficial, inconsistently applied and provides no assurance for BA or inspectorate bodies such as National Audit Office (NAO), Internal Audit Services or BFI. Ministers and LAs also have no assurance.

1.56 BA has made strenuous efforts to introduce a comprehensive planning system for counter fraud activity. However, it has become over complex and is not fully adhered to by BFIS staff.

1.57 Guidance on closer working is non-existent.

1.58 There are over 300 local initiatives classified by BA as closer working with LAs. These are not properly co-ordinated and, with no clear BA steer on closer working, may be totally opposed to what BA wishes to see happening.

1.59 Although RATs and ETD have been successful, BA and LA computer systems do not routinely interact. Without this ability the opportunity to transfer and exchange information to deliver a more efficient and secure service is badly hampered.

1.60 BA must develop a clear steer to enable staff to deliver what is required and to show that it is committed to closer working with LAs.

Findings

Introduction

Background information on BA

2.1 BA was created in April 1992. It:

- is the largest of the government's executive agencies
- is an agency of DSS
- operates within a framework laid down by the SoS. The *Framework Document* sets out the policy and resources framework within which BA operates, and the authorities and responsibilities of the Chief Executive
- exists to support the government in establishing a modern welfare state. It aims do this by helping to create and deliver an active modern social security service. The service will encourage independence and pay the right money to the right person at the right time, all the time.

2.2 Although BA is part of DSS, as an agency it is organisationally, though not legally, separate from the rest of DSS.

2.3 The SoS is accountable to Parliament for BA and:

- allocates resources to BA
- sets the annual targets BA is expected to achieve, covering financial performance and the effectiveness of the service provided
- agrees the BA's standards of service, strategies and objectives and annual business plan.

2.4 The *BA Business Plan 2000/01* quotes the BA's existing role as including:

- giving information about benefits
- advising customers on support available when starting work
- processing applications and making accurate payment of benefits
- providing personalised explanations and quickly resolving disputes, including appeals
- recovering benefit when required
- working across government with other agencies on benefit delivery issues.

2.5 In 2000/01 BA seeks the following outcomes:

- provide a system that is efficient and easy for people to use
- reduce error and prevent fraud
- make best use of the resources available to deliver services to customers
- move towards the new organisation

- reduce variations in levels of service provided across the country.

2.6 BA is managed by a Chief Executive, who has full authority delegated directly from the SoS and is the SoS's principal adviser on the operational functions delegated to her. The BA management team consists of the Chief Executive, 2 Directors of Field Operations (DoFOs), a Pensions and Children's Services Director, a Director of Performance Management, a Business and Change Management Director and 2 non-executive Directors.

2.7 BA is made up of 13 Area Directorates (ADs) and 3 Central Benefit Directorates. It employs around 70,000 staff and delivers over 20 social security benefits paying out over £80 billion a year. ADs deliver services through local offices on benefits such as IS, JSA, Incapacity Benefit (IB) and payments from the Social Fund. Benefits such as Retirement Pension, disability benefits and Child Benefit are administered centrally by individual Benefit Directorates. Provisional running costs for 2000/01 were £2.4 billion.

2.8 BA liaises with and provides services to LAs in relation to HB and CTB. It forwards claims for these benefits and provides information as required to LAs.

2.9 The relationship between BA and LAs is managed through SLAs. There are separate SLAs for administrative and counter fraud work. Each BA District Office has an SLA with each LA within its geographical boundary. Every year, the BA centre issues a national model of each SLA and local units are free to tailor these to meet local needs, although it is made clear that the national models detail the minimum standards required.

2.10 At the start of the inspection the procedures followed were that BA's Business Management or Business Support areas, together with DSS, draft and issue the guidance. The documents are approved by the HB Standing Committee. This organisation consists of representatives from DSS, BA and LAs. The counter fraud national model SLA is also quality assured by Fraud Area Managers (FAMs) and the BA Security Investigation Service (BASIS). During the course of the inspection the Business Management and Business Support functions of BA ceased. Responsibility was transferred to DSS.

2.11 At the time of our on-site inspection BA was undergoing a series of major changes. In August 1999, in order to focus more effectively on service delivery, the DSS announced the reorganisation of parts of DSS Headquarters around 3 customer groups:

- people of working age
- children and families
- pensioners.

2.12 In March 2000 the DSS announced that there would be further changes to DSS to streamline internal services and focus resources more clearly on supporting the frontline delivery of services to customers. As a result, from 1 April 2000 BA aimed to focus more clearly on its core business of delivering service to its customers. The revised organisation:

- brought together all benefit design and management work in 3 departmental customer group directorates

- integrated finance and personnel services within a single new Corporate Services Directorate
- brought together existing communications services under a single departmental director.

2.13 Also in March 2000 the SoS announced a new service was to be developed to meet the needs of pensioners and the Prime Minister announced plans, as part of the government's wider modernisation agenda, to develop services for people of working age. These plans included a brand new agency to provide a single point of access for advice on looking for work and accessing benefits. The new agency will draw together the ES and those parts of BA dealing with people of working age.

2.14 This means that not only did we carry out the inspection during a time of great change for BA, we are also making recommendations that need to be applicable to and owned by the revised organisation and, if appropriate, the new agency.

2.15 Our findings and conclusions are set out under the headings of the government's fraud strategy. We examined BA's performance in the area of closer working by assessing whether:

- the conditions of the administrative and counter fraud SLAs were being adhered to
- there are good practices
- there is scope to improve performance.

Securing the gateway to benefit

2.26 To secure the gateway to benefit, an organisation must:

- insist that claimants produce enough evidence to prove that they qualify for benefit before benefit is paid
- make sure information can be checked systematically, with sound appreciation of where it is at risk of being wrong
- bring together all the available information where the claim is checked
- make sure it has continuing contact with claimants.

2.27 As BA is responsible for the administration of IS and JSA(IB), both of which have important consequences for the administration of HB and CTB, it is crucial that the gateway in BA is secure and that claims and information are passed to LAs accurately and quickly.

2.28 BA has taken several steps to improve the security of its gateway to benefits. These include:

- benefit reviews to assess the nature and stock of fraud across IS and JSA
- extending its risk assessment to develop a targeted approach to different customers according to fraud risks
- continuing its data matching to provide high quality referrals for investigators
- applying section 1(1A) and (1B) of the Social Security Administration Act 1992 to support verification of a claim
- undertaking reviews targeted at ongoing claims according to their level of fraud risks.

2.29 To test BA's performance in getting it right we undertook sampling to:

- assess performance against the standards set out in the administrative SLA
- determine how claims are received and transferred to LAs
- test the standard of evidence obtained by BA in support of the claim
- assess the accuracy and recording of data
- measure the speed of forwarding NHB1s to LAs
- measure the speed of notifying LAs of entitlement to IS or JSA(IB)
- measure the accuracy in setting HB indicators
- check the linking of claims and entitlement notices before forwarding to LAs
- check compliance with section 1(1A) and (1B) of the Social Security Administration Act 1992.

2.30 We also undertook interviews and workshops with staff of BA and LAs to confirm our findings and establish levels of awareness and local practices.

SLA

2.31 The administrative SLA is crucial to protect the gateway to benefit because it details standards of performance in areas such as:

- forwarding completed claim forms and supporting information from BA to LAs

Findings

- the appointment of a nominated officer to deal with the impact of section 1(1A) and 1(1B) of the Social Security Administration Act 1992
- providing training to deliver the requirements of the SLA
- ongoing liaison such as telephone access, regular meetings and joint planning.

Performance against SLA standards

2.32 The national model administrative SLA details a number of requirements with the standards of performance expected. Our sampling and interviewing established whether these standards were being met.

New claims

2.33 The national model administrative SLA requires that 100% of fully or partially completed HB or CTB claim forms submitted by claimants to BA offices should be:

- stamped with date of receipt in the BA office. This action is crucial, as it provides the start date to any HB or CTB entitlement
- forwarded to the appropriate LA benefits section within 2 working days of either the date of determination of the IS or JSA(IB) claim or receipt of the HB or CTB claim at the BA office, whichever is the later, or as soon as is reasonably practicable thereafter.

2.34 This wording could lead to different interpretations of what is meant by *reasonably practicable* although we found no evidence of this.

2.35 We examined a random sample of 197 new IS and JSA claims across 11 BA offices, to check the above and also to see if the appropriate HB or CTB system indicators were set on the BA's IS Computer System (ISCS) or JSA Payment System (JSAPS) at the start of a new claim. This makes sure the LA receives the appropriate notifications at the start of the claim and on subsequent changes to the IS or JSA claim.

2.36 Before ETD, all BA offices linked the IS or JSA determination notice with an NHB1, which is an application form for HB or CTB, and forwarded them to the LA. However, in offices with ETD, notifications are sent electronically to the LA. The implications on this of ETD are covered later in the report. In 6 of the 11 BA offices we visited, the procedure was to link the determination notice to the NHB1 and forward them to the LA.

2.37 Figure 2.1 shows the results of our sampling.

Fig. 2.1: Performance against SLA targets for date stamping and forwarding claim details to LAs	
% of new claims forwarded to the LA within 2 day SLA target	% of new claims date stamped
45	91

Source: BFI sample of 197 new claims

2.38 Our sampling shows that only 45% of new claims are forwarded to the LA within the SLA target of 2 working days. This overall level of performance

disguises the fact that 2 BA offices achieved a 100% level while 2 recorded a performance of 0%. However, the target is 100% and only 2 BA offices met this target. Seven BA offices recorded less than 35%.

2.39 The consequence of this performance is that claims to HB are delayed, claimants are inconvenienced and there is an increased risk of additional enquires to BA and LAs.

2.40 Of all the new claims sampled 91% were date stamped on receipt at a BA office. This is below the target level of 100%, which was met by only 5 of the BA offices we visited.

2.41 We were told that failure was often due to post opening being contracted out but BA has ultimate responsibility for compliance with this requirement no matter who it contracts to open and stamp its post.

We recommend that BA takes appropriate action to ensure it meets the target that 100% of new claim forms are date stamped.

Clerical cases

2.42 If there is a computer system fault or for technical reasons it is not possible to process a claim on ISCS or JSAPS, clerical papers are raised. The same timescales as for non-clerical cases are applied to these cases, but notices to the LA are raised by staff as opposed to computer produced.

2.43 During the inspection we found that the number of clerical cases held varied from office to office. We were told that there had been a great deal of effort in the previous 12 months to reduce the numbers and improve case controls, with responsibility for case maintenance in the main falling to the BA office's Dialogue Expert or other specialist staff.

2.44 We were told that a national cleaning exercise was being undertaken by BA. This aimed to get as many clerical cases as possible put onto ISCS or JSAPS.

2.45 We sampled 51 clerical cases to test whether the appropriate procedures had been carried out in all cases with an HB interest. For example, we tested whether details of clerically issued HB forms were held in the casepaper and regular checks undertaken.

2.46 We also interviewed staff responsible for maintaining IS and JSA clerical cases.

Fig. 2.2: Clerical cases – accuracy of setting HB identifier

Sample size	Number with HB identifier	% with HB identifier
51	16	31

Source: BFI sample of 51 clerical cases

2.47 Figure 2.2 shows that in only 31% of cases sampled were HB forms recorded as being issued to LAs. None had any clear HB interest identifier marked on the casepaper.

2.48 Interviews with staff confirmed this lack of awareness of the importance of liaison with LAs. We found:

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- some staff stated that they would send an NHB(IS) clerical to the LA in all cases. This is the decision notice issued by BA to the LA with details of an IS claim. This means that LAs are receiving personal details of people not in receipt of HB or CTB
- a clear lack of appreciation of the consequences of cases not being marked with an HB indicator.

HB indicator

2.49 During the course of processing an IS or JSA application on ISCS or JSAPS, BA staff have to visit the "Where You Live" screen. If BA staff know that an HB claim has been made they must change the present HB indicator from *N* – denoting no HB interest – to *Y* denoting an HB interest. This will ensure that BA's computer systems automatically produce determination notices to be forwarded to the appropriate LA. The claimant's address recorded in a previous screen and the relevant LA code identify the location of the LA.

2.50 The LA will only receive the initial and subsequent determinations if the HB indicator has been set correctly. BA is required to ensure that this action has been taken in all cases. Failure to accurately set the indicator means that the LA is not notified of awards or changes in IS or JSA and can lead to incorrect payments of HB or CTB.

2.51 Our sampling of 197 new IS and JSA claims showed that the HB indicator was accurately set in 93% of cases. This represents a much higher level of performance than BA might have expected as it is addressing identified weaknesses in this area of work. However, BFI reports on individual LAs still show that some BA offices are poor at ensuring the accurate setting of indicators.

2.52 The reason for the higher than expected level of performance in our sample was largely due to local practices introduced by individual offices who devised safeguards to ensure indicators were set in all appropriate cases.

2.53 LAs can identify if indicators have not been set in a number of ways. The most usual method is during routine use of the RAT.

2.54 One of our sample BA offices was Birmingham (Edgbaston). We found that when the local LA discovers that the indicator has not been set properly, it sends a special form to BA with a tear-off portion to keep in BA records.

2.55 In Greater Manchester South East BA, the local LA sends a fax on a daily basis listing any live IS or JSA(IB) cases with an HB interest where the *Y* indicator is not set. The BA will then set the indicator.

2.56 A pilot exercise in one BA District in Scotland identified 907 cases where there was a mismatch between BA and LA information. A similar exercise in Wales revealed 5,000 mismatches in one District and it was estimated that there could be as many as 200,000 mismatched cases across the London LAs.

2.57 As a result, at the time of the on-site inspection BA was seeking funding to carry out a national exercise to identify and rectify all potential mismatches.

2.58 Our findings at Forth Valley BA were consistent with a recent BFI inspection of neighbouring Stirling Council where the BFI team found that the HB indicator was set correctly in 97% of cases sampled.

2.59 The local practices outlined above are commendable and effective but duplicate effort in that a number of local solutions have been developed with no identifiable sharing of best practice. While the data cleansing exercise will put right those mismatches, it is important that BA ensures the problem is not allowed to recur.

2.60 Interviews and workshops with staff showed a good awareness of the requirement to set HB indicators accurately. However, some staff had no understanding of why they needed to take this action. Nor were they always aware of the effect on the HB claim of failure to set the HB indicator.

2.61 We were told that there is no training on this aspect of work other than brief reference to the general principles of HB and CTB during induction training. This covers only the need to set the indicator, not the reasons why.

2.62 Because staff lack in-depth understanding, clerical cases are particularly prone to error. Staff tend not to consider the need to note an HB interest on the IS or JSA claim when they do not have the support of ISCS or JSAPS. However, to get this problem into context, BA told us that clerical cases account for only 0.05% of IS and 2.2% of JSA cases. Our sample of 51 clerical claims showed that an HB interest had been recorded in only 31% of cases. This is covered in more detail in the *Keeping it right* section of this report.

Management in 2 BA offices had arranged for all HB clerical notifications for IS or JSA entitlement to be authenticated and issued through their finance section.

2.63 Management in 2 BA offices had arranged for all HB clerical notifications for IS or JSA entitlement to be authenticated and issued through their finance section, as they are deemed to be secure items. We commend this action, as it will reduce the possibility of internal fraud.

We recommend that BA takes urgent steps to supplement the proposed data cleansing exercise of clerical cases by providing training, support and guidance to ensure staff dealing with ISCS or JSAPS controlled cases and clerical

IS or JSA cases have a full knowledge of the implications of their actions on HB claims. This support needs to be ongoing and should be included in all induction and refresher training for staff dealing with IS and JSA claims.

Compliance with section 1(1A) and (1B) of the Social Security Administration Act 1992

2.64 Section 1(1A) and (1B) of the Social Security Administration Act 1992 (inserted by section 19 of the Fraud Act) provides that no person whose entitlement to any benefit depends on his making a claim shall be entitled to the benefit unless section (1B) is satisfied both in relation to the person making the claim and to any other person in respect of whom he is claiming benefit. Section (1B) is satisfied in relation to a person if:

- the claim is accompanied by:
 - a statement of the person's National Insurance Number (NINO) and information or evidence that the number has been allocated to that person, or

Our interviews and scrutiny of minutes confirmed that all BA offices we visited held regular quarterly meetings with their respective LAs.

In Makerfield Benefit Centre the BA senior manager attended every liaison meeting and was proactively engaged in improving working relationships between BA and the LAs.

2.79 Our interviews and scrutiny of minutes confirmed that all BA offices we visited held regular quarterly meetings with their respective LAs. The BA LOs and, normally, their line managers, represent BA.

2.80 We found evidence that not all BA offices had senior management representation at these meetings. This was equally true of senior management from LAs. We saw one example of the Chief Executive of an LA turning down an invitation to meet with a BA Operational Director because he did not think there was any need to do so.

2.81 In Makerfield Benefit Centre the BA senior manager attended every liaison meeting and was proactively engaged in improving working relationships between BA and the LAs with which Makerfield deals.

2.82 Throughout the inspection we found evidence that the administrative SLA is not given sufficiently high priority by BA. The failure of some BA offices to provide senior representation at at least 2 liaison meetings a year further demonstrates this.

We recommend that BA confirms its commitment to closer working with LAs by:

- **ensuring that it adheres to the terms of the SLA requiring that a member of each of its units' senior management teams attends at least 2 liaison meetings for each SLA held each year**
- **closely monitoring compliance with this requirement.**

2.83 Minutes of the meetings were produced in all the BA sites we visited but BA staff told us that these are not normally circulated widely around the office. Staff said that they rarely saw an agenda before the meeting. We were frequently told that staff were only made aware of what had been debated when there was a problem in their area of work.

2.84 However, we did find examples of good practice, for example at Northumberland, North Wales, South East Yorkshire and Greater Manchester South East BA Districts. In these offices, section or command representatives had been appointed to attend the liaison meetings and report back to their colleagues. At North Shields office, staff are given advance notice of the meetings and encouraged to raise issues at their weekly team meetings.

2.85 The national model SLA recommends that other interested parties are invited to attend quarterly meetings as appropriate. Our interviews revealed that there were no joint BFIS and BA meetings with the HB and LA fraud teams. Agendas and minutes are not exchanged. There is no co-ordinated approach to joint issues or sharing of useful information.

2.86 Greater Manchester South East Directorate was developing a joint administrative and counter fraud SLA with their LAs for 2000/01. We were also made aware that BA's AD1 (East London and Anglia) had adopted joint administrative and counter fraud SLAs for 2000/01.

2.87 There are arguments for and against this joint approach. Our main concern is that BA should secure compliance with separate administrative and fraud SLAs before it takes the more ambitious step of trying to combine them. However, we are content that BA should trial the joint process so long as it is fully evaluated before the guidance for 2001/02 is issued.

We recommend that BA fully evaluates trial joint administrative and fraud SLAs in advance of the publication of guidance for 2001/02. The guidance should provide local offices with a clear steer about BA's stance on joint SLAs.

Training and awareness relating to the administrative SLA

2.88 The national model requires BA to provide training for its staff to enable them to deliver the standard of service defined in the SLA. It also states that to ensure the standards of the SLA are maintained it is necessary to:

- identify and meet training needs
- monitor their effectiveness.

2.89 We interviewed staff and examined training plans to establish the level of compliance with this requirement.

2.90 We found that although all BA offices visited had included this requirement in their SLA it had, without exception, not been undertaken. We did find limited examples where HB awareness training had been planned but no training was targeted specifically at training staff to deliver the standard of service defined in the SLA. There was no monitoring of the effectiveness of any training.

2.91 This is still further evidence of BA's failure to ensure its staff are equipped to deliver an efficient and secure service in conjunction with their LA colleagues.

2.92 We found no evidence of the contents of the SLA featuring in the BA induction programme for new staff in any of the offices visited.

2.93 We held workshops with groups of BA staff to establish their level of awareness of the administrative SLA. Again our findings showed a disappointing level of knowledge or appreciation of the content or importance of the SLA.

2.94 The vast majority of staff were aware of the standards in the SLA in so far as it related to their area of work. Few staff had an appreciation or knowledge of the full range of standards contained in the SLA. Levels of awareness reduced greatly for those BA staff working outside the main IS or JSA processing sections.

2.95 Our discussions revealed that drafting the administrative SLA was normally undertaken by the LO. We were told that other staff felt excluded, unable to influence the content of the SLA and did not consider it to be a working document that they could commit to.

2.96 In 3 of the BA offices we visited, managers felt it was not the function of administrative staff to concern themselves with SLAs or their content. This was attributed to a lack of resource and the perceived need to ensure administrative staff concentrated on delivery of BA benefits.

2.97 Only 50% of clerical staff interviewed were aware of the standards in the SLA even though they were relevant to their existing duties.

Northumberland District BA had set up a working party to develop a staff communication plan. This was to ensure consistent messages and to raise the profile of closer working and liaison with the local LAs and BA staff.

2.98 Northumberland District BA had set up a working party to develop a staff communication plan. This was to ensure consistent messages and to raise the profile of closer working and liaison with the local LAs and BA staff. We commend this effort to heighten awareness of the content of the SLA.

We recommend that BA undertakes a training needs analysis to develop training to increase BA staff's awareness of:

- the content of the administrative SLA
- HB and CTB
- LA organisation, management structure and

operational constraints.

The product of the analysis should provide BA with basic training material which can be adapted and delivered locally. Training should be mandatory for all staff whose work brings them into contact with the LA or affects any aspect of the SLA.

We recommend that BA should, in conjunction with LAs, undertake a training needs analysis to develop an awareness package to be delivered to LA HB and CTB staff to increase their knowledge of:

- the structure and organisation of BA and DSS
- benefits delivered by BA and by the local BA office.

Liaison officer

2.99 To provide good customer service, avoid duplication of effort and resources and administer benefit smoothly and securely, BA and LAs must work closely together, improve communications and carry out joint working.

2.100 BA and LA LOs are pivotal to an effective partnership. Appointing an LO of supervisory grade with defined and quantifiable duties is another requirement of the administrative SLA.

2.101 The role of the BA LO is defined in the SLA as the nominated officer who will:

- attend liaison meetings between the LA, BA and other interested parties making effective contributions towards closer working
- deal with any queries that cannot be resolved through the usual channels
- resolve problems by contact with their opposite number in the LA
- promote good liaison by arranging for exchange visits, training sessions and exchange of information, including details of known changes
- provide up-to-date lists of telephone numbers and contact points
- foster good relationships with all parties
- take a proactive role in cascading information in the BA office
- gather information and statistics to monitor SLA performance.

2.102 We found that all but one of the 11 BA offices we visited had appointed an LO. The only exception was Fulham BA. Fulham's benefit processing is carried out in Makerfield Benefit Centre which has an LO who liaises with the relevant LAs dealing with the Fulham BA area. All the LAs had appointed an LO.

2.103 Without exception we found LOs to be enthusiastic and committed to delivering a satisfactory service while often working under constraints, such as lack of time or conflicting priorities.

2.104 In every BA office the LO post was combined with other duties such as IS supervisor, reception supervisor and even visiting officer. This was true whether the LO was required to liaise with one LA or several.

2.105 No training is provided for the post of LO and we found only 4 of the LOs had key work objectives relating specifically to their LO activities. This is in spite of the fact that the Audit Commission (AC) in its report *Review of fraud and related liaison arrangements between Benefits Agency and Local Authorities* recommended that LOs' performance be monitored.

2.106 Too often the post was seen as peripheral to BA core business and the LO lacked clear management support. This was clear from the failure, quoted earlier in this report, of senior management to attend liaison meetings with their LAs. LOs told us they often felt isolated as they had no colleagues within the BA office carrying out a similar role and were left to carry out the task largely unaided and unrecognised.

2.107 One negative aspect of the LOs' enthusiasm is that in several offices benefits staff regarded all HB issues as being the responsibility of the LO. Consequently, operational staff felt little ownership of HB and had infrequent contact with LA colleagues.

2.108 Given the weaknesses this inspection has revealed in closer working between BA and LAs, the LO role should assume greater importance as BA attempts to improve the situation.

We recommend that BA:

- **retains the post of LO in each BA District or equivalent**
- **reviews resourcing to establish the impact of possible imbalances between LOs who deal with one LA and those who deal with several**
- **carries out and implements the findings of a training needs analysis for the post**
- **gives LOs key work objectives relating to their duties as laid out in the standard national administrative SLA.**

Awareness and training on HB matters

2.109 BA staff are expected to have the relevant knowledge to ensure they can work effectively and knowledgeably with their LA colleagues to provide an efficient and secure service. In particular they need to be able to recognise when a claim or change of circumstances may affect HB and know what to do with that claim or change.

2.110 We interviewed BA staff who worked on new claims and changes of circumstances in workshops held in each of the 11 BA offices we visited, to gauge

their level of knowledge of procedures relating to claims or change of circumstances with an HB interest.

2.111 We concluded that:

- staff knew the procedures for inputting the HB indicator but some lacked knowledge of the consequences to the HB claim of not setting or improperly setting the indicator
- staff are kept up to date with HB issues at weekly meetings
- supervisors receive DSS HB and CTB circulars and cascade details to their staff. They added that it would be helpful if the circulars could be cross referred to existing BA instructions
- the level of HB awareness is a problem when BA staff deal with clerical claims as they do not have the benefit of computer driven prompts
- there is poor awareness of how an LA HB section operates
- there is a good awareness of the Extended Payment scheme and the need to handle such claims quickly.

2.112 We also examined local training plans and discussed levels of HB training and fraud awareness with staff and training officers. We found that:

- training officers in the sites visited reported that out of a 12-week new entrant training course for IS staff, on average only 30 minutes is devoted to HB matters during the "other benefits" session
- only 23% of supervisory staff and 60% of clerical staff said that they had received technical training on HB or CTB issues
- staff were not familiar with the instructions in volume 4i of the *Guidance and Procedures (GAP) code, section 14 How to action IS and HB and CTB claims*
- only 3 of the 11 BA offices made specific reference to HB awareness training in their office training plan. Liverpool North BA aimed to ensure that all IS and customer service staff received HB and CTB awareness training
- due to deficiencies in the training material provided by the centre of BA, training officers in each of the offices we visited felt that the training needed improvement and had developed their own series of technical handouts in an attempt to keep staff up to date. This has bridged the gap in some respects, but has also led to inconsistency in the training provided across BA
- a half-day refresher training course has been developed by Birmingham BA training section. They told us that plans were made for this to be adopted nationally. However, those interviewed in other BA offices were unaware of it. We were later told that it had been abandoned but, following the on-site inspection, were told that it was being evaluated prior to national roll out
- staff said that they are not always aware of amendments to instructions on HB or CTB procedures, for example, changes to the instructions on the handling of defective claims
- manuals and working guides are distributed to sections rather than individuals, with any amendments undertaken by a nominated officer. We were told that as the profile of HB and CTB is low, staff would not recognise the potential impact a change would have on the business operations for both BA and the LA.

2.113 The ONE project in developing training for Personal Advisers has produced a training package for HB and CTB. This covers:

- general awareness of HB and CTB
- entitlement conditions
- how to complete a claim form.

2.114 The ONE package also gives trainees the opportunity to clerically calculate HB and CTB. In our view it offers the most effective training currently available to BA staff wishing to gain a working knowledge of HB and CTB.

2.115 However, following the on-site inspection we became aware of an HB training package being developed for BA HB Review officers. This 3-day technical training course is aimed at giving BA staff with responsibility for HB Review cases a good working knowledge of HB. It seems to offer the ideal level of training for other BA staff who come into contact with LAs.

Induction training and general training given to BA staff to help them deliver the requirements of the administrative SLA are wholly inadequate.

2.116 Both LAs and BA offices have training plans for their staff either to address technical issues or for developmental purposes. We found that neither party exchanges plans to identify overlaps and seek opportunities to pool resources.

2.117 Induction training and general training given to BA staff to help them deliver the requirements of the administrative SLA are wholly inadequate. This is one of the main reasons for many of BA's failings in the service it provides to LAs, for example, a lack of awareness on the part of staff dealing with clerical cases and in

ensuring indicators are recorded accurately.

We recommend that BA urgently carries out a training needs analysis to identify what HB and CTB training should be included in both induction training and training for staff whose work brings them into contact with matters relating to HB or CTB. Once reviewed, BA should consider extending the HB Review technical training course to other BA staff.

Risk management

2.118 Identifying, assessing and sharing information on areas of risk is essential to secure the gateway to benefit.

2.119 Our interviews and sampling showed that BA has no national methodology or approach to a joint risk management programme for the HB or CTB process.

2.120 However, we were told that this gap is being addressed through the Active Case Management Group. This Group is now part of DSS, having previously been managed by BA.

2.121 The aims of Active Case Management Group in developing a joint risk programme for IS, JSA, HB and CTB are to:

- ensure the security and accuracy of the gateway to benefit so as to minimise the risk of incorrectness
- actively manage cases throughout their lifetime to minimise the risk of incorrectness

Findings

- develop a risk management system, which identifies and prioritises the causes of incorrectness
- provide information and indicators on how best to prevent incorrectness by establishing the optimum method and frequency of interventions.

2.122 BFI welcomes the much needed and long overdue planned introduction of an active case management system. We have already noted that HB and CTB losses through fraud and error total an estimated £840 million each year. Our sampling revealed worrying weaknesses in BA's performance at verifying identity and a lack of sharing of risk analysis between BA and LAs. It is essential this work is now taken forward as a matter of urgency.

We recommend that, as a matter of urgency, BA takes forward work to develop a joint risk management programme for the HB and CTB process to better identify which areas of the process are responsible for the estimated annual loss of £840 million to fraud and error.

Use of RATs

2.123 Comprehensive and accurate information about a claimant's entitlement to IS or JSA is vital to avoid incorrect payments of HB or CTB. A RAT can provide this information. It is a computer driven terminal which gives LA staff access to ISCS and JSAPS so they can verify:

- periods of entitlement to IS or JSA
- awards and rates of IS or JSA components
- previous awards and claims history
- previous addresses.

2.124 This means that LAs can immediately see whether IS or JSA is in payment rather than waiting for BA to send details clerically. This has the potential to improve accuracy and cut down on delays. It also reduces the number of written or telephone enquiries and improves customer service. In a DSS survey, LAs reported that the use of RATs has had a positive impact on HB administration.

2.125 In July 2000, 398 of the 409 LAs had at least one RAT each. By March 2000 usage had increased by 4.8% month on month since full roll out in April 1999. All the LAs we visited had a RAT.

2.126 The usage of RATs varies from office to office. We selected one month's usage, July 2000. Figure 2.4 shows the average number of times the LAs we visited accessed their RAT compared to the national average. This shows them to be making much greater use of RATs than the national average. We attribute this to the size of the LAs we visited. They included some of the largest in the country. Birmingham City Council, for example, has 4 RATs.

Fig. 2.4: RAT usage July 2000

Average monthly usage of offices inspected	National average monthly usage
1,885	883

Source: Central Support Team, Lytham

2.127 LA access to the RAT is controlled through a Personal Identification Device signed for by the user. LA staff have 'read only' access. This is limited to screens:

- ISCS IS510 – Enquiry and Notes
- JA510 – Notepad Enquiry
- JA526 – LA Enquiry.

2.128 For security reasons, the tasks of the RAT operator are separated from their colleagues who process HB or CTB. Requests for information from the RAT are made in writing to the operator and are subject to a random test check by the LA supervisor.

2.129 Training for LA staff was provided by DSS. This one-week course has been further supplemented by LA staff sitting alongside experienced BA staff.

2.130 We interviewed the RAT operators in each of the LAs linked to the BA offices inspected to gauge their knowledge of the system and obtain feedback on their experiences of using the system. We found:

- there is still a mixture of experience and knowledge on the use of the RAT
- one BA office refused to amend the *N* indicator field to *Y* unless it saw the original NHB1 form. Given that ETD guidance advises BA to issue the NHB1 immediately to the LA, unless BA annotates the IS or JSA claim form that an NHB1 accompanied it, there could be an increase in the number of erroneous entries in the HB indicator field
- in one LA, RAT operators do not take any follow-up action if BA fails to return the NHB5 or if there are any lengthy delays. This increases the risk that BA fails to meet its target of return within 5 working days and can result in poor or no liaison with consequent risks to accuracy of payments
- some LA staff are unhappy with the low access levels and would like access to the Departmental Central Index (DCI) and other dialogues enabling them to access information on other benefits such as Retirement Pension and IB
- LA staff were also confused by some of the entries in the Notepad dialogue, specifically with BA jargon and abbreviations. Notepad provides a facility for notes to be recorded on the relevant system
- staff said that training concentrated largely on the security angle
- BA staff told us that the amount of written correspondence and telephone calls from the LAs has reduced dramatically since the introduction of the RAT thus reducing the daily communication between frontline BA and LA staff
- management controls, responsibilities and test checking procedures are all laid out very clearly and concisely in the RAT handbook, which all LAs are supplied with when their terminals are delivered and training given.

2.131 Our interviews showed that BA staff were not always aware of the limitations placed on the LA unless they had visited the LA and seen the RAT operator at work. Nor were they aware of the content of training LA staff had received. They believed that the LA had the same user level of access as BA staff. This misunderstanding undermined closer working, as BA staff felt aggrieved at the nature and volume of enquiries that were arriving after implementation.

2.132 In Doncaster LA, a BA officer called, on average, 2 days a week at the LA to deal with more complicated cases and provide advice to the operators. The RAT operator at Liverpool City Council is a BA administrative officer. We consider this to be good practice but recognise the resource implications on BA offices of placing a member of their staff in the LA.

So staff have a better understanding of the information contained on the RAT and the data downloaded by ETD, one LA we visited had developed a user guide for HB staff.

2.133 So staff have a better understanding of the information contained on the RAT and the data downloaded by ETD, one LA we visited had developed a user guide for HB staff. The guide contains:

- examples of BA decision notices
- an example of why the notice was issued
- the effect the information has at the LA
- what action to take on the HB or CTB claim.

2.134 When we were on site the guide had only been available for 2 weeks but staff told us that the number of enquiries to BA had already reduced. We were told this had led to an improvement in claims processing times.

2.135 Steps have been taken which will address the concerns listed above relating to wider exchange and use of, information held by BA and LAs. *HB/CTB Circular A7/2000* outlined the current position of the HB Improvements Project (HBIP) the aim of which is to introduce improvements to administrative processes, which will have a speedy impact on service delivery. The following initiatives have all received ministerial agreement:

- DCI access for LA staff:
 - tailored DCI access for LA staff to let them access claimants' details to validate NINOs for section 1(1A) and (1B) of the Social Security Administration Act 1992 purposes and trace HB overpayment debtors
- improved access to DSS information by LA staff:
 - the development of a bespoke enquiry screen for LAs that will provide access to more information on IS and JSA together with information relating to other benefits such as IB
- extended and networked RATs:
 - networked RATs available on individual desktops have been ruled out due to timescales, but proposals to provide extra RATs to those LAs with the highest usage are being considered for funding
- reverse RATs (trial):
 - the BA has no access to LA data to let it compare data to identify errors and potentially fraudulent activity. BA staff, particularly in a ONE type environment, will require access to LA systems. This trial of a reverse RAT may help to inform and influence developments in that arena
- improved information exchange (trial):
 - a trial of reverse ETD like that for reverse RATs has been recommended to make the exchange of information two-way and to ensure ongoing accuracy of entitlement to both LA and BA administered benefits.

2.136 It is to BA's credit that it has succeeded in rolling out RATs to over 97% of LAs. RATs have been well received by LAs and have reduced the flow of paper and enquiries between the 2 organisations.

2.137 There is little doubt that the introduction and roll out of RATs has been a great success in improving closer working between BA and LAs. However, further improvements to the existing system are possible.

We recommend that BA takes steps to:

- **revise instructions taking into account the impact of ETD**
- **monitor and improve compliance with the requirement to return NHB5s within 5 working days**
- **reduce the use of jargon and abbreviations and standardise entries on the Notepad dialogue.**

ETD

2.138 ETD began as a strand of the Lewisham BA Integrated Services Prototype which tested an alternative means of transferring notifications from BA to LAs. This was further developed in May 1999 by BA, through the sponsorship of the Housing Benefit Management Group. The process involves the use of a multi-functional servicer which electronically issues IS and JSA decision notices to the LA through RATs. LAs can access the system each day and either download to their existing computer systems or print off the information.

2.139 The main advantages of ETD are that it:

- fits in with the aims of modernising benefit delivery
- eliminates the potential for forms being lost between BA and the LA
- helps LAs to provide a faster customer response to claims, changes of circumstance and terminations
- helps LAs to react more quickly to change of circumstances and terminations, reducing the potential for overpayments
- improves the administrative inefficiencies inherent in the clerical process
- encourages closer working between BA and LAs
- provides a more secure payment system by providing LAs with quicker and more reliable access to DSS benefit files. LAs should have details within 48 hours of processing by BA.

2.140 ETD was rolled out nationally to 393 LAs requesting it between April 2000 and September 2000.

2.141 Significant efficiencies have been established from the early pilots. Evaluation has shown that these include:

- BA no longer needs to print, sort and dispatch paper output
- LAs no longer need to sort paper notifications and input them into their computer systems
- on average, LA staff could process ETD notifications 1.03 minutes more quickly than clerical notifications. This equates to a potential saving of £2.9 million in administration costs

Findings

- notifications were sent to LAs in 2 days instead of the average of 6 days. This will reduce queries and overpayments. Nationally DSS expects ETD to reduce HB expenditure by £19.8 million by providing LAs with details of changes of circumstances and terminations more quickly.

2.142 ETD has proved itself sufficiently to secure funding for national roll out. Results from piloting and our inspection have shown it to be effective and the Select Committee for Social Security has welcomed it.

2.143 We inspected a number of the offices that had ETD installed. We found little evidence of joint planning for the introduction of ETD. Roll out brought additional complications for BA staff dealing with more than one LA. They had to:

- change their operational procedures to deal with those LAs who were about to implement ETD
- be aware of when the next LA was to come on line so changes could be made in time
- maintain existing arrangements with those LAs further down the roll out programme.

2.144 A number of BA offices had agreed with the LA not to use some of the guidelines issued by BA. The main change introduced locally to the nationally laid down process was to hold the NHB1 until the IS or JSA claim had been decided. This was to avoid any possible mail linking problems.

2.145 BA staff are instructed to set the HB indicator to Y when there is evidence of an HB or CTB interest. At the new claim stage, this condition was satisfied by sight of the NHB1, which was retained with the IS or JSA claim form until entitlement had been decided.

2.146 However, once ETD is in place there is no requirement for BA to retain the NHB1. BA staff have been instructed to:

- separate the NHB1 from the IS or JSA claim pack
- endorse the claim form that an NHB1 has been received so the appropriate Y indicator is input on the 'Where You Live' screen
- send it to the LA within 2 working days or as soon as is practicable.

2.147 Although the instructions issued to staff as *Joint IS/JSA Bulletin 4/00* clearly tell staff to annotate the IS or JSA claim form that an NHB1 had been seen, we found through interviews that staff were largely unaware of the ETD guidance. This means there is a possibility of NHB1s being sent immediately to the LA with no annotation on the IS or JSA claim form and therefore an incorrect entry in the 'Where You Live' screen. The LA will not receive further determinations from BA as the indicators have not been set.

2.148 When discussing ETD with staff in offices where ETD had gone live, we found a range of local procedures, such as:

- with the agreement of the LA, holding the NHB1 until the IS or JSA claim is decided
- devising a stamp to annotate the IS or JSA claim form that the NHB1 had been received.

2.149 The local practice of holding the NHB1 pending a final decision on the IS claim contradicts the guidance which states that if an IS claim is defective and you have received form NHB1, you should not keep form NHB1 until a decision about the IS claim is made. The guidance goes on to state that a clerical form NHB(IS) should be completed and attached to the NHB1 and sent to the LA. The details should be recorded on an A6 and an entry made in Notepad of ISCS. The LA has a statutory duty to determine claims within 14 days and BA must refer claims to the LA as soon as possible. BA holding on to the NHB1 will result in delays in the determination of HB claims.

2.150 While we welcome ETD, there are already a number of different local practices and there is a danger that problems may arise if no one centrally is taking responsibility for them. Since the on-site inspection BA has told us that progress on ETD is being monitored through a user group consisting of 14 LAs. They have not reported any difficulties. Nevertheless the fact remains that we have identified differing working practices across the sites we visited.

2.151 We found a number of BA offices which did not have a local agreement with their LA about keeping the NHB1 pending a final decision on the IS or JSA claim. They found themselves with a collection of NHB1s without a decision attached and unsure about what to do with the NHB1 until decision notices were issued. This could generate an increase in phone calls or clerical queries from the LA to BA seeking details of the status of the claim.

We recommend that BA issues, as a matter of urgency, clear instructions to ensure that staff understand what action to take with NHB1s and to set indicators correctly following the introduction of ETD.

2.152 Those LA and BA local management teams who had completed the process regarded implementation as a success as it had significantly reduced the volume of post between the 2 organisations.

2.153 However, we found that the current SLA had not been reviewed by either BA or LA management to determine the impact on their operations and to decide whether or not existing targets were still relevant.

We recommend that BA reviews the national standard SLA to take into account changes arising from the roll out of ETD and that this action is replicated locally.

Exchange visits

2.154 Exchange visits have been used by administrative and counter fraud staff to break down the barriers between BA and LAs and gain a better understanding of each organisation's constraints. Exchange visits between BA and LA staff are important to heighten awareness of closer working issues.

2.155 We examined local SLAs and training plans and interviewed staff to establish whether exchange visits had taken place and to gauge their effectiveness.

2.156 Overall very few of the BA offices included in the inspection had undertaken a programme of exchange visits with their LA counterparts in the past 12 months. We were told this was because of competing priorities for both sides. BA felt the issue was a lack of resources.

At North Shields BA all new administrative assistants visit the LA so they can understand the importance of their work as it relates to the LA.

2.157 We found some good practices. Wrexham BA undertook joint training on sections 1(1A) and (1B) of the Social Security Administration Act 1992 with all associated LAs. Several BA offices sent staff to LAs to provide LA RAT staff with further advice and support. At North Shields BA all new administrative assistants visit the LA so they can understand the importance of their work as it relates to the LA.

We recommend that BA ensures all staff whose work brings them into contact with HB related issues undertake an exchange visit if they have not already done so.

Information on HB in BA offices

2.158 It is essential for good customer service that BA offices provide up-to-date publicity on HB matters and forthcoming changes. In particular, it is recognised good practice for the BA office to make available to claimants copies of HB claim forms.

2.159 We examined the caller areas of the BA offices we visited and found that:

- there were leaflets on HB in all of the reception areas visited. This is good practice
- Durham BA had agreed to put an HB claim form for private tenants in the IS claim form pack.

2.160 Our interviews and observations found that the level of knowledge of HB matters by BA receptionists was excellent.

Visiting claimants

2.161 Both BA and LA staff undertake home visits to claimants, either to confirm the status of claims or because the claimant is unable to call at the office. Such visits usually take place at the beginning of the claim but sometimes occur during the lifetime of the claim.

2.162 *A new contract for welfare: SAFEGUARDING SOCIAL SECURITY* states that the government is:

helping LAs and BA to work more closely to reduce the inefficiencies when both organisations make visits to the same claimants asking slightly different questions but essentially for the same purpose.

2.163 Our inspection of BA's AD3 also recommended that AD3 offices and LAs exchange and co-ordinate their visiting programme.

2.164 We therefore expected to see evidence of joint visiting arrangements and sharing of information. Our sampling and interviews revealed minimal joint working on visiting.

2.165 Sharing of information before or after a visit:

- reduces the potential for duplication of work
- ensures information required to support the claim is gathered only once

- improves customer service by reducing the number of requests and visits made for the same information
- improves benefit delivery times
- identifies which claimants may pose a danger to the visiting officer.

2.166 The 1999/2000 administrative SLA required BA staff to annotate the NHB1 if an intervention visit had been made. This entry has been removed from the 2000/01 version. However, the instruction in the GAP code remains that the BA officer should note the NHB1 that an effective visit has been made by BA on the relevant date, and sign it if appropriate.

2.167 We took a random sample of 70 visits carried out by BA and cross-checked them against LA records to establish if:

- the NHB1 had been annotated
- the HB indicators had been set correctly by BA.

2.168 We also interviewed BA visiting officers to assess their:

- level of awareness of HB and closer working matters
- knowledge of the administrative SLA and how it affects them.

2.169 We found from our sample and interviews:

- no evidence of duplication of benefits visits
- no joint visiting is carried out. Birmingham BA was planning to carry out LA visits for a trial period with some exchange of staff and job shadowing. This was the exception to the rule
- most BA visiting staff were aware of the existence of the administrative SLA but were unaware of its component parts
- some BA visiting staff were unaware of the identity of the BA LO
- BA visiting officers told us there is little analysis of visits or exchange of information, other than the endorsement on the NHB1 and the Notepad on ISCS or JSAPS.

2.170 BA visiting officers were aware of the need to annotate the NHB1 after a visit. But visiting officers told us that they rarely annotated the NHB1 in this way. We found that in 100% of the sample there was an entry in the Notepad of ISCS or JSAPS confirming that an intervention visit had taken place.

2.171 The introduction of ETD means that the NHB1 cannot be annotated by the visiting officer. This is because, unless there is a local agreement to the contrary, the NHB1 is immediately sent to the LA. This potential weakness in procedures is addressed by noting the visit in Notepad.

2.172 BA has set priorities to decide which claimants to visit and at what stage of the claim a visit should take place. This was normally after reference to risk indicators set on ISCS or JSAPS.

2.173 LAs have developed a database of information that has separated cases according to the risk criteria set out in the Verification Framework. We could find no evidence that BA has used this as a source to further refine and develop intelligence to make better use of resources.

2.174 We found no evidence of this risk analysis information being shared by the 2 organisations.

2.175 We also discussed the transfer of other information between BA and LAs and found that managers took the view that, in the absence of legal guidance from the BA centre, DPA precluded much of their activity. As a result only a few exchanged lists of potentially violent claimants. We were told, following the on-site inspection, that BA is actively pursuing the question of notifying details of potentially violent claimants to LAs and that the Matching Intelligence and Data Service (MIDAS) offers LAs a scan to identify such claimants in receipt of HB or CTB and BA benefits.

We recommend that BA, to comply with the *Safeguarding Social Security* aims regarding closer working when visiting claimants:

- **undertakes an urgent review of pilots and initiatives carried out to date, including a full assessment of DPA issues**
- **develops, in conjunction with LAs and DSS, a clear and cohesive strategy regarding joint visiting activity.**

We recommend that BA issues clear guidance to managers regarding the exchange of information with LAs relating to potentially violent claimants and ensures there are processes for making sure this happens.

Getting it right – recommendations

We recommend that:

- **BA:**
 - retains the post of LO in each BA District or equivalent
 - reviews resourcing to establish the impact of possible imbalances between LOs who deal with one LA and those who deal with several
 - carries out and implements the findings of a training needs analysis for the post
 - gives LOs key work objectives relating to their duties as laid out in the standard national administrative SLA. (Paragraph 2.108)
- BA urgently carries out a training needs analysis to identify what HB and CTB training should be included in both induction training and training for staff whose work brings them into contact with matters relating to HB or CTB. Once reviewed, BA should consider extending the HB Review technical training course to other BA staff. (Paragraph 2.117)
- as a matter of urgency, BA takes forward work to develop a joint risk management programme for the HB and CTB process to better identify which areas of the process are responsible for the estimated annual loss of £840 million to fraud and error. (Paragraph 2.122)
- BA takes steps to:
 - revise instructions taking into account the impact of ETD
 - monitor and improve compliance with the requirement to return NHB5s within 5 working days
 - reduce the use of jargon and abbreviations and standardise entries on the Notepad dialogue. (Paragraph 2.137)
- BA issues, as a matter of urgency, clear instructions to ensure that staff understand what action to take with NHB1s and to set indicators correctly following the introduction of ETD. (Paragraph 2.151)
- BA reviews the national standard SLA to take into account changes arising from the roll out of ETD and that this action is replicated locally. (Paragraph 2.153)
- BA ensures all staff whose work brings them into contact with HB related issues undertake an exchange visit if they have not already done so. (Paragraph 2.157)
- **BA:**
 - undertakes an urgent review of pilots and initiatives carried out to date, including a full assessment of DPA issues
 - develops, in conjunction with LAs and DSS, a clear and cohesive strategy regarding joint visiting activity. (Paragraph 2.175)
- BA issues clear guidance to managers regarding the exchange of information with LAs relating to potentially violent claimants and ensures there are processes for making sure this happens. (Paragraph 2.175)

Keeping it right

2.176 *Keeping it right* means making sure payments are adjusted as circumstances change. This builds on the work done to keep the gateway to benefit secure and makes sure that there are effective safeguards to keep payments right.

2.177 It is crucial that BA ensures that any changes to a claimant's circumstances that might affect entitlement to HB or CTB are notified to the appropriate LA accurately and quickly.

Conclusions

2.178 BA must ensure its staff are trained to identify and action correctly any change of circumstances relevant to HB or CTB.

2.179 It must also do much more to assist LAs to recover overpayments both by tracing HB or CTB debtors through DCI for the LA and by recovering HB overpayments and CTB excess benefit from benefits delivered by BA.

2.180 Our sampling showed that BA sent 100% of changes of circumstances to the relevant LA within the 5 working day target stipulated in the SLA.

2.181 However, our sampling could only identify cases where BA had already recognised a change of circumstances. Our interviews with BA staff revealed weaknesses in this area.

2.182 BA staff are rarely able to identify a relevant change of circumstances and the impact that this might have on any HB or CTB claim. As noted under *Getting it right*, this is much more evident where claims are not controlled by ISCS or JSAPS. In our sample of clerical cases, for example, the HB indicator was not set correctly in 69% of cases.

2.183 BA staff told us they would not normally notify LAs if:

- IS or JSA(IB) was suspended
- IS or JSA(IB) was withheld in part
- IS or JSA (IB) was backdated
- an overpayment period or amount was revised.

2.184 All of these circumstances should be notified in cases with an HB or CTB interest. The fact that staff are unaware of the need to do so opens the benefit system to serious risk.

2.185 We attribute these shortcomings to a lack of training for BA staff on HB and CTB issues.

2.186 We also examined BA's performance at recovering overpayments on behalf of LAs. BA is not resourced for this activity and recoveries on behalf of LAs do not contribute to the BA overpayment recovery target. BA managers and staff were open in stating that, because of the resource implications and lack of incentive they, with a few notable exceptions, give low priority to actioning recovery referrals from LAs and consciously did not publicise this service.

2.197 Our sample consisted of cases that BA had already recognised as changes of circumstances. We examined 113 changes of circumstances cases all of which were notified to the appropriate LA within the 5-day target.

2.198 We also interviewed BA staff to establish their knowledge of when and how changes of circumstances should be notified to the LA. BA staff interviewed were aware of the need to notify changes to the LA as quickly as possible. However, as we noted under *Getting it right*, they were not always aware of what constitutes a relevant change for HB or CTB purposes. The most striking example was the frequent failure to notify changes in clerical cases. BA staff also told us that they did not always notify the LA when a claim was suspended because they did not realise the effect this has on HB or CTB.

2.199 When we asked BA staff if they would notify the LA if IS was withheld in whole or in part, the majority were unaware of the need to notify the LA with a clerical NHB(IS). Most BA staff were also unaware of the need to issue and record the issue of a clerical NHB(IS) when a claim for IS had been backdated or a clerical fixed award made.

2.200 In our interviews with BA staff dealing with clerical cases they told us they would not automatically search through a case to check for HB interest when dealing with a change of circumstances.

2.201 LA HB staff also told us that controls and checks on clerical cases were poor and this increases the risk of HB overpayments. BA staff's awareness of the impact changes of circumstances can have on HB or CTB claims is poor and training is necessary.

BA staff's awareness of the impact changes of circumstances can have on HB or CTB claims is poor and training is necessary.

2.202 It is clear that BA's failure to deal efficiently with the HB aspects of clerical cases weakens the gateway to benefit. The failure to notify LAs of changes in IS or JSA greatly increases the risk of an HB overpayment. The size of the problem should reduce when the proposed

case cleaning exercise is completed, but there will still be a real risk to the remaining clerical claims.

2.203 We attribute this failure to deal properly with IS or JSA clerical claims where there is an HB interest, to a lack of HB training and awareness among BA staff.

Overpayments

2.204 Analysis of LA data shows that £358 million of HB overpayments were made by LAs in 1997/98. DSS subsidy data indicates that 71% of the overpayments was due to claimant error and 21% was caused by fraud. The remainder was attributed to LA error.

2.205 If LAs cannot recover overpayments of HB or CTB excess benefit themselves through continuing HB or CTB, they can request that BA recovers overpayments on their behalf. The SoS is legally obliged under regulations 102 and 105 of the HB (General) Regulations 1987 (regulations 87 and 91 of the CTB (General) Regulations 1992 for CTB) to accept such a request provided the prescribed conditions are met.

Findings

2.206 To determine if BA is recovering overpayments of HB we sampled HB overpayment cases referred to BA staff by LAs at each of the 11 BA sites we visited.

2.207 We also interviewed overpayments staff at the BA sites to establish their awareness of and compliance with HB and CTB recovery procedures.

2.208 We also spent time with Accounts Receivable Control (ARC) to analyse national statistics and establish what steps are in place to improve recovery of overpayments on behalf of LAs.

2.209 BA offices are not directly resourced to recover HB on behalf of LAs, nor is there an incentive to do so as money recovered does not count towards BA's overpayments recovery target.

2.210 Despite the law, BA instructions state that priority should be given to recovery of overpayments of BA-administered benefits. Even where recovery is possible, BA staff admitted they would give priority to dealing with BA overpayments before dealing with a case referred to them by an LA.

2.211 Because many LAs do not refer HB overpayments to BA for recovery, we were unable to sample many cases at some of the 11 sites. XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX

Fig. 2.6: Overpayments sample			
	Number of cases sampled	Number actioned within SLA target of 5 working days	% within SLA target
Total	46	24	52

Source: BFI sample

2.212 Figure 2.6 shows that the SLA target of actioning the request within 5 working days of receiving it from the LA was met in only 52% of cases. This confirms what we were told during interviews about BA staff giving low priority to cases referred to them by LAs.

2.213 We obtained national figures from ARC. Following the on-site inspection we were told that they no longer think the results are conclusive and that not all ADs had provided complete returns. However, they are the only indicators of the national situation available to us. Details are shown in Figure 2.7.

Fig. 2.7: Summary of LA schedule figures for all BA ADs

	Number of LAs recovering on behalf of	Total number of cases	Total opening balance at 1 April 2000 (£)	Total amount recovered in quarter ended 30 June 2000 (£)	% of total amount recovered
1	10	45	150,117.70	3,773.74	2.51
2	56	92	123,611.10	6,449.54	5.22
3	58	144	113,626.19	9,377.54	8.22
4	66	392	268,666.30	21,918.31	8.20
5	55	333	189,334.82	20,843.86	11.00
6	31	189	226,478.35	11,716.06	5.17
7	43	116	71,249.27	7,396.25	10.38
8	43	103	98,400.95	6,204.74	6.30
9	26	323	118,006.27	14,688.73	12.45
10	32	386	154,009.32	18,873.12	12.25
11	20	109	59,500.48	6,483.65	10.90
12	15	49	230,711.90	3,795.09	1.64
13	13	124	63,656.40	7,980.09	12.54
Total	468	2,405	1,867,3689.05	139,500.72	Not applicable

Source: ARC

2.214 Figure 2.7 shows huge differences in the numbers of cases being actioned by each AD and worrying extremes of recovery rates. One AD has recovered over 577% more than another in the quarter ended 30 June 2000.

2.215 Figure 2.7 also suggests that most LAs are having overpayments recovered on their behalf by BA. However, the more proficient LAs, as we found in our local sample, refer their overpayment cases to BA offices covering the area in which the debtor currently lives. The figure of 468 could therefore reflect the same LA more than once if it is recovering overpayments through several of the 13 BA ADs.

2.216 Further evidence of this inconsistency is shown by the differences in numbers of LAs recovering under each AD. Setting aside geographical and other issues, AD1 is recovering on behalf of only 10 LAs while AD4 is recovering on behalf of 66 LAs.

2.217 This wide variation in the number of referrals was also reflected in our local findings. One BA office deals with 5 LAs. It was recovering 65 HB overpayments on behalf of one LA and only 7 for the other 4 LAs combined. Two of the LAs did not have any HB recoveries being made at all by their local BA office. In our sample of 11 BA offices, 3 were recovering over 70 HB overpayments each but 3 offices were in single figures.

2.218 Research carried out by the Social Policy Research Unit on behalf of DSS in 1999 and published as *Research Report Number 19 – Local Authorities and Benefit Overpayments* recorded that of the 18 LAs involved in the study:

...most authorities rarely, if at all sought repayment from other social security benefits administered by the Benefits Agency.

2.219 These findings are consistently reproduced in BFI reports which regularly recommend that LAs make greater use of BA in recovering overpayments on their behalf.

2.220 ARC estimates that around 30% to 40% of LA referrals are returned because BA is unable to recover the HB overpayment. There is no national analysis of the reasons for this return rate but BA staff told us this would be because the claimant is not in receipt of a BA-administered benefit or that the maximum rate of recovery is already being applied in respect of another overpayment.

2.221 LAs told us that they did not refer overpayments to BA offices for a number of reasons. These included:

- ignorance of the facility
- too much effort required
- previous poor response from BA.

2.222 Again this matched the conclusions of the Social Policy Research Unit's report on overpayments.

**The most notable exception was
Makerfield Benefit Centre which
actively encouraged LAs to make use
of this facility.**

2.223 BA managers in the sites we inspected, with only rare exceptions, do not tell LAs they can recover overpayments on their behalf. This, we were told, was due to a lack of resource and lack of incentive to do so. The most notable exception was Makerfield Benefit Centre which actively encouraged LAs to make use of this facility. Even then not all LAs had taken up Makerfield's offer at the time of our on-site inspection.

2.224 If an HB or CTB debtor leaves an LA's area and cannot be traced, the LA can ask BA to try and trace the debtor through DCI. We found no evidence of LAs using this facility in the offices we visited. LAs are failing to take this valuable opportunity.

2.225 The majority of BA overpayment staff were unaware of the SLA target to action all overpayment requests within 5 working days of receipt in BA and were largely unaware of the existence of the administrative SLA or who their LO was. SLA awareness was very poor.

2.226 BA overpayment staff told us that they did not receive feedback from liaison meetings with the LA, unless overpayments were discussed. Their perception was that liaison meetings concentrated on IS or JSA processing issues. Exceptions to this were Northumberland and North Wales BA offices where the overpayment supervisors regularly attend liaison meetings with the LA.

2.227 BA staff employed on overpayment work told us they rarely receive copies of minutes of liaison meetings.

2.228 The majority of BA staff we interviewed told us that they would not necessarily inform the LA if there was a break in IS or JSA entitlement. This could lead to an overpayment of HB, as HB would continue when it may not be due in full.

Staff at Northumberland BA have developed a local form to notify LAs when the period or amount of an overpayment is revised.

2.229 Similarly we were told that if there was a change to the period or amount of an overpayment, BA staff were unaware of the need to notify the LA. We were told and have since confirmed that there are no instructions to BA staff about this but have subsequently been informed by BA that this will be addressed as part of the ongoing compliance activity within the new debt organisation. Staff at Northumberland BA have developed a local form to notify LAs when the period or

amount of an overpayment is revised.

2.230 BA and DSS are aware of the weaknesses in recovering overpayments of HB and CTB and are taking action to address this. DSS has taken over control of debt and the LA HB and CTB Overpayment Recovery Project has been set up as part of the HBIP to address this issue.

2.231 The objective of the project is to:

- provide the necessary resources to enable BA to meet statutory requirements
- initiate recovery of HB overpayments or CTB excess benefit from debtors in receipt of benefit where appropriate.

2.232 The aim of the project is to implement a discrete process for recovering HB overpayments and CTB excess benefit between the BA and LA overpayment units. This would include notifying changes of circumstances, liaison arrangements, SLAs, recovery reconciliation and accounting and repayment of recovered amounts to LAs.

2.233 BA has told us that from April 2001 all locally BA managed overpayment work will move under the control of the DSS as part of a consolidated debt management organisation. The objectives of the LA HB and CTB Overpayment Recovery Project will be delivered within this new context, as will other overpayment related compliance issues identified within this report, that are not within the scope of the project.

2.234 This is intended to lead to increased end-of-year recovery of HB and CTB overpayments and CTB excess benefit from debtors from £2.5 million in year 1 to £4.5 million in year 2 and beyond.

2.235 The project will not be fully rolled out until March 2002. We believe that if it achieves its aims and objective it will solve the dual problem of LAs' failure to refer to BA cases for recovery action and BA's failure to publicise and implement this facility. In the meantime HB overpayments and CTB excess benefit will be deliberately left unrecovered.

We recommend that, until the LA HB and CTB Overpayment Recovery Project can be implemented, BA and DSS issue a joint circular to all LAs advising them of the service BA offers to recover HB overpayments and CTB excess benefit on behalf of LAs and the circumstances in which these should be referred. BA must ensure that these referrals are

Findings

accorded the correct level of priority and that processes are put in place to ensure existing guidance is adhered to.

Keeping it right – recommendations

- We recommend that, until the LA HB and CTB Overpayment Recovery Project can be implemented, BA and DSS issue a joint circular to all LAs advising them of the service BA offers to recover HB overpayments and CTB excess benefit on behalf of LAs and the circumstances in which these should be referred. BA must ensure that these referrals are accorded the correct level of priority and that processes are put in place to ensure existing guidance is adhered to. (Paragraph 2.235)

Putting it right

2.236 *Putting it right* means detecting when payments go wrong and taking prompt action to correct them with appropriate penalties to prevent a recurrence. Current estimates indicate that around 70% of fraud occurs when claims are in payment, so it is vital that fraud or error is detected as soon as possible to keep overpayments to a minimum.

Conclusions

2.237 Closer working between fraud investigators in BA and LAs is important as often the same claimants are being investigated. It is crucial that there is a consistent approach to the quality and methodology of investigations and sanctions.

2.238 Our inspection revealed weaknesses in this area of work.

2.239 Our sampling revealed evidence of BFIS staff ignoring SLA requirements relating to issuing of forms such as QB64.

2.240 The failure to issue QB64s is widespread. Again this is deliberately ignoring guidance. The form was sent in only 45% of cases in our local sample and 31% of cases in our national sample. This failure can lead to:

- an inconsistency of approach to sanctions if HB or CTB overpayments are omitted from the offence
- the perception that HB and CTB fraud is not treated as seriously as other benefit fraud
- loss of subsidy for the LA
- HB overpayments going unidentified or unrecovered
- failure to include HB or CTB details during the interview under caution (IUC).

2.241 From our sample, of the QB64s issued, only 23% were returned by the LA within the SLA requirement of 10 working days.

2.242 Management commitment to closer working is also poor. Four BFIS sectors had not had a liaison meeting for over 9 months and only half the Fraud Sector Managers (FSMs) regularly attend such meetings.

2.243 SLAs are not monitored, yet certificates of performance are sent claiming that all requirements have been met. This is unacceptable and means that BA can have no assurance of the level of performance of individual fraud sectors.

2.244 BFIS staff are governed by the obtaining of sanctions. This means that they do not see closer

working as core business and leads to them investigating a relatively narrow area of fraud and neglecting other areas of potential abuse such as living together as husband and wife (LTAHAW) cases. This narrow area rarely includes cases with

SLAs are not monitored, yet certificates of performance are sent claiming that all requirements have been met. This is unacceptable and means that BA can have no assurance of the level of performance of individual fraud sectors.

an LA involvement or interest. There is wide acceptance within BA that this is the case and action is needed to encourage a broader approach which includes closer working with LA investigators.

2.245 Since the on-site inspection, BA informed us that AD9 Greater Manchester will be piloting a team concentrating exclusively on LTAHAW cases. This will free up the rest of the BFIS resource to concentrate on a wider range of cases. BFI would expect that this wider range will include closer working with LAs.

2.246 This concentration on high quality investigation of a small range of types of case has led to a large increase in the number of overload cases. In spite of the requirement in the SLA, these cases are rarely referred to LAs. There is no analysis of overload cases so those of particular interest to LA investigators are not being identified. The creation of Operational Intelligence Units from April 2001 should lead to BA carrying out analysis of overload to assist in identifying cases with an LA interest.

2.247 The requirement to send an HBF1 to LAs to notify them of an investigation is almost totally ignored. Our sample of 84 fraud investigations showed that the form was only sent in 7% of appropriate cases. Failure to issue this form can:

- result in duplication of effort
- lead to an inconsistent approach to investigation and sanction
- prejudice possible sanctions.

2.248 Performance on issuing HBF4s is even worse, with only a 6% rate of compliance from the cases sampled. HBF4 asks the LA for HB or CTB details to assist with the investigation. This failure means that HB and CTB aspects are overlooked by BFIS when carrying out its investigation.

2.249 We found no evidence of a joint prosecution policy at BA level or in the 11 offices we visited and urge BA to comply with the national framework of sanctions once it is released.

2.250 We saw no evidence of any joint risk analysis at BA level or in the 11 offices visited to inform a joint approach to counter fraud activity or to establish the nature and stock of fraud.

2.251 Following the on-site inspection, BA provided details of several fraud sectors which, it claimed, had joint prosecution policies and undertook some degree of joint risk analysis. We were unable to validate these claims but they are clearly the exception rather than the norm.

2.252 Centrally funded closer working initiatives, introduced by Security Branch, are poorly controlled and co-ordinated.

2.253 Compliance with BFI recommendations is not monitored and weaknesses recorded in LA reports, which are routinely sent to BA, were found in this inspection also. No part of BA is controlling progress against BFI recommendations. BA has since informed us that this role will be carried out, for counter fraud issues, by the Chief Investigation Officer.

2.254 Although ADs are required to report progress on BFI recommendations in their Programme Protection Plans (PPPs), we found wide non-compliance. Security Branch has recently weakened this requirement so that ADs are required

only to report progress against BFI recommendations *wherever possible*. BA has since told us that a new planning system will be introduced from April 2001.

2.255 BA has much to do if it is to raise its counter fraud work with LAs to an acceptable standard. We believe application of the accepted Scampton recommendations relating to joint management, direction and monitoring is the only route that offers a likelihood of long term success.

Findings and recommendations

Training and staff awareness

2.256 The counter fraud SLA requires BA to ensure standards are maintained by identifying and meeting training needs. It also requires BA and LAs to provide fraud and benefit awareness sessions for the other organisation.

2.257 In each BA site we interviewed the FSM, the counter fraud LO and 2 investigators. We found that:

- no training had been provided to improve awareness of the content of the SLA
- no training plans had been devised to ensure all staff had the appropriate level of knowledge to deliver the requirements of the SLA
- no HB or CTB awareness training had been provided.

2.258 BA has since notified us of 25 fraud sectors and one AD where a training programme or exchange visits are claimed to have taken place. As we were not informed of these examples until well after the end of the on-site inspection we have been unable to validate these claims or assess the effectiveness of the training and awareness. It remains clear, however, that such activities are the exception.

2.259 Knowledge of the organisation, management structure and operational constraints to which LAs work would help BFIS staff deal more effectively with their LA counterparts. We found no evidence of BA providing this knowledge to its counter fraud staff.

2.260 All staff interviewed knew of the existence of the counter fraud SLA. However, only one sector included awareness of the SLA as a key work objective for all BFIS staff. Knowledge of the SLA was gained from discussions at team meetings, underpinned by the circulation of the agreement.

2.261 Here again BA provided details of a small number of fraud sectors and 3 ADs where counter fraud staff have key work objectives relating to closer working. This information, together with the results of our sample show that it is not normal practice for BA staff to have key work objectives relating to closer working.

2.262 Elsewhere in this report we identify areas where BA has failed to comply with the requirements of the SLA. The absence of training to enhance awareness of the contents of the agreement is a contributory factor.

2.263 Half the reports published by BFI have highlighted the need for improved HB and CTB awareness among BFIS staff. These recommendations have not been heeded.

We recommend that BA undertakes a training needs analysis to develop training to increase BFIS and BIS staff's awareness of:

- the content of the counter fraud SLA
- HB and CTB
- LA organisation, management structure and operational constraints.

Such training should be mandatory for all BFIS and BIS staff.

We recommend that BA, in conjunction with LAs, undertakes a training needs analysis to develop an awareness package to be delivered to LA counter fraud staff to increase their knowledge of:

- the structure and organisation of BA and DSS
- benefits delivered by BA and by the local BA office.

Liaison officer

2.264 The appointment of a counter fraud LO is a requirement of the counter fraud SLA. We interviewed the counter fraud LOs from each of the 11 BFIS sites we visited to gauge their levels of awareness, the nature of their duties and training and experience for the post.

2.265 Every BFIS site had appointed at least one person responsible for liaison on counter fraud SLA related issues. They all had key work objectives that defined the liaison role. All LOs reported that their liaison duties were included in their key work objectives. None of the posts were dedicated full time to liaison activities.

2.266 The amount of time spent on liaison with LAs varied between sites. This was often simply due to the number of LAs near to the sector. One BFIS sector dealt with 11 LAs.

2.267 None of the counter fraud LOs had received training specific to their role.

We recommend that BA undertakes a training needs analysis to identify the specialist training needs of the BFIS and BIS LOs and implements a training programme to deliver the training. Attendance should be mandatory for all current and future officers. The material should be revised annually to ensure its continued effectiveness.

Outside the SLA

2.268 The counter fraud SLA identifies the key points of contact between BFIS and LAs. It does not set a limit on the range of services individual sectors may wish to negotiate with LAs.

2.269 We found many good examples of liaison beyond the confines of the SLA. These ranged from sharing interviewing equipment to conducting joint investigations.

2.270 We found no evidence of BFIS sectors including such initiatives in the SLA. They feared that competing priorities, usually funding related, could cause agreed activity to cease. This would lead to a default on the SLA.

2.271 From interviews with BFIS and LA counter fraud staff it became apparent that many relatively minor yet practical and effective local initiatives have become

routine in the relationship between some sectors and their LA counterparts. Some, for example a joint interviewing initiative, had developed into a standard way of working. This was not included in the counter fraud SLA.

2.272 We also found that important national changes that would have an impact on closer working were not reflected through in-year changes to counter fraud SLAs at national or local level, for example, preparation for the introduction of the Human Rights Act (HRA) which came into full effect on 2 October 2000.

2.273 This failure to include anything other than the basic national requirements shows that SLAs are not regarded by BFIS as core documents in formalising the relationship between BFIS and LAs.

We recommend that BA gives greater emphasis to including local initiatives in counter fraud SLAs and national guidance and local SLAs should be revised in-year when relevant changes occur.

The LA view

2.274 LA fraud investigation staff were interviewed to obtain their views on the effectiveness of liaison with BFIS. The consensus was that the working relationships were effective. However, specific examples from our inspection revealed a varied picture.

2.275 This perceived improvement in relations suggests progress since 1998 when the NAO report *Progress on measures to combat Housing Benefit fraud* stated that just under half of all LAs felt that liaison with BA was problematic in ensuring procedures were sufficiently robust in stopping fraud at source.

In Wrexham we found a working practice involving an LA and a BFIS investigator conducting jointly planned interviews.

2.276 In Wrexham we found a working practice involving an LA and a BFIS investigator conducting jointly planned interviews. Both parties had completed the Professionalism in Security (PINS) training programme. As a result they work to a common standard, including the preparation and submission of cases for prosecution. Cases which now include HB in the offence have been passed to Solicitor's Branch

(SolB). In the past this had been omitted as BFIS investigators did not include the HB aspect when interviewing the claimant.

2.277 At the other extreme, the relationship between an LA fraud manager and the BFIS counterpart had broken down. The LA manager accuses the BFIS manager of never returning calls. The BFIS manager says the LA manager keeps putting obstacles in the way of closer working. They have not met one another for at least 6 months.

2.278 We also found examples of LAs adopting a parochial, if economically rational, view of counter fraud activity. For example, one LA fraud manager saw no advantage in joint working unless the LA made worthwhile gains in Weekly Benefit Savings (WBS). The manager saw no advantage, for example, in joint vehicle stops where motorists are stopped and questioned by the police and other agencies such as BA and LAs, as most of the fraud discovered would be outside the town and, therefore, of no interest to the LA.

2.279 Elsewhere, management and staff on both sides had developed the relationship further and created an environment where closer working is the norm. Often this had been achieved without the support of central funding.

2.280 Before this inspection we issued a questionnaire to a sample of BFIS and BIS units. We asked each unit to assess the level of effectiveness of their working relationship with each of the LAs in their geographical area. Figure 2.8 shows that, in the view of the BFIS and BIS units sampled, working relations with their respective LAs are regarded as of a satisfactory or better standard in the majority of locations.

Fig. 2.8: Levels of effectiveness of working with LAs – BFIS and BIS views

Effectiveness	Number of LAs
Excellent	7
Very good	10
Satisfactory	8
Weak	3
Poor	1

Source: BFI questionnaire

2.281 However, this perception is undermined by the facts we have found. Due to the lack of monitoring, LAs have little or no idea whether the requirements of the SLA are being met. Our findings show that the requirements of the SLA are not being delivered to the LAs. Nor did we find any evidence of joint working with LAs being an integral part of BA's counter fraud operations.

Perceived barriers

2.282 The interviews with BFIS and LA staff consistently stated several perceived barriers to closer working, some of which are outside the direct control of BA and LAs. The main ones quoted to us were:

- HRA
- DPA
- PINS.

2.283 HRA was perceived by BFIS and LA investigators alike as a major obstacle to proactive closer working because of a lack of clear understanding of its impact and an inequality in training between BFIS and LA investigators. At the time of our site visits no LA had received any guidance on the implications of HRA and the steps required to prepare for its introduction in October 2000. In contrast the BA was well advanced in its preparations and many BFIS staff felt that joint working activity would be very difficult to undertake because LA staff would not have been trained in compliance with HRA.

2.284 Some BFIS sites were more proactive than others. In Greater Manchester South East for example, BA staff had assisted their local LAs by supplying them with training packs.

2.285 Preparation for the impact of HRA is an example where closer liaison at national and local level to prepare and implement a major change was inadequate. Greater attention needs to be given to the needs of and impact on LAs when BA is planning for major change. XXXXXXXXXXXXXXXXXXXXXXXXXXXX
XX
XXXXXXXXXXXX However, since the introduction of FoD such issues are now the responsibility of DSS.

2.286 DPA was frequently misunderstood as a barrier to joint working by individual BFIS sites. Those parts of the organisation whose work brings them into contact with DPA on an almost daily basis for example, MIDAS and BASIS told us that DPA did not hinder their activities although they obviously adhere strictly to its requirements.

2.287 However, at local level there was a high degree of ignorance as to what information can or cannot be legally exchanged between BA and LAs. In the absence of clear guidance, staff were erring on the side of caution. This unnecessarily reduced the effectiveness of exchange of relevant information between BA and LAs at local level.

2.288 We examined the guidance available to local investigators. This included the *Fraud Investigator's Guide* (FIG) and the *DSS Code of Practice for data matching*. Advice is also available from Security Branch and DSS Information Management.

2.289 We were told that the guidance is currently being rewritten but concluded that existing guidance is too vague on DPA issues and can fully appreciate why many local BA investigators remain uncertain. The situation had been exacerbated by changes in March 2000 arising from the Data Protection Act 1998, which replaced the 1984 Act,. We could find no evidence of guidance to investigators being updated to reflect these changes.

2.290 This is a complex issue. However BA investigators need better training and guidance than is currently available if they are to work effectively with their LA colleagues. BA told us that DPA is covered in Module 2 of the PINS foundation course and that the provisions of DPA will be covered in the rewrite of the FIG.

We recommend that BA urgently revises the FIG to ensure it provides the clearest possible advice and guidance to help staff establish what information can be shared with LAs.

2.291 The PINS project was established in August 1998 specifically to take forward proposals in the Green Paper *BEATING FRAUD IS EVERYONE'S BUSINESS: securing the future* and since confirmed in *Safeguarding Social Security*. The aim is to have a team of highly skilled specialists working within a professional framework to the highest standards of performance and integrity.

2.292 The long-term objective is to improve the professionalism of all investigative staff working within government. This was to be achieved, in the first instance, by developing and re-training existing BA staff, then extending the training to all LA staff, building and improving the necessary skills base, and formalising the principles and behaviour that would create a suitable operating framework.

2.293 The PINS business case initially covered BA staff only. DSS had a separate business case ready in February 1999 for the LA training but this was reserved pending a project evaluation report. At the time of our on-site inspection the evaluation report had still to be published. As a result, LA funding of £3.3 million for 1,578 LA investigators was put on hold pending the outcome of an independent review of the project.

2.294 Unfortunately, the expectations of LAs had already been raised and expressions of interest sought from LAs. As at July 2000 there were over 400 investigators on the waiting list for PINS training.

2.295 The number of places offered to LA investigators around the country was limited and this was frequently quoted as a barrier as it cultivated a feeling of 'us and them' and did not facilitate any joint activity, certainly not on an equal footing.

2.296 We found examples of BFIS investigators being reluctant to work more closely with LA investigators who have not been PINS trained [REDACTED] [REDACTED] BFIS staff felt that the lack of LA expertise might jeopardise the investigation or any subsequent sanction. A sanction in the context of this report is a prosecution, an administrative penalty or a formal caution.

2.297 In addition some LAs had already trained their investigators to a high standard through other training providers such as the police. BA told us that this training would not contribute towards achievement of PINS qualification so LA investigators would need to repeat their training.

2.298 LA staff told us that they could not wait for the PINS funding to become available and they were developing their own training strategies. This means that the original estimate of 1,578 LA investigators requiring PINS training may be inaccurate. This would affect the business case, reducing the amount of funding needed.

2.299 We encountered a great deal of confusion about the status, funding and availability of PINS training.

We recommend that BA urgently issues guidance to LAs giving a definitive statement of the status, funding and availability of PINS. It should also consider whether the rules governing PINS are flexible enough to recognise previous training to remove the need for LA investigators to repeat modules. BA needs to revisit the business case by asking LAs how many investigators now require training.

Working together

2.300 Previous BFI reports have recommended that BFIS and LAs:

- devise joint counter fraud strategies
- exchange information
- undertake joint risk analysis
- hold joint awareness sessions for administrative staff
- undertake joint operations and investigations
- consider HB or CTB overpayments in all BA sanction cases

Findings

- produce co-ordinated prosecution policies
- develop an integrated publicity strategy.

2.301 We assessed BA's compliance with and progress against BFI recommendations by:

- on-site sampling and a national sample
- interviews and workshops with staff at local and national level
- scrutiny of counter fraud SLAs at the 11 BFIS sites
- review of PPPs
- examination of guidance
- studies of national and local closer working initiatives.

Joint operations and investigations

2.302 To maximise the deterrent effect of any counter fraud operation it is essential that teams work together both internally and externally, to reduce the risk of benefit fraud.

2.303 Our on-site interviews revealed that BFIS investigators and fraud managers did not assign high priority to joint operations and initiatives with their LA counterparts.

2.304 Every BA fraud investigator and BFIS manager we interviewed said that they considered their first priority was to bring about sanctions through the investigation of quality fraud referrals. This contrasts with the approach typically taken by LAs inspected by BFI where the emphasis is very much on securing WBS.

2.305 Investigators and fraud managers said that proactive initiatives, including joint activity with LA fraud teams, were not undertaken due to BFIS's current pursuit of sanctions on working and claiming referral cases.

2.306 During our on-site inspection we were not able to identify any programme or forward plan of joint BFIS and LA counter fraud initiatives focusing on areas of joint risk. Evidence was confined to the odd joint fraud drive aimed at groups such as local landlords, market traders and taxi drivers. These were normally funded through Security Branch's centrally funded closer working initiatives scheme and as such were not regarded as normal core business. Once funding ceased, joint activity came to a halt. Following the on-site inspection BA provided us with the names of 6 fraud sectors who claimed to be funding joint initiatives and 17 fraud sectors who claimed to be undertaking joint risk analysis. While we were unable to validate these claims it does suggest that there are areas of good practice throughout BA although these are very much in the minority.

2.307 [REDACTED]

2.313 We found no evidence that BFIS management was analysing the type and source of BFIS referrals investigated, or placed in the overload system, and whether the referral included a payment of HB or CTB. Such information could be used to plan future joint activity focused on areas of risk to both benefits and shifts in trends of referral patterns can often be anticipated. This would add value to the work done by the ABR.

2.314 The danger here is that areas of high risk do not become part of core counter fraud investigative activity.

2.315 BFIS staff said that the attention to sanction cases had clearly replaced the WBS targets. As staff are required to achieve these as a priority they are reluctant to pursue allegations that need more intensive investigation or to become involved in joint working with LA counter fraud staff.

2.316 Our interviews with BA and LA investigators and our sampling confirmed the view that there is no effective incentive to encourage BA investigators to pursue closer working with LAs. This is recognised at a senior level within BA.

2.317 A communication issued to BA staff in July 2000 stated that while there are excellent examples of BFIS

approaching security from a wider perspective, this approach is not universal and more needs to be done in this area.

2.318 The communication also stated that, as well as sanctions, BFIS had a significant role to play in:

- raising fraud awareness in offices
- tackling benefit fraud other than IS and JSA
- helping to reduce LTAHAW fraud
- taking a well-rounded approach to both fraud and error
- critically examining fraud cases that that have been actioned or overloaded.

2.319 We agree with this rationale, but we have some reservations. In terms of encouraging a wider approach to countering fraud, BA needs to review the recording of successful outcomes other than sanctions that could arise from closer working initiatives and that do not normally attract a monetary value of adjustment (MVA), such as non-residency and contrived tenancies.

2.320 A tangible recognition for this work within the current system of Programme Protection Indicators (PPIs) would encourage a more positive approach to tackling fraud with their LA counterparts and encourage investigations on a greater range of referrals that include payments of HB and CTB.

We recommend that BA introduces incentives and performance measures which encourage a wider span of counter fraud activity to include closer working and joint operations with LA counter fraud staff.

We recommend that BA reviews the overload procedures to ensure they are analysed and referred to LAs in accordance with the counter fraud SLA.

There is no effective incentive to encourage BA investigators to pursue closer working with LAs.

Exchange of information

2.321 The effective exchange of information between BA and LAs is essential to:

- identify the potential for joint activity
- provide the opportunity to analyse and investigate joint risk areas
- avoid duplication of effort.

2.322 To avoid duplication of investigation and identify areas of counter fraud activity that would benefit from a joint approach, it is essential to have a monitored and controlled system of exchange of information.

2.323 The success of this partnership relies on both managerial and operational staff working together to secure commitment to the process and monitor the performance against the counter fraud SLA.

2.324 Failure to exchange overpayment information limits the identification and accuracy of overpayments and can prevent:

- appropriate offences being presented to the courts
- a consistent approach to punitive measures for IS or JSA and HB or CTB offences
- appropriate punishments being given by the courts
- public awareness that fraudsters will be detected and punished
- LAs claiming correct levels of subsidy.

2.325 Failure to inform each other of investigations can lead to:

- duplication of investigation activity
- information not being shared
- reduced opportunity to analyse and investigate joint risk areas
- failure to identify potential for joint activity
- a lessening of any deterrence factor.

2.326 Guidance on which forms should be used to exchange information is clearly set out in the FIG and 1999/2000 and 2000/01 national model counter fraud SLAs. Figure 2.11 shows a series of forms used by BFIS and LAs that can aid the successful flow of information around key investigative issues.

Fig. 2.11: Flow of information between BFIS and LAs

Form	Reason	From	To
SLA1	Notice of investigation by LA	LA	BA
SLA2	Referral for investigation by BA	LA	BA
SLA3	Outcome and impact of LA investigation on DSS benefits	LA	BA
HBF1	Notice of investigation by BA	BFIS	LA
HBF2	Referral to LA for investigation	BFIS	LA
HBF3	Acknowledgement of referral from LA	BFIS	LA
HBF4	Request for HB or CTB details	BFIS	LA
QB64	Forms used to pass information on prosecutions and overpayments	BFIS	LA

Source: BFI

SLA forms

2.327 Our interviews with BA counter fraud LOs, investigators and fraud managers revealed that SLA forms were not always used. Over half of BFIS staff interviewed said that their counterparts in the LA sent notification of their investigations to BFIS on an SLA1 or notified the outcome of the investigation on form SLA3.

2.328 Failure to use an SLA1 can lead to duplicate investigations and prevent appropriate sanctions being taken. Failure to send an SLA3 could prevent BFIS pursuing a further investigation, incorrectly believing that the LA is still investigating the case. We found systematic monitoring of this activity in only one BFIS location in our sample.

HBF forms

2.329 We undertook a national sample of 84 cases where a sanction had been applied and HB or CTB was in payment. This showed that the HBF series of forms were rarely used.

Fig. 2.12: Number and % of forms HBF1 and HBF4 issued

Form	Number issued	% from sample issued
HBF1	6	7
HBF4	5	6

Source: BFI national sample of 84 sanction cases

The instructions in FIG and the 1999/2000 and 2000/2001 national model counter fraud SLAs are clear that the forms should be used to facilitate a smooth flow of information. A non-compliance rate of over 90% is unacceptable.

2.330 There is no excuse for not using the forms. The instructions in the FIG and the 1999/2000 and 2000/2001 national model counter fraud SLAs are clear that the forms should be used to facilitate a smooth flow of information. A non-compliance rate of over 90% is unacceptable.

We recommend that, as a matter of urgency, BA properly monitors performance in the area of exchange of information with LAs through HBF forms to ensure that BFIS and BIS investigators comply with guidance laid down in the FIG and the requirements of the national model counter fraud SLA.

QB64 forms

2.331 We tested compliance in the area of exchange of information further as investigators were:

- confused about QB64 procedures
- inconsistent in following QB64 instructions
- unaware of time-scales within the SLA
- not monitoring performance.

2.332 The FIG states that before conducting an IUC, BA investigators should obtain details of HB or CTB overpayments and the views of the LA about proceedings. If the LA wants to include HB or CTB offences, BA investigators must obtain the details and cover both sets of offences at the IUC.

2.333 Paragraphs 9270 to 9272 of the FIG state that a QB64 should be used to obtain this information. BA investigators should issue the QB64 to advise the LA that BA is considering proceedings and to give the LA the opportunity to have HB offences included.

2.334 Form QB64 informs the LA that BA is considering a sanction and has a tear-off section which LAs should return to inform BA of:

- the period and amount of HB or CTB overpayment
- a statement as to whether they want the HB or CTB fraud included in the sanction
- any evidence they hold on the HB or CTB offence.

2.335 The LA must respond within 10 working days of receiving a QB64.

2.336 Although BFIS cannot count HB overpayments in its calculation of an administrative penalty it can include them in the recording of an MVA. BFIS can also, where it is to offer an administrative penalty, invite the LA to simultaneously offer a similar penalty for the HB or CTB overpayment. Otherwise the claimant has the opportunity to decline the administrative penalty on the HB or CTB overpayment in the knowledge that there is little prospect of a prosecution then taking place.

Findings

2.337 We sampled 100 cases from the BFIS sites we visited where sanctions had been applied. We examined the cases to see if BFIS investigators were sending QB64s when considering the application of a caution, administrative penalty or prosecution and if the information was returned within the 10-day target in the SLA.

2.338 Previous BFI reports point to a poor level of performance in sending QB64s. Less than half the BFIS sectors examined as part of an LA inspection used QB64s in the proper manner and BFI's report on AD3 recommended that:

...BFIS ensure that form QB64 is sent and indicates whether a customer is likely to face court proceedings. The LA can then inform BA of any HB or CTB that can be included in the prosecution.

Fig. 2.13: Compliance with requirement to issue form QB64

Sample size	100
With HB or CTB	73
QB64 issued	33 (45%)
QB64 returned	25 (76%)
HB or CTB overpayment	19 (76%)
Total HB overpayment identified	£15,074.50
Average HB or CTB overpayment	£793.40

Source: BFI sample

2.339 Figure 2.13 shows that there was a payment of HB or CTB in 73 of the cases sampled but BFIS only issued 33 QB64s. As investigators did not send a QB64 on every occasion where they are considering a sanction, many HB or CTB offences were not included.

2.340 Because of this finding we analysed a further sample of 84 sanction cases taken from each of the 13 BA ADs. The sample was selected from information supplied by Security Branch and the individual BFIS areas. All cases sampled related to HB or CTB claimants.

Fig. 2.14: National sanctions sample analysis

Action	Number	%
QB64 not sent	58	69
QB64 sent	26	31
QB 64 returned	18	69
HB or CTB in overpayment	10	56
QB64 not returned	8	31
QB64 returned within 10 working days	6	33
Average return time in days	36.5	
QB64 returned in time for IUC	0	0

Source: BFI national sample of 84 sanction cases

2.341 Figure 2.14 shows that:

- in 69% of cases sampled QB64s were not issued
- of the 26 sent only 18 were returned
- of the 18 returned only 6 were returned within the SLA target of 10 working days
- 10 of the 18 cases returned showed an HB or CTB overpayment
- the average return time was 36.5 days
- of the 6 QB64s returned within 10 working days, none were received before the IUC had taken place.

2.342 There is a quality review mechanism through which BFIS staff can inform the owners of the national model SLA, Security Branch, that they considered that either form QB64 or the timescale concerning return of the form was inappropriate. Security Branch told us that no one has raised this issue.

2.343 There are also mechanisms and escalation procedures within the SLA process by which BFIS and LA fraud managers can resolve difficulties, differences of opinion or interpretation. We found no evidence of this issue being raised nor did we see any attempts to resolve it by monitoring to evaluate and improve this situation.

Durham BFIS had been proactive in this area, by building into its validation process a check to ensure that QB64s are sent.

2.344 However, not all BFIS sites failed to comply. Our sampling showed that both Durham and Greater Manchester South East BFIS sent QB64s in every appropriate case sampled. Durham BFIS had been proactive in this area, by building into its validation process a check to ensure that QB64s are sent.

2.345 Although our on-site sampling confirmed that Durham BFIS had sent a QB64 in every appropriate case

sampled, it should now work towards ensuring that overpayment information and associated documents are available to officers in time for inclusion in IUCs wherever possible.

2.346 BA investigators told us there was a reluctance to send QB 64s in the first place, especially when investigators had enough IS or JSA overpayment to consider a sanction without the inclusion of an HB or CTB offence.

We were concerned at the widespread failure to issue QB64s. The implications are that overpayments are not being identified or recovered.

2.347 We were concerned at the widespread failure to issue QB64s. It implies that overpayments are not being identified or recovered. Overpayment recovery is a major deterrent to benefit fraud. It is vital that both the IS or JSA and the HB or CTB elements of the overpayment are considered and recovered

2.348 It is inconsistent that a claimant might be punished for an IS or JSA offence but not an associated HB or CTB offence. BFIS validation officers also told us

that BFIS rarely requests documents from the LA confirming the claimant's receipt of benefit and for use at the IUC. These include:

2.357 Figure 2.16 illustrates potential HB or CTB overpayments not recorded and the potential loss to the exchequer, by projecting the results from our on-site and national samples.

Total cases sanctioned 1999/2000	148,063
% expected to have HB or CTB overpayment	56
Number of potential HB or CTB overpayment cases	82,915
Combined average HB or CTB overpayment from both samples	£878.46
Estimated HB or CTB overpayment missed	£72,837,511

Source: BFI projections from sampling of sanction cases

Potentially almost £73 million of HB and CTB overpayments is being ignored through BFIS's failure to issue QB64s in all appropriate cases.

2.358 Figure 2.16 shows that potentially almost £73 million of HB and CTB overpayments is being ignored through BFIS's failure to issue QB64s in all appropriate cases.

We recommend that BA urgently issues instructions to BFIS and BIS staff regarding issuing QB64s and immediately puts in place mechanisms to monitor that a QB64 is sent in all appropriate cases.

2.359 In gathering our sample we found no central point in BA which was recording details of fraud cases that result in a sanction. Several FAMs held this information because they felt it was a valuable source of management information. All FAMs could provide details of prosecutions but only 3 FAMs could readily provide information about cautions and administrative penalties. The BA centre could provide administrative penalty and caution information but no prosecution details.

2.360 This lack of a co-ordinated approach to management information highlights internal weaknesses that could hinder attempts to monitor overall counter fraud performance against PPPs. This could affect any exchange of statistical information, joint risk assessment and effective planning with LAs.

The right to prosecute

2.361 In one BFIS site we were told that, although QB64s were issued, the LA always chose not to have HB offences included and ticked the relevant part of the QB64 to confirm this. The BFIS unit said that a check of potential overpayment cases referred to the LA from April to August 2000 revealed 50 cases of this nature. We found another case of this nature for this BFIS unit in the national sample.

2.362 When the BFIS unit asked the LA about this, the LA said that, at the time of the inspection, it did not have a prosecution policy. However, LAs have no right to insist on non-prosecution. Also there is no jurisdiction for allowing what people are prosecuted for to vary in such an arbitrary way. As the HB and CTB element is integral to the fraud in IS or JSA cases no distinction should be made.

2.363 A decision not to prosecute depends on the circumstances of a case in relation to the prosecution policy. All prosecution issues involve discretion. So there is no absolute duty to prosecute but any organisation must be seen to act fairly.

2.364 We are concerned that this option to allow LAs to ask for HB or CTB overpayments to be excluded from prosecutions sends the wrong message about counter fraud activity in LAs. It means there is an inconsistent approach between LAs and BA. We recognise that in practice it may be difficult to acquire all the information required for a prosecution without the co-operation of the LA but currently BA is not even seeking that.

We recommend that BA, as a minimum, in conjunction with DSS, revises form QB64 to require the LA to give a reason if it wants any HB or CTB overpayment not to be included in a sanction inspired by BFIS. If this reason is not acceptable to BA, the HB or CTB overpayment should be included. BA should not and must not treat the lack of LA consent as a bar.

Joint prosecutions and co-ordinated prosecution policies

2.365 *Safeguarding Social Security* states that:

We are developing a national framework of sanctions for use by all agencies involved in social security administration. In doing so, we will seek the views of all those concerned including local authorities. The framework will provide a range of sanctions to fit the range of offences, ensuring these are applied consistently and fairly across agencies and across the country. It will also fully integrate the recovery of fraudulent overpayments and enforcement work. We will also take steps to ensure that the fullest use is made of the existing range of penalties, so that those who would steal benefit realise that crime does not pay.

2.366 Prosecution, administrative penalties and cautions are effective deterrents to those contemplating fraud. Failing to consider proceedings, and failing to present the whole of the offence to both the offender and the courts, creates an environment in which the public perceive that fraud and corruption are tolerated.

2.367 Effective liaison is essential on cases that include both HB or CTB and IS or JSA overpayments to reassure the public that both BA and LAs react strongly to fraud.

2.368 The 2000/01 national model counter fraud SLA emphasises the need for a locally agreed prosecution policy, especially on joint prosecutions. We examined guidance, undertook sampling and interviewed staff to establish how BA works with LAs to jointly tackle prosecutions.

2.369 We found no national policy or central guidance on joint prosecution work. There is little joint work on prosecutions, except where BA and LA investigators jointly hold IUCs. Investigators and BFIS managers considered this as joint prosecution activity.

2.370 BFIS staff offered a range of explanations for this lack of activity:

- some LAs do not wish to prosecute or have no prosecution policy

- lack of fraud investigation resource in LAs
- poor training of LA staff, for example on IUCs and training in the Police and Criminal Evidence Act
- lack of legal expertise or resource in LAs
- LAs' legal specialists may lack expertise in the relevant legislation.

2.371 Following criticism in the 1997 NAO report *Measures to Combat Housing Benefit Fraud*, SolB2 liaised with LAs on a prosecution pilot exercise. The broad objective of the pilot was:

...to identify the problems LAs have in prosecuting cases of benefit fraud and to assess the effectiveness and cost of extending the pilots nationally.

2.372 A draft evaluation report showed that although 144 LAs were invited to take part only 38 submitted cases for prosecution. It concludes that too few LAs participated to draw informed conclusions.

2.373 No other significant findings were reported that directly relate to LA and BFIS liaison or closer working issues.

2.374 The report recommends that the pilot continues until April 2001. The recommendations arising from the extended pilot will no doubt shape the way BFIS and LA investigators work together.

2.375 The pilot should be complemented by BA and LAs working closely together to develop effective counter fraud activities, particularly working agreements relating to:

- information sharing
- analysing the nature and type of fraud in their area
- investigations
- prosecutions
- publicity.

We recommend that BA and LAs work together at local level to implement the national sanctions framework to ensure consistent and fair application of sanctions across all DSS benefits whether delivered by BA or LAs.

Centrally funded closer working initiatives

2.376 In 1999/2000 BA allocated £6 million from the Programme Protection Fund to be divided amongst its 13 ADs for closer working initiatives with LAs. This exercise has been repeated in 2000/01. Security Branch took the lead for BA in preparing guidance and monitoring expenditure and progress. At the time of our on-site inspection we were aware of 197 centrally funded closer working initiatives. In addition we were told that 163 locally funded initiatives were in place.

2.377 Of the 197 initiatives in 1999/2000 that were centrally funded, 178 were completed, with 19 initiatives classed by Security Branch as failing. The definition of failing is that the initiative simply was not completed. Only £3.5 million of the

original £6 million was allocated. This was attributed to delays in getting the scheme up and running.

2.378 Of the £3.5 million allocated, £1.8 million went to BA and £1.7 million to 133 LAs (33% of all LAs). Twelve of the 30 top-spending LAs were successful in bidding for funds.

2.379 Approximately £6 million has again been allocated for 2000/01 and up to 28 July only £3.4 million had been allocated to centrally funded initiatives.

2.380 We looked at the guidance issued, the control and monitoring exercised by Security Branch and individual ADs and examined some of the initiatives in greater depth. We also considered an Internal Audit Services report *Closer Working with LAs* produced in February 2000. This allowed us to assess whether the exercise met its aim of acting positively to reduce the overall level of incorrectness and the stock of fraud.

2.381 Central guidance for the 1999/2000 round of closer working funding was the result of collaboration between Security Branch, DSS Housing Benefit Management and SolB. It was issued as *Strategy and Planning Directorate Circular 3/99*. LAs received the same information in *HB/CTB circular F8/99*.

2.382 AD staff were responsible for inviting and assessing bids from BA and LA offices within their geographical area. AD support staff told us they felt they had to build upon the assessment criteria laid out in the guidance, but were generally able to consider and assess bids effectively.

2.383 Security Branch did not specify how expenditure and progress against the aims and objectives of the successful bids should be monitored and this has led to individual ADs developing their own mechanisms to monitor expenditure and effectiveness of initiatives in their ADs.

2.384 Security Branch asks for a certificate of expenditure from all participating LAs at the year end. This includes details such as:

- a breakdown of costs for the initiative
- fraud referrals generated
- fraud files raised
- overpayments identified
- sanctions imposed
- WBS.

2.385 Once an initiative has been completed the LA spend is audited. The NAO then issues a certificate. Security Branch also told us that it undertakes some 'spot visits', usually at the end of the evaluation process. This validation of LA expenditure is good practice.

2.386 All participating LAs, BFIS sectors and BA offices are requested to complete an evaluation form for each centrally funded initiative. This asks questions such as:

- which of the original aims and objectives did you achieve or fail to achieve?
- what problems did you encounter?
- what success stories or anecdotes do you have?

- did you receive any publicity?
- did you identify any good practices that could be repeated elsewhere?
- would you repeat the exercise?
- what did you get out of it?
- what was the impact on external and internal customers?
- has the initiative continued?
- did the initiative produce any products?

2.387 This is an attempt to measure how successful the £6 million investment has been. However, we are concerned that each initiative is not carefully evaluated and tested against the specific aims and objectives set out when the original bid was made. No record is kept centrally of unsuccessful bids.

2.388 BA told us, following the on-site inspection, that an evaluation programme had been due to take place in July 2000 but had been postponed due to changes arising from FoD. We were further told that it is planned that this work will eventually be undertaken using external consultants in order to obtain an independent view.

2.389 No publicity is given to the most successful initiatives. We have seen no evidence of any being rolled out nationally.

2.390 The success of this initiative led to SoS writing to LAs requesting them to undertake a similar exercise. LAs we spoke to were content to comply but expressed concern that BA had not been asked to undertake an identical exercise on its employees.

2.391 Several of the BA and LA offices we visited had been successful in obtaining funding for closer working initiatives in 1999/2000 or 2000/01. The majority were simply joint fraud drives against suspect groups such as market traders, taxi drivers, building traders, fast food outlets and landlords. Several others were data matches.

2.392 We expected to see some originality and less duplication from centrally funded initiatives. We found no evidence of attempts to share experiences or any action to avoid duplication of identical initiatives other than a database held by Security Branch to record the initiatives and a workshop attended by BA and LA staff. We were told that this was partly due to the changes in Security Branch resulting from FoD.

2.393 One LA told us that it had received funding for a joint initiative but the BA AD had since withdrawn the funding from the BFIS sector. This left the LA with funding but unable to deliver the initiative as it needed the appropriate input from BFIS, which it could no longer give. Appropriate monitoring by Security Branch would have identified this problem and it could have taken remedial action or reallocated the funds which had to be returned by the LA at the year-end.

2.394 Internal Audit Services, while feeling able to give only limited assurance to the arrangements put in place by Security Branch, also recommended that closer working funds be allocated to a balanced range of initiatives covering both prevention and investigation. Resources allocated for 2000/01 at 21 July 2000 are shown in Figure 2.17.

Fig. 2.17: Centrally funded closer working initiatives – breakdown of funding for 2000/01

	£	%
BFIS funding	996,505.07	17
LA funding	1,686,306.82	29
District funding	712,479.05	12
Unallocated	2,488,611.06	42

Source: Security Branch

2.395 We are concerned that almost one third into the financial year 42% of funds remain unallocated.

2.396 Internal Audit Services suggested that a more prescriptive approach may be needed from Security Branch. We go further and suggest that the present approach is not delivering the aim of positively contributing to a reduction in the overall level of incorrectness and the stock of fraud. There are no attempts to measure the effectiveness of the initiatives in reducing the level of incorrectness and stock of fraud.

2.397 Failure to be prescriptive or directive leads to the risk of duplication of initiatives and the lack of tight monitoring and measurement of effectiveness means that rolling out successful initiatives becomes difficult.

2.398 Although Security Branch performs a monitoring and control roll we consider this wholly inadequate if maximum benefit is to be made of this investment which now totals almost £12 million.

2.399 BA has told us that the weaknesses of the closer working process were identified in 2000/01 and will feed into the development of the new joint working arrangements. The LA and BA Strategic Boards will receive a clear strategic steer through the DSS Fraud Head of Profession and will also bring information from each locality to define what risks are to be addressed.

We recommend that BA urgently reviews the centrally funded closer working initiative process and assesses how well it has positively contributed to reducing overall incorrectness and the stock of fraud. If it is decided to continue with the scheme, there must be a much more prescriptive approach adopted.

BFI

2.400 Part of each LA inspection includes an examination of the interface between the LA and the adjacent BFIS sector. Any related recommendations are reported to BFIS management for implementation. Copies of all BFI reports are sent to Security Branch, Working Age Services (WAS), the relevant DoFO and AD as well as the local BA manager.

2.401 A total of 37 BFIS related recommendations had been made in the 65 BFI reports published between March 1998 and August 2000. Figure 2.18 lists the 6 most commonly made recommendations, together with the date of the first and last reports to include them:

Fig. 2.18 : Most reported counter fraud recommendations from BFI reports

Recommendation	First report	Latest report
Monitor the SLA	Dec 1998	Jul 2000
Increase awareness of HB and CTB	Aug 1998	Jul 2000
*Issue QB64 in all appropriate cases	Dec 1998	Jul 2000
*Ensure prompt notification of start and termination of an investigation	Aug 1998	Jul 2000
*Liaise with LA to produce an integrated publicity strategy	Jan 1999	Jul 2000
*Undertake joint risk analysis	Feb 1999	Jul 2000

Source: BFI

* also previously recommended in the AD3 BFI report published in March 1999.

2.402 Sampling undertaken during this inspection confirmed that all 6 recommendations remain valid. This indicates that little, if any action, has been taken to address the issues raised.

2.403 *Fraud Management Letter 17/99* issued to BFIS fraud managers by BA Security on 7 April 1999, listed 22 BFIS related recommendations published to date. The letter stated that:

BA Security has a monitoring role in ensuring BFI recommendations are carefully considered and, when practical, implemented.

2.404 We found no evidence that BA Security (now Security Branch) monitored implementation of BFI recommendations.

2.405 Security Branch told us that responsibility for implementing BFI recommendations was passed to DoFOs. In spite of our requests, Security Branch has been unable to confirm when the change took place or when and how DoFOs were advised. This may explain some of the inertia in dealing with BFI recommendations.

2.406 Instructions for the completion of PPPs include as a minimum requirement:

Implement recommendations, wherever possible, arising from BFI inspections

BA has done little to ensure BFI recommendations are implemented.

2.407 Security Branch was unable to define what was meant by 'wherever possible'. Implementation of BFI recommendations was included in 3 of the PPPs we examined. None of the plans referred to specific recommendations nor did they set a date by which implementation would be complete. The results of this

inspection and our examination of PPPs, indicates that BA has done little to ensure BFI recommendations are implemented.

We recommend that BA allocates responsibility for ensuring BFI recommendations are implemented to a single unit which should monitor and report progress against each recommendation.

Publicity

2.408 Joint publicity between BA and LAs is important in detecting and deterring fraud.

2.409 The counter fraud SLA expects that the BFIS manager will deal with local publicity and ensure that the LA press office is notified if HB or CTB is to be included in any publicity. LAs are expected to do likewise in relation to publicity on any other social security benefit obtained fraudulently.

2.410 The March 1998 PAC report *Measures to Combat Housing Benefit Fraud* criticised BA for failing to involve LAs sufficiently in BA's local Spotlight on Cheats anti-fraud drives. We therefore expected to see clear evidence of joint publicity strategies at local and national level.

2.411 Our interviews and observations showed that there were no joint publicity strategies. This means that BA is failing to:

- maximise the effectiveness of any closer working strategy
- maximise the deterrent effect
- heighten fraud awareness amongst staff
- alert the public that fraud will not be tolerated.

2.412 We expect to see this issue addressed when the joint working arrangements coming from the Scampton report take effect from April 2001.

National fraud hotline

2.413 During the course of the inspection we became aware of proposals, as part of the HBIP, to pilot a BA and LA shared national fraud telephone hotline.

2.414 Many LAs feel unable to resource their own fraud hotline. This makes it difficult for people to report cases of suspected HB or CTB fraud. The pilot will test the effectiveness of extending BA's fraud hotline to provide a national service for reporting suspected HB or CTB fraud.

2.415 The pilot was planned to take place between January and March 2001 and would involve 10 LAs. The results of the pilot should be reported at the end of July 2001.

2.416 It is, of course, too early to comment on the effectiveness or otherwise of this pilot but it does provide evidence of planned closer working between BA and LAs at a national level.

Working with other organisations

2.417 Various organisations in the BA and LA environments provide specialised counter fraud services. We found that roles are not fully understood across BA and LAs, that full use is not always made of the services available and that there is some duplication of effort. Following the on-site inspection BA informed us that this has since been addressed by the creation of a Joint Working Unit with a remit to support the development of the Agency's contact with outside bodies. We have been unable to assess the effectiveness of this new Unit.

BASIS

2.418 BASIS is responsible for countering organised fraud. It was formed in April 1998. Half of its personnel are engaged in investigative activities, which are divided into 14 operational teams based in all parts of Great Britain. The remainder are mainly involved in intelligence activities.

2.419 BASIS is covered by the national model and local counter fraud SLAs. The relevant entry states:

Any cases where there is a suspicion of multiple claims, except those which involve HB or CTB only and no IS, will be referred to BASIS, which will consider the case within 24 hours and will send an acknowledgement within 10 working days. Progress on accepted cases will be reported every 3 months.

2.420 The counter fraud SLA says that FAMs will seek to represent BASIS views in their relations with LAs and any disputes should be addressed to the head of BASIS. We found no evidence of FAMs liaising with LAs on behalf of BASIS.

2.421 It is impossible for BASIS to monitor all 500 or so SLAs of the requirement quoted above. We question the value of having an entry relating to BASIS in the local counter fraud SLAs between BFIS and LAs.

National Intelligence Unit

2.422 National Intelligence Unit (NIU), established in 1999, has teams covering:

- identity fraud
- giro validation
- identity validation.

2.423 These teams, along with the existing BASIS intelligence function, have been brought together creating the BASIS NIU.

2.424 Other projects have moved into the core business of the NIU:

- BA Ports Project
- Ports Fraud Investigation Team.

2.425 The objectives of the NIU include:

- promoting the development of the intelligence community within DSS, LAs and other government departments
- utilising the intelligence process to facilitate better decision making to investigate, prevent and deter benefit fraud
- building bridges and breaking down walls that prevent the efficient transfer of information.

2.426 It also seeks to improve links with LAs in order to effectively share data and intelligence.

2.427 To date NIU has had little impact on the LA community but it does have plans to market its services more widely during the 2000/01 financial year. In many respects NIU mirrors the intelligence work that the London Team Against Fraud (LTAF) delivers.

Financial Investigation Unit

2.428 Financial Investigation Unit (FIU), a unit within BASIS, was formed in November 1997 following the secondment to BA of a Detective Constable from the Metropolitan Police.

2.429 FIU is referred to in *Safeguarding Social Security* which states that there will be closer working between BASIS and police to facilitate seizure of assets from those involved in major fraud. It is therefore surprising that LAs have made little use of FIU.

2.430 In cases of serious fraud, application can be made to the courts for orders concerning restraint or charging of identified assets. Confiscation orders and compensation orders can be satisfied out of restrained or charged assets.

2.431 FIU deals with all aspects of fraud investigation where there is potential for recovery of assets from benefit fraudsters. Specifically FIU:

- gathers financial intelligence and evidence to support the prosecution of benefit fraudsters by obtaining Special Procedure Production Orders under Schedule 1, Police and Criminal Evidence Act 1984
- investigates the proceeds of crime of benefit fraudsters
- restrains the assets of benefit fraudsters
- attempts to support the confiscation of assets of convicted benefit fraudsters
- monitors payment of confiscation orders made against benefit fraudsters
- investigates money laundering
- investigates financial disclosures received from the National Criminal Intelligence Service.

2.432 FIU offers its services to fraud teams in BA and LAs. So far its activity has been almost totally limited to BA. This is partly because FIU has not yet publicised itself sufficiently and partly because it only applies for proceeds of crime orders where the overpayment is over £15,000. Most LAs overpayments tend to be below that amount although when combined with, for example, an IS or JSA overpayment, this amount may be exceeded.

2.433 BA and LAs should make sure that full use is made of the services offered by FIU to ensure recovery of fraudulent overpayments.

Identity Fraud Co-ordination Unit

2.434 Identity Fraud Co-ordination Unit (IFCU) is a small unit which is part of BASIS and specialises in identity fraud. Staff are experts in documentation, such as passports from all countries.

2.435 One of IFCU's core objectives is to effectively and accurately identify fraudulent attempts to access the National Insurance and benefit systems.

2.436 IFCU offers a document examination service to all areas of DSS and LAs. It works in conjunction with the National Forgery Section of the Immigration Service and can check any documentation against its database of stolen passports, birth certificates and other documents.

2.437 IFCU receives about 1,600 queries each week, but only 5% come from LAs.

2.438 IFCU issues over 1,500 copies of its bi-monthly bulletins of stolen documentation. They are distributed to LAs by DSS Housing Benefit Management. Readership is estimated to be 7,000.

2.439 IFCU also produces:

- a booklet providing templates for use during interviews with NINO applicants whose first language is not English
- a Documentary Evidence Guide containing comprehensive information to identify false documentation
- a guide to using ultra violet scanners
- an identity fraud desk aid
- a desk aid covering good practice while checking identity
- a desk aid on passport features.

We commend IFCU for producing these excellent aids to help BA and LA staff in considering documentary evidence in support of a claim for benefit.

2.440 We commend IFCU for producing these excellent aids to help BA and LA staff in considering documentary evidence in support of a claim for benefit.

2.441 IFCU offers a valuable and expert service to BA and LAs. It is keen to provide this service to more LAs and intends to market its services within the LA community throughout 2000/01.

Field Intelligence Officers

2.442 Each AD has introduced a Field Intelligence Officer (FILO) within BFIS. This role will be funded by Security Branch for each AD for one year. A pilot exercise will run until March 2001.

2.443 It is intended that the FILO will complement intelligence roles that already exist in BFIS, BASIS and other organisations, and the ultimate aim is to promote closer working and a more co-ordinated approach to intelligence sharing.

2.444 The role as described by Security Branch does not include specific mention of closer working and information sharing with LAs. We believe this to be a missed opportunity.

We recommend that the FILO plays a more prominent role in liaison with LA fraud investigation units. It is important this work complements that undertaken by the BFIS Liaison Officers.

Local Authorities Investigation Officers Group and London Boroughs' Fraud Investigators Group

2.445 Both Local Authorities Investigation Officers Group (LAIOG) and London Boroughs' Fraud Investigators Group (LBFIG) exist to share good practice and problems.

2.446 LBFIG members join as individuals. LAIOG members represent the views of their sponsoring LA. LBFIG is represented on LAIOG.

2.447 BA is not a member of either group although there is a mutual awareness of respective roles and activities. We consider there is scope for more formal liaison between BA and LAIOG and LBFIG and it is for BA to make an approach

to the bodies to learn more about their functions, facilities and intelligence they can offer. Likewise BA needs to consider what it might be able to offer to the 2 LA groups.

National Anti-Fraud Network

2.448 National Anti-Fraud Network (NAFN) provides a counter fraud network service to any LA that makes a financial contribution to the network. Over 50% of LAs use this service.

2.449 The service includes:

- circulating enquiries from one LA to others in the network, to obtain further information regarding benefit fraud
- providing access to services in order to assist with investigations
- exchanging information relating to fraud from external agencies to LAs
- collating fraud intelligence from LAs and external agencies
- gathering intelligence to help with serious fraud investigations by LAs.

2.450 Contacts at their disposal include:

- Credit Industry Fraud Avoidance System
- University and Colleges Admission Service
- Student Loans Company
- LTAF
- police
- Immigration Service
- Post Office
- some utility companies
- credit industry.

2.451 NAFN has regional representatives who form the management committee. The representatives are senior officers within their LA and ensure that correct policy is applied and deal with funding issues. They manage a small team of regional collators.

2.452 Neither BFIS or BASIS liaise with this group. BA should investigate whether it would be mutually beneficial to liaise with NAFN. Since the on-site inspection BA has informed us that the newly created Joint Working Unit is pursuing the issue of BFIS working more closely with NAFN. Once it has guidance on data sharing issues it will issue guidance to counter fraud staff in BA.

Housing Benefit Matching Service

2.453 Housing Benefit Matching Service (HBMS) is a part of MIDAS and was set up in 1996 to combat fraud and error within the HB system. HBMS is a matching service for LAs sponsored by DSS.

2.454 HBMS matches HB and CTB data submitted by participating LAs against DSS data streams and data from other government departments.

2.455 LAs join the matching service voluntarily. HB or CTB data is extracted by LAs in line with a standard format data specification.

2.456 LAs can use the service free of charge twice each quarter: once to improve the data quality and again for a general scan, for example, to verify NINOs or look for potentially violent persons' indicators. Other services attract a charge.

2.457 Of the 409 LAs, 393 (96%) currently make use of the service and 76,928 referrals were planned for 1999/2000. Just over 42% of referrals identified an incorrect payment. WBS of £17.8 million was claimed for the 1999/2000 year. The cumulative WBS attributed to HBMS since 1996 is £35.2 million.

2.458 The WBS figure does not include a further £18.6 million recorded as overpayments. Since 1996 HBMS has successfully identified overpayments totalling over £32.7 million.

2.459 This is an example of an excellent service offered to LAs. It is used by all but a few LAs with proven effective results. MIDAS is keen to continue and build on this service. There are indications from customer satisfaction surveys carried out by HBMS that not only are LAs satisfied with the service but also wish to make greater and wider use of it.

LTAf

2.460 In 1993 the Society of London Treasurers responded to the growing awareness of organised and cross-boundary fraud by forming LTAf. LTAf is funded by the 33 London LAs and has 2 full time officers and one part time officer.

2.461 LTAf is not an investigating body. It specialises in intelligence. Its policy objectives are to:

- identify and circulate good practice and prepare audit guidelines on the prevention and detection of fraud
- improve authorities' ability to detect fraud through sharing knowledge, information, experience and expertise
- identify policy and other issues which need review, adaptation or amendment to prevent fraud and enhance its detection
- specify interrogation and other analysis tasks which can be undertaken by specialist agencies on a cross boundary basis or on an LA level
- promote the work of the Committee among all LAs and agencies
- encourage publicity for the successful prosecution of offenders.

2.462 LTAf also:

- maintains a database of information to help prevent and detect fraud
- sets up and maintains formal lines of communication for a multi-agency approach to combat fraud
- forms and takes part in close interest groups where agencies and LAs alike are victims of fraud in a particular area
- issues bulletins on specific topics and disseminates information on current fraud issues

Findings

- directs LA investigators to the relevant people within other government departments and agencies
- identifies trends in fraudulent activity and notifies LAs of likely target areas.

2.463 The similarities between LTAF and BA's own intelligence units within BASIS are unmistakable. BA and LAs each need to hold and use intelligence, but there is also scope for BASIS and LTAF in particular, to work closely to share data and to avoid duplication of effort.

2.464 LTAF has made commendable efforts to make its services known to BA. It is well known to Security Branch and has recently worked with BA's ADs 1, 2 and 3 to secure funding from BA for a closer working initiative. A bid for £217,000 was submitted and just over £180,000 was awarded subject to approval through BA's seals of approval route.

2.465 The initiative recognised that fraudsters pay no heed to geographical boundaries and sought to establish a joint BA and LTAF anti-fraud intelligence unit to:

- significantly improve communications between BA and LA fraud investigators
- act as a focal point for other government departments and organisations
- maintain a database of suspected or proven fraudulent claimants
- direct this available information to investigators across London.

2.466 The initiative has been effective in tracing LA overpayment absconders through DCI with 35% of referrals involving overpayments of over £939,316 being traced by August 2000. Details of 943 students fraudulently claiming HB or CTB have also been referred to BA. Work is also under way to target known and suspicious landlords and produce a compendium of contacts.

2.467 As BASIS and LTAF carry out similar or, in some cases, identical functions, it is crucial the 2 parties consult urgently to establish how they can best help each other to deliver the government's fraud strategy. This improved liaison should not be restricted to LTAF. BA must ensure its intelligence units make contact with similar bodies in the LA environment in order to share best practice, share intelligence and reduce duplication of effort.

2.468 The picture that emerges is of a number of expert domains for countering fraud. It is clear that these domains are not always recognised or used to maximum effect. BA could do more to make greater use of the services available by publicising their own more effectively to LAs and establishing what use they can make of the services offered by counter fraud organisations in the LA environment.

We recommend that BA ensures that BASIS forms and maintains a close relationship with London Team Against Fraud and other similar organisations in the LA environment to share best practice, share intelligence and reduce duplication of effort.

Scampion

2.469 Following a BFI recommendation in its report on the London Organised Fraud Intelligence Team, ministers commissioned an independent review of the arrangements for countering organised fraud across DSS. The resulting report by

John Scampion, published in January 2000, made a number of recommendations concerning joint working by BA and LAs.

2.470 Rather than ignore the fact that the organisation will look very different when the Scampion recommendations are implemented or, as we would have done, simply duplicate several of his recommendations, this section details those recommendations we fully agree should be implemented as soon as possible. We also briefly assess our findings against the 6 fundamental principles identified by Scampion.

2.471 We have studied the report and spoken to those responsible for implementing the recommendations relating to closer working. We believe these recommendations offer the best hope of providing BA fraud investigators with a clear vision of BA's aspirations for closer working. This in turn will allow them to jointly plan with their LA counterparts. The management arrangements proposed by Scampion will also ensure that plans are consistent with the long term vision and that they are properly monitored.

2.472 The report was guided by 6 *Fundamental Principles* which Scampion believed to be critical. He said:

An anti-fraud regime should encourage:

- *a full awareness of the need for the prevention, as well as the detection, of fraud*
- *cohesion between strategy and operation*
- *an imaginative and innovative use of intelligence*
- *a high degree of professionalism*
- *a financial regime which supports counter fraud work*
- *joint working between organisations involved in social security counter fraud work as a fundamental principle of an anti-fraud regime.*

2.473 Although Scampion was more concerned with the strategic approach to counter fraud work, the principles he outlined are just as valid when applied to BFIS operations. Here we consider our findings and recommendations in the light of those principles:

A full awareness of the need for the prevention, as well as detection, of fraud

- no joint awareness sessions
- no training for BA staff in HB or CTB or LA operational issues.

Cohesion between strategy and operations

- no joint strategic planning
- directive to pass overload without analysis or considering the impact
- replacing WBS with quality investigations has resulted in sanctions being just another target.

An imaginative and innovative use of intelligence

- no joint risk analysis
- poor sharing of information gathered during visits and investigations

Findings

- failure to liaise with other bodies such as NAFN.

A high degree of professionalism

- PINS
- few LA staff have undertaken the PINS programme
- recent evaluation did not consider whether the pass mark was high enough to sustain Scampion's vision of a highly professional body.

A financial regime which supports counter fraud work

- investigation work no longer ring-fenced
- funding of centrally funded initiatives not well controlled and tends not to encourage a long term change in working practices that lead to closer working as routine.

Joint working between organisations involved in social security counter fraud work

- BA and LA Liaison Action Plans
- no joint planning of visits
- perceived barriers
- no joint prosecution policy
- no joint publicity strategy.

2.474 Scampion's recommendations should address many of the weaknesses this inspection has identified, in particular the need to:

- set up new arrangements with LAs to target investigations properly
- make changes to the funding arrangements for LAs
- promote awareness and exchange of information
- evaluate and report on data matching
- develop compatible intelligence systems and data sharing programmes
- promote and supervise joint working initiatives.

2.475 Scampion found a lack of a clear direction concerning joint working between BA and LAs and a lack of commitment to joint working. Our inspection has found precisely the same situation.

2.476 He recommended the creation, from April 2001, of a Regional anti-fraud partnership comprising Joint Regional Boards and Operational Boards.

2.477 Scampton recommended that these partnerships should have responsibility for:

- *promoting awareness of all counter fraud issues and the exchange of information*
- *evaluating and reporting on data matching*
- *developing compatible intelligence systems and data sharing programmes*
- *promoting and supervising joint working initiatives.*

2.478 The terms of reference of the Regional Board will be to ensure that strategic issues in the DSS, BA and LAs, which affect joint working, are discussed at the appropriate time, leading to a robust, committed and workable strategy to best address programme loss across social security benefits.

2.479 Regional Boards will be responsible amongst other things for:

- the design, agreement and implementation of a data sharing protocol for use at an operational level within the Region
- discussion, definition and agreement of the high level strategy to be adopted when tackling benefit fraud, utilising available intelligence and risk profiles and analysis and feedback loops from Operational Boards
- identifying and setting the common success factors to be adopted across the Region, taking account of appropriate geographic and demographic factors
- providing a strategic steer for use at an operational level on matters of legislation, for example the implications of the European Union HRA
- the delivery of DSS, BA and LA accountabilities for joint working arrangements
- ensuring that quality investigations are conducted in all cases, rather than merely targeting high yield or quick win types of investigation
- determining the strategic approach to the delivery of investigative training
- providing a commitment to ensure adequate and equitable resources are made available to fraud managers to put into practice the objectives set
- providing assurance that actions taken on joint working are consistent with ministerial, local political, DSS, BA and LA priorities for other business
- the timely resolution of issues which cannot be resolved at Operational Board level or below
- effective management of joint working arrangements in accordance with the principles of the SLA encompassing the principles and work programmes in BA PPPs.

2.480 The terms of reference of the Operational Boards have been based on the following principle:

The basic objective in convening Operational Boards is to ensure that the strategic direction of joint working is effectively interpreted, leading to a joint approach to counter fraud activity, by developing and implementing a programme of activities which produce the outcomes required by the Regional Boards.

2.481 Operational Boards will be responsible for, amongst other things:

- the transition of strategy into practice
- determining the specific risks which are to be addressed during the next quarter, based on the strategic priorities set by the Regional Board
- undertaking development and planning for individual initiatives and fraud drives to be conducted in the coming period
- deciding who should have lead responsibility for individual exercises and allocating team leaders, co-ordinators, investigator resource and indoor staffing levels
- setting the key deliverables, anticipated outcomes, local prosecution arrangements and required results, in line with those stipulated by the Regional Board, for each exercise to be undertaken
- conducting an evaluation of the previous quarter's drives and initiatives considering the original scope of each exercise, the required outcomes and results, together with culture and publicity messages which may be capitalised on
- undertaking the monitoring of SLAs incorporating a formal quarterly review, agreeing any amendments or alterations which have become necessary and informing the Regional Board of these changes
- identifying and allocating available training packages to DSS, BA and LA investigators, ensuring compliance with the steer given by the Regional Board
- providing a platform for sharing best practices, implementing awareness workshops, facilitating an approach to more organised frauds and providing a support role to less experienced colleagues
- evaluating resources, determining whether investigative teams have sufficient staffing levels, overtime, surveillance expertise available to them and agreeing changes which may be required
- providing regular feedback to the Regional Boards to inform future strategic planning.

2.482 The existing BA FAM structure is to be used to determine the basis for Operational Boards. As the Operational Boards will, amongst other duties, provide a strong monitoring and evaluation mechanism as well as monitor SLAs, it would provide the ideal opportunity to alter the basis on which SLAs are produced.

2.483 We found monitoring of counter fraud SLAs to be very poor. This finding is not new and has been recorded by other bodies, including Scampion. We believe that the creation of Operational Boards can rectify this.

2.484 One of the responsibilities of the Board will be to monitor the counter fraud SLAs for its particular region. Our only concern is that the number of SLAs, approximately 55 for each region, may prove too onerous to allow the Board to carry out this function effectively.

We endorse the findings of the Scampion report relating to joint Regional and Operational Boards and recommend that from April 2001 counter fraud SLAs should be produced at Fraud Area Manager, rather than Fraud Sector, level. This will make monitoring by the Operational Boards more practical and will fit in with the structure of Operational Boards.

Putting it right – recommendations

We recommend that:

- BA undertakes a training needs analysis to develop training to increase BFIS and BIS staff's awareness of:
 - the content of the counter fraud SLA
 - HB and CTB
 - LA organisation, management structure and operational constraints.

Such training should be mandatory for all BFIS and BIS staff. (Paragraph 2.263)

- BA, in conjunction with LAs, undertakes a training needs analysis to develop an awareness package to be delivered to LA counter fraud staff to increase their knowledge of:
 - the structure and organisation of BA and DSS
 - benefits delivered by BA and by the local BA office. (Paragraph 2.263)
- BA undertakes a training needs analysis to identify the specialist training needs of the BFIS and BIS LOs and implements a training programme to deliver the training. Attendance should be mandatory for all current and future officers. The material should be revised annually to ensure its continued effectiveness. (Paragraph 2.267)
- BA gives greater emphasis to including local initiatives in counter fraud SLAs and national guidance and local SLAs should be revised when relevant changes occur. (Paragraph 2.273)
- BA urgently revises the FIG to ensure it provides the clearest possible advice and guidance to help staff establish what information can be shared with LAs. (Paragraph 2.290)
- BA urgently issues guidance to LAs giving a definitive statement of the status, funding and availability of PINS. It should also consider whether the rules governing PINS are flexible enough to recognise previous training to remove the need for LA investigators to repeat modules. BA needs to revisit the business case by asking LAs how many investigators now require training. (Paragraph 2.299)
- BA introduces incentives and performance measures which encourage a wider span of counter fraud activity to include closer working and joint operations with LA counter fraud staff. (Paragraph 2.320)
- BA reviews the overload procedures to ensure they are analysed and referred to LAs in accordance with the counter fraud SLA. (Paragraph 2.320)
- as a matter of urgency, BA properly monitors performance in the area of exchange of information with LAs through HBF forms to ensure that BFIS and BIS investigators comply with guidance laid down in the FIG and the requirements of the national model counter fraud SLA. (Paragraph 2.330)
- BA urgently issues instructions to BFIS and BIS staff regarding issuing QB64s and immediately puts in place mechanisms to monitor that a QB64 is sent in all appropriate cases. (Paragraph 2.358)

Putting it right – recommendations

We recommend that:

- BA, as a minimum, in conjunction with DSS, revises form QB64 to require the LA to give a reason if it wants any HB or CTB overpayment not to be included in a sanction inspired by BFIS. If this reason is not acceptable to BA, the HB or CTB overpayment should be included. BA should not and must not treat the lack of LA consent as a bar. (Paragraph 2.364)
- BA and LAs work together at local level to implement the national sanctions framework to ensure consistent and fair application of sanctions across all DSS benefits whether delivered by BA or LAs. (Paragraph 2.375)
- BA urgently reviews the centrally funded closer working initiative process and assesses how well it has positively contributed to reducing overall incorrectness and the stock of fraud. If it is decided to continue with the scheme, there must be a much more prescriptive approach adopted. (Paragraph 2.399)
- BA allocates responsibility for ensuring BFI recommendations are implemented to a single unit which should monitor and report progress against each recommendation. (Paragraph 2.407)
- the FILO plays a more prominent role in liaison with LA fraud investigation units. It is important this work complements that undertaken by the BFIS Liaison Officers. (Paragraph 2.444)
- BA ensures that BASIS forms and maintains a close relationship with London Team Against Fraud and other similar organisations in the LA environment to share best practice, share intelligence and reduce duplication of effort. (Paragraph 2.468)
- from April 2001 counter fraud SLAs should be produced at Fraud Area Manager, rather than Fraud Sector, level. This will make monitoring by the Operational Boards more practical and will fit in with the structure of Operational Boards. (Paragraph 2.484)

Making sure things work

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

Conclusions

2.486 Closer working with LAs does not have a high profile in BA. Although it features nominally in the *BA Business Plan 2000/01* through reference to ONE and the Better Government for Older People Programme, no specific aims, objectives or targets are included. There is a lack of clarity as to which senior

officer in BA is responsible for closer working, and there is a lack of a clear vision on which operational staff at local level can base their planning.

There is a lack of clarity as to which single senior officer in BA is responsible for closer working, and there is a lack of a clear vision on which operational staff at local level can base their planning.

2.487 The FoD reorganisation of DSS and BA is designed to improve service delivery. It brings with it an opportunity to ensure clear ownership of closer working between BA and LAs. At present ownership seems to rest with the POG, consisting of members of DSS, BA and the LA community. BA needs to be more directly accountable for delivery of closer working with LAs.

2.488 BA does not collect management information on closer working with LAs. There are no routinely published Agency-wide targets. The only real source of management information is that collected through SLAs but monitoring of these documents is poor. This is not helped by the inability to make monitoring mandatory for LAs as well as BA.

2.489 The introduction of Regional and Operational Boards following the Scampion recommendations should ensure that counter fraud SLAs are properly monitored in future. At present monitoring of counter fraud SLAs is virtually non-existent and performance in this area is far poorer than that for monitoring administrative SLAs.

There are no incentives for BA managers to work more closely with LAs and the current counter fraud performance measurement regime dictates against joint working as it concentrates on a narrow range of sanction cases.

2.490 There are no incentives for BA managers to work more closely with LAs and the current counter fraud performance measurement regime dictates against joint working as it concentrates on a narrow range of sanction cases. The fact that there is no incentive to jointly investigate cases has also been recognised by one of the BA's DoFOs and in a Security Branch report looking at closer working with the Immigration and Nationality Directorate.

2.491 Criticism of BA's performance in closer working with LAs has been made in several previous reports, most notably from PAC, AC and BFI. In some respects BA responded excellently to the criticisms, for example, in enhancing and making mandatory SLAs and the successful introduction of RATs. However, many of the weaknesses found in previous years still persist.

Even where improvements had been claimed, for example, in monitoring SLAs, the reality is that compliance is poor.

2.492 Centrally produced guidance on closer working with LAs is virtually non-existent. Efforts have been made by at least one AD to produce local guidance for managers. The FIG covers procedural issues but does not provide advice on joint working, joint planning, joint prosecutions or joint publicity.

2.493 There is no shortage of initiatives involving closer working with LAs. Many of these are locally inspired and as such may not fit with the strategic aims of DSS concerning closer working. Even those funded centrally are subject to minimal control. We welcome the introduction of the requirement for each to go through the DSS's gateway approval process. In practice we found that several had not, or were asked to do so at a late stage causing considerable frustration and delay.

Closer working objectives

2.494 The government has made clear in its *E-Government Strategic Framework* that:

...the public sector must embrace new ways of doing business, new alliances and new technology...People should not need to understand how government is organised, or to know which department or agency does what, or whether a function is exercised by central or local government.

2.495 It is clear that closer working between BA and LAs will be vitally important to achieve this aim. Specifically how BA will contribute to that aim is unclear. The *BA Business Plan 2000/01* states that:

In the long term, the Government will consider how local services can be improved, for example, by working in close partnership with local authorities and other organisations.

2.496 The plan makes little reference to how BA will take forward closer working with LAs in the short to medium term. The plan states that "existing closer working relationships will be extended with the following organisations" then lists 7 organisations including LAs. There are no specific actions, other than continuing the ONE pilot in the designated pilot areas and working closely with LAs in the Better Government for Older People Programme involving 8 prototypes.

2.497 Ten per cent of BA's estate is involved in ONE pilots. At the time of the on-site inspection the pilots were moving towards the evaluation stage. The purpose of the pilots is to ease administrative barriers and other partners. If successful they should make a major contribution to improving closer working.

2.498 The administrative SLA is owned by WAS and the counter fraud SLA by Security Branch both of which are, following the changes brought about by FoD, now part of DSS Headquarters. In any event both see their role primarily as simply developing the national model SLAs, issuing them and collecting certificates of performance at the end of the year. They play no part in setting strategies for the Agency.

2.499 Our discussions with staff at local and AD level have confirmed that they feel there is a lack of direction or vision concerning closer working between themselves and their respective LAs.

2.500 This leads us to conclude that closer working with LAs does not have a high profile within BA and there is no clear Agency-wide direction or vision from which local BA and BFIS units can develop closer working plans with their LA counterparts.

We recommend that BA communicates to operational staff a clear strategic direction for closer working with LAs.

Reorganisation of BA and DSS

2.501 At present, closer working between BA and LAs is controlled through a series of committees. POG replaced the BA and LA Co-ordination and Liaison Committee (BALACLIC) on 1 March 2000. POG is accountable to the HB Standing Committee. POG is chaired by the DSS Housing Benefit Management Branch Head and has 6 representatives from the Local Authority Association plus representatives from BA and DSS. One of the BA representatives is a DoFO and we commend the senior management commitment shown by BA in giving this role such a high profile.

2.502 The terms of reference of POG are to:

- develop arrangements for closer working on HB and CTB issues which will improve the speed, accuracy, security and efficiency of HB and CTB delivery
- monitor service delivery between the organisations, for example, functioning of SLAs
- ensure positive moves are made to share best practice
- commission further development of initiatives in support of the above.

2.503 A POG sub-group reports to POG and consists predominantly of BA liaison staff plus representatives from elsewhere in DSS.

2.504 The sub-group's terms of reference are to:

- provide a single BA field contact group for WAS Benefit Management, Security Branch, Project Support Group, DSS and BFI in relation to closer working initiatives between the BA and LA
- identify closer working initiatives, whether centrally or locally sponsored, being taken forward within BA operational areas by:
 - working with the central partners listed above to develop and maintain a register of closer working initiatives from operational areas and other sources such as BFI reports
 - identifying dependencies and similarities between initiatives, sharing information and promoting best practices within operational areas of BA ensuring that operational experience is passed on to relevant projects
- work with central partners to ensure BA operational areas' needs are identified when developing products such as SLAs and where possible that those needs are taken into account when products are developed.

2.505 BALACLIC was originally set up by BA as a result of criticisms from NAO and PAC. It consisted of representatives from BA, DSS and LAs. It was largely responsible for the introduction of SLAs throughout BA and the roll out of RATs. BALACLIC was chaired by a BA DoFO.

2.506 We were told that ownership of all operational aspects of closer working in BA rested with one of the DoFOs. This was not always appreciated by the BA staff we interviewed. The changes brought about by FoD and the publication of this report would seem to offer the ideal opportunity for this role to be given greater clarity, support and publicity. Ownership of all closer working issues needs to rest with a single senior manager in BA. This person would need to liaise closely with the WAS and Stewardship and Change Directorates of DSS. Ownership should cover administrative and counter fraud activities to ensure that there is no fragmentation of this liaison activity and to strengthen the links across both disciplines.

2.507 This manager will need to work closely with DSS and the LA community to develop policy that will deliver the government's objectives for closer working. The manager would then be accountable for ensuring the policy intentions are delivered by BA.

We recommend that, following the changes brought about by FoD and the publication of this report, the role of the single senior manager in BA with responsibility for all aspects of closer working is redefined and given greater publicity and support.

2.508 We have already recommended that BA administrative LO posts be retained at current levels. We believe the counter fraud LO issues can be addressed by a combination of FILOs providing additional support and the introduction of the Scampion recommendations concerning joint working on fraud.

Management information and monitoring

2.509 BA does not collect management information on closer working. This reflects the lack of closer working targets and is further evidence of the low profile in which closer working is held.

2.510 There is no systematic collection of data relating to HB fraud and error in the way that IS and JSA fraud is currently assessed. This situation will be addressed in April 2001 when the annual review of HB claims begins. We welcome this development which will provide BA and LAs with valuable management information on which to develop their counter fraud strategies.

2.511 During the inspection we were told that the different target regimes in BA and LAs concerning counter fraud activity were a barrier to closer working. We saw no clear evidence of this but recognise that BA and DSS are working closely with LAs to introduce a new HB and CTB anti-fraud incentive scheme for LAs from April 2001.

Administrative SLA

2.512 The main mechanism for measuring and monitoring performance on closer working on non-fraud issues is the administrative SLA. During the inspection we examined the content of the 1999/2000 and the 2000/01 national models and local administrative SLAs applicable to the 11 BA sites we visited, details of which are given at Appendix A, to determine the:

- quality of guidance
- level of compliance by BA offices

- standards
- accountability.

2.513 We also interviewed BA staff to gauge their level of awareness of the SLA and its components.

2.514 BA and LAs have had SLAs covering administration of benefits and counter fraud since 1992. In 1998 BA put in place revised arrangements following criticism from PAC.

2.515 The administrative SLA is a catalyst for working together effectively and cements formal, two-way liaison between the organisations where they have common business interests.

Quality of guidance

2.516 Guidance on the revised national model administrative SLA was issued to all IS and JSA managers in BA in the form of *Joint IS/JSA Bulletin 6/00* on 6 April 2000. It sets out the minimum service requirements and performance standards necessary to meet the requirements of the SLA and seeks to:

- set the framework for improving the quality of services
- secure the application of minimum agreed targets.

2.517 The guidance had been subject to liaison with BA and Local Authority Association representatives and largely reflected that issued in advance of production of the 1999/2000 SLAs. It identified a number of key areas where improvements were required. These improvements were said mainly to concern:

...the relevance and achievability of some of the targets particularly those which relate output to given timescales.

2.518 Another key change was the introduction of improved monitoring arrangements. Monitoring the SLA was made mandatory for BA and strongly recommended for LAs. The guidance was approved by the HB Standing Committee and contained options for monitoring based on operational experience in 1999/2000. BA made no additional funding available for monitoring the SLA.

2.519 BA offices have to provide evidence that the SLA is being complied with and responsibility for ensuring this rests with BA Area Directors who should collate information and report to their respective DoFO and WAS.

2.520 At the end of the financial year a statement of performance is required. This is signed by the BA and LA and must provide full details of the steps taken to achieve compliance with each element of the SLA. Where a requirement has not been met, full details of the reasons for this must also be supplied.

2.521 BA staff we spoke to were able to use the guidance as the basis for developing their SLA. However, we were told repeatedly by staff at local and AD level that the guidance was not sufficiently prescriptive. This was particularly true for monitoring arrangements where the lack of clear instructions has led to duplication of effort and confusion at local and AD level over what is required.

2.522 BA staff responsible for the guidance shared the concern of staff at local and AD level but we were told that the centre is often reluctant to be prescriptive

to operational areas. Our concern is that if clear, unambiguous instructions are not issued, there will be:

- duplication of work as each unit develops its own monitoring procedures
- no satisfactory assurance that activities such as monitoring of the SLA are being carried out
- no accurate measure of the levels of performance being delivered by the Agency as a whole, as each unit places its own interpretation on what is required.

We recommend that BA ensures that clear, unambiguous and more prescriptive guidance regarding content and monitoring requirements of the administrative SLA is issued.

Level of compliance

2.523 We checked if all BA sites we visited had an administrative SLA in place and studied the format. We also considered the national picture by reference to the BA centre.

2.524 All the BA offices included in the inspection programme had a 1999/2000 SLA and were, as a minimum, negotiating the detail of the 2000/01 document.

AD9 offices, which include Greater Manchester South East, one of the BA offices we visited, used a model SLA built around the 4 elements of the government's fraud strategy. It also included requirements arising from BFI recommendations.

2.525 Most simply followed the format as set out in the national model administrative SLA. AD9 offices, which include Greater Manchester South East, one of the offices we visited, used a model SLA built around the 4 elements of the government's fraud strategy. It also included requirements arising from BFI recommendations. The BA centre had approved this approach.

2.526 We commend this tailoring of the administrative SLA to meet local needs. We found no other evidence of BA offices making significant changes to the format or content of the national model. The guidance is clear that

it is permissible to tailor SLAs to local needs and, provided the national model SLA is recognised as a minimum standard, we think it is desirable.

2.527 We were told that nationally, at the end of March 2000, 562 administrative SLAs were in place although 8 were unsigned. This represents 98.1% of the 573 potential SLAs identified by BA.

2.528 Of the 11 BA offices visited, only 3 had undertaken formal monitoring of the 1999/2000 administrative SLA. Three LAs had still to sign the statement of performance and they admitted they had no means of knowing if standards had been met. The majority of offices were, with the lack of any clear central guidance, developing their own monitoring arrangements for 2000/01.

2.529 This inconsistent approach to monitoring significantly undermines the value of this end-of-year procedure, as the level of compliance with the requirements of the national model may be inaccurately reported. WAS shared our concern that there is currently no way of knowing if the statement of performance is correctly signed off as there are no checks to ensure its accuracy.

2.530 BA does not routinely collect management information on closer working with LA activities at Agency level. This may be because there are no BA-wide targets relating to closer working.

2.531 SLAs consist of many requirements. Monitoring the SLAs is mandatory although compliance is poor. Where SLAs are monitored, data is collected to record performance against standards but this is gathered only quarterly so is little more than a spot check at a given moment in time. Because the wording of some of the standards is open to interpretation, BA can have little confidence in the accuracy of any statistics collected. Nor can it collate individual BA office returns in order to provide data on BA wide performance.

We recommend that BA ensures that Agency-wide targets for closer working matters are set. These targets should be those included in current SLAs and should be those that are felt to be most crucial to the delivery of an efficient, co-ordinated service.

Standards

2.532 The national model administrative SLA contains the minimum standards that must be met. In some cases this minimum standard is achieving turnaround times in 100% of all cases. In others it is simply that an activity is carried out.

2.533 We studied the national model to consider the relevance and practicality of the standards. We also examined the SLAs from the 11 sites we visited and had meetings and interviews with staff from BA and the associated LAs.

2.534 Both BA and LA managers felt standards set at 100% compliance were unrealistic and devalued the SLA as they cannot be met. In 2 BA offices, management had agreed a variation on the target with the LA, but had not recorded this in the SLA.

2.535 BA tells us that some of the standards are governed by legislation but throughout the course of the inspection BA has been unable to provide a definitive statement of which ones they believe are mandatory.

2.536 The problem faced by BA in setting realistic targets is that as no meaningful measurement of performance against SLA standards is being made it has no historical evidence on which to base more realistic standards.

2.537 Some of the standards in the administrative SLA are so vague as to make them wide open to interpretation. For example:

BA must take initial action on 100% of all initial requests for deductions from IS or JSA cases in respect of HB or CTB overpayments.

2.538 There is no definition of what constitutes 'initial action'.

2.539 BA told us that it has produced no definitive statements, and leaves methodology and terminology for local agreement. Not only does this lack of a central steer leave the entire system open to manipulation, it also means that no meaningful comparisons can be made between offices, nor can accurate national statistics be gathered.

Signing up to an SLA that managers feel is totally unachievable or agreeing to reduced aims but not incorporating them in the SLA is symptomatic of the low profile given to SLAs by BA.

2.540 Signing up to an SLA that managers feel is totally unachievable, or agreeing to reduced aims but not incorporating them in the SLA, is symptomatic of the low profile given to SLAs by BA.

2.541 BA will be unable to set realistic standards until it:

- finally establishes which standards are required by legislation
- assesses present levels of performance through accurate monitoring

- provides precise definitions surrounding, for example, the start and end dates for clearance times.

We recommend that BA urgently establishes which of the administrative SLA standards are required by legislation and undertakes an exercise to establish current levels of performance to ensure that 2001/02 standards are realistic and based on accurate historical performance data.

We recommend that BA ensures that precise direction and definitions are developed to ensure consistency of approach to measuring performance against the SLA standards.

Accountability

2.542 The national model administrative SLA recommends that standards in the SLA are reflected in annual reports, business plans and other locally agreed targets. We found little evidence of this although in 2 BA offices, Northumberland and Greater Manchester South East, the contents had been included in unit plans. Most BA offices regarded the SLA as a stand-alone document.

2.543 LA managers told us they felt there was little accountability within BA for delivering the standards of performance set out in the administrative SLA. This is confirmed by the lack of monitoring we found, the lack of key work objectives and rewards for achievement or penalties for failure relating to delivery of the standards in the SLA.

2.544 Some LA managers said that they have signed the 1999/2000 end-of-year certificate statement of performance without having any confidence in the process or that BA would be in a position to make good the shortfalls in performance identified in the previous 12 months. It is surprising that they agreed to sign the end-of-year certificate and chose not to formally escalate their concerns.

2.545 The SLA sets out the steps to be taken by parties to resolve areas of disagreement. We found no examples of issues being formally escalated to a senior level within BA or LA. In practice, partly due to the lack of monitoring, BA tends to respond to complaints by the LA, for example, no date stamping of NHB1 or delays in passing on information, rather than anticipating problems.

2.546 In most instances LAs reported that issues are resolved quickly between the respective LOs on a daily basis or at formal meetings.

We recommend that to increase the profile and credibility of the administrative SLA as well as to increase the effectiveness of closer working with LAs, achieving all aspects of the SLA is made a mandatory part of all BA District business plans and key work objectives of District Managers or Operations Directors.

Monitoring the administrative SLA

2.547 Reports from PAC and AC have called for improvements in the administration of HB and CTB. To facilitate those improvements, and in partnership with representatives from the Local Authorities Association, BA developed the national model SLA. On 26 March 1998, PAC stated it liked SLAs but:

consider it extremely unsatisfactory that those agreements have not been monitored and enforced....It is essential that SLAs are updated and then made to work.

2.548 Partly in response to these concerns, monitoring the administrative SLA was made mandatory for BA and strongly recommended for LAs from April 2000. BA estimated that the resource required for monitoring the SLA amounted to one day per quarter. It remains unclear how this figure was reached. BA has not provided additional funding to local managers to undertake monitoring.

2.549 To assess the level and effectiveness of monitoring by BA we studied the national guidance, examined the SLAs from the 11 BA sites we visited and interviewed a number of BA and LA staff.

We conclude that the level of monitoring is inadequate and does not give the level of assurance BA and bodies scrutinising it would require.

2.550 We conclude that the level of monitoring is inadequate and does not give the level of assurance BA and bodies scrutinising it would require. We recognise the efforts BA has made to introduce monitoring but such monitoring that takes place is superficial, inconsistently adhered to and applied and nowhere near comprehensive enough.

2.551 Confirmation of compliance with SLAs and subsequent monitoring is required by Area Directors and DoFOs. At the time of the on-site inspection no central guidance had been issued and individual ADs were developing their own monitoring mechanisms. This is duplication of effort.

2.552 BA does not require that all aspects of the administrative SLA are monitored. This approach defeats the objective of ensuring the SLA is complied with. If something justifies inclusion in the SLA then it is reasonable that some form of monitoring and assurance should take place.

2.553 There are 23 requirements in the national model administrative SLA. Monitoring is only required in 5 (22%) of them and then only as a spot check once every quarter. None of the previous recommendations made by bodies such as PAC regarding monitoring have suggested that only a minimal number of components of the SLA should be monitored.

2.554 Examples of areas where monitoring is not required are notification of change of circumstances, issue of Extended Payment claim forms to customers, responding to councillor and MP enquiries and staff training.

Findings

2.555 We recognise the modest resource implications of more comprehensive monitoring but cannot accept that BA has sufficiently robust mechanisms to assure itself and others of compliance with the requirements of the administrative SLA unless all components are monitored.

2.556 Although we found real deficiencies in BA's monitoring of SLAs, we also found different levels of commitment to SLAs and monitoring across BA. Some managers had worked hard to develop monitoring mechanisms.

2.557 One BA manager did not monitor the SLA because he felt that there were no problems with liaison so there was little point in raising the profile of the SLA. Others blamed lack of resources or lack of clear guidance about what was required of them. The overlap of boundaries with some LAs is so small that some managers felt the cost of undertaking a monitoring exercise could not be justified.

2.558 We have sympathy with the latter point. BA offices and corresponding LAs rarely cover identical geographical areas. *Progress on measures to combat Housing Benefit fraud* published by NAO in April 1999 reported that the majority of LAs have SLAs with only one BA District but one had agreements with 6. Most BA offices have SLAs with 3 or more LAs but one has 13.

2.559 Alignment of boundaries is being pursued by the BA and ES Closer Working Programme in anticipation of the merger between the 2 agencies. This should ease the problem through implementation of plans to ensure BA and ES boundaries are aligned to those of Government Office Regions and with those of corresponding LAs. Savings would be possible as there should be fewer but more meaningful SLAs between BA, ES and LAs. Currently there are over 1,200 SLAs covering the 3 organisations.

2.560 However, the problem stems from BA's mechanical approach to SLAs. The only aspect measured by the BA centre is that an SLA is in place and a statement of performance signed at the year end. This culture is driving BA managers to agree an SLA where common sense dictates that one is not needed, for example when the overlap with an LA is only a few streets.

2.561 There is provision for local easements but these are either poorly communicated through the national model or not widely understood.

2.562 Manchester City Council, for example, has only one SLA which is with the largest BA office it liaises with, although it interacts with several others. We would like to see a similar, more common sense and streamlined approach to the development of SLAs in other areas.

2.563 Figure 2.19 gives details of our findings relating to the existence of 2000/01 SLAs and monitoring and sign-off arrangements for 1999/2000.

Fig. 2.19: Existence and monitoring of administrative SLA in 11 BA offices

	Yes	No
1999/2000 SLA certificates signed off by LA	8	3
SLA 2000/01 agreed	8	3
Effective and recorded monitoring carried out on 1999/2000 SLA	3	8

Source: BFI sample

2.564 Although monitoring of the 1999/2000 SLA was not mandatory, guidance stated that:

...effective monitoring arrangements need to be in place to ensure standards are achieved and management should actively seek to enforce compliance.

2.565 Figure 2.19 shows the level of monitoring of the 1999/2000 SLA and means that neither BA or LAs can have confidence that the requirements were being met, or be in a position to start remedial action.

2.566 Most offices we visited were still developing their monitoring arrangements for 2000/01. Where monitoring was beginning to take place it is being done with no clear central direction. This means that offices at local and AD level are duplicating effort in devising their own monitoring mechanisms and collecting data in different forms. BA will find it impossible to co-ordinate or collate local findings to provide assurance at national level.

2.567 Recording of the monitoring methods or results is not mandatory. Nor is there any central guidance on this. This means that BA has no formal or consistent record of the monitoring carried out or the results of such monitoring.

2.568 Our findings largely reflected those of previous BFI reports published in the period up to July 2000. Although many of the reports had been published before BA made monitoring mandatory, previous BFI inspections found that only 38% of BA offices had satisfactory monitoring arrangements.

2.569 About 50% of AD representatives told us that they have only a tick list to ensure an SLA exists for each BA office and its local LA. Most were unsure whether they should also be monitoring the counter fraud SLA and all were working on developing a more meaningful monitoring mechanism.

2.570 We found some evidence of performance being monitored because a particular weakness had been raised locally. Such weaknesses included:

- poor quality of clerical LA enquiries
- slow speed of transfer of information data and forms
- slow speed and delivery of Extended Payments forms
- not linking decision notices with NHB1 forms
- poor quality of information on overpayment recovery proforma
- no date stamping of NHB1
- slow speed with which telephone enquiries are answered
- lack of detail contained in written information to the LA.

2.571 We found no evidence that the results from the 1999/2000 monitoring programme had fed into training plans.

2.572 Some BA managers told us that they felt monitoring was not necessary as the LA was satisfied with performance. There is certainly evidence to suggest that BA and LA managers are content with performance and relations between the organisations. Before our inspection we asked BA local managers to assess the effectiveness of the current working relationship with each LA they shared an

administrative SLA with. This was on a scale of 1 to 5, 1 being poor and 5 excellent. None scored less than 3. The results are shown in Figure 2.20.

Fig. 2.20 : Rating of effectiveness of relations with LAs	
Score	Number of LAs
5	10
4	31
3	4
2	0

Source: BA offices' response to BFI questionnaire

2.573 Although we did not carry out an identical exercise with the LAs involved, our interviews with LA staff confirmed that most were at least satisfied by the service they get from their local BA office.

2.574 We find this surprising as our sampling and interviews showed that the standards in the SLA are consistently missed. However, because there is so little monitoring most managers will be unaware of the poor performance against standards.

2.575 In the spring of 2000, BFI issued a post-BFI inspection survey to all LAs that had been inspected. This asked if they had improved their monitoring of the administrative SLA since the BFI inspection. Of the 57 LAs that replied, 79% said they had done so and 60% had drawn up or revised their SLA as a result of the inspection. This provides further evidence that there is a need, as well as a willingness on the part of LAs, to improve the quality and monitoring of administrative SLAs.

2.576 One LA we visited told us that it enjoyed a very good relationship with its local BA office. It attributed this to:

- improved communications following the appointment of BA command liaison officers

- confidence that the BA office would respond positively to issues raised.

Another LA told us that as a result of direct communication between the local BA manager and the LA, liaison had improved significantly over the previous 12 months.

2.577 Another LA told us that as a result of direct communication between the local BA manager and the LA, liaison had improved significantly over the previous 12 months. The LA now had an appreciation of:

- the resource and information technology (IT) constraints which restricted BA's ability to take forward issues raised by the LA
- efforts made by BA to improve services to the community.

2.578 Another LA said that it had greater confidence in BA's ability to deliver the targets set out in the SLA. Relations were said to have greatly improved in the

previous 12 months and the environment was now right to develop this further through:

- closer working initiatives
- joint training on HB issues.

2.579 An integral part of the monitoring process is the end-of-year review. The completion of the end-of-year certificate provides a joint declaration confirming that the SLA has been reviewed and monitoring arrangements complied with. It should also show levels of achievement against each of the measurable targets.

2.580 We found that the end-of-year review had taken place in all the BA offices we visited. In 3 of the 11 BA offices the end-of-year certificate had yet to be formally signed off. However, due to a lack of adequate monitoring in 8 of the offices, no levels of performance against the measurable targets were held. This also meant it was impossible to develop action plans to address weaknesses.

2.581 The end-of-year review was treated as a mechanical exercise and carried out without sufficient management information. Certificates were signed stating that monitoring arrangements had been complied with and targets achieved without any supporting evidence. BA makes no checks to ensure certificates are completed accurately.

2.582 The end-of-year review process is intended to improve performance and rectify failings. BA and LA representatives are expected to review performance, discuss and evaluate reasons for failure to meet requirements then jointly agree an action plan to improve performance.

2.583 Because monitoring is not routinely carried out, levels of performance are not known and action plans to bring about desired improvements can either not be completed or can have only very limited value.

We recommend that BA ensures that processes are put in place to achieve monitoring of all component parts of the administrative SLA in a comprehensive and consistent manner allowing assurance to be provided at local and national levels.

Counter fraud SLA

2.584 SLAs between BA and LAs covering anti-fraud work were introduced in 1992. From July 1998 all BA BFIS sectors were required to negotiate an SLA with each of their adjacent LAs. Before that the adoption of SLAs was discretionary.

2.585 The counter fraud SLA is the key document in detailing and managing closer working between BFIS and LAs. It is crucial because it:

- reduces the scope for external and internal fraud as fraudsters can exploit gaps in the way each organisation works
- reduces duplication of work as each organisation understands the impact on the other
- improves exchange of information
- helps ensure sanctions are applied consistently
- detects more fraud as intelligence is shared
- prevents each other's investigations being compromised

- helps ensure the quality of investigation is consistent across the 2 organisations.

Quality of guidance

2.586 Security Branch developed and distributed standard formats for the SLA to be used as the basis for local negotiation. The latest versions were issued in May 2000 for use in 2000/01. We examined that guidance to assess its effectiveness.

2.587 The national model counter fraud SLA covers the following activities:

- liaison
- publicity
- overload
- exchange visits
- joint exercises
- awareness training
- monitoring.

2.588 It sets out the minimum service requirements and performance standards. Activities are mandatory for BFIS (BIS in Scotland).

2.589 The guidance had been subject to liaison with BFIS staff.

2.590 BFIS staff we interviewed said they had no problems with constructing their SLA based on the guidance provided by Security Branch.

Level of compliance

2.591 Security Branch told us that BFIS has SLAs with counterparts in 95% of LAs. This equates to approximately 500 SLAs in total and compares with 562 (98.1%) administrative SLAs. All sectors visited during our inspection had SLAs with all relevant LAs.

2.592 Although the SLA template is intended to set minimum performance standards, sectors are allowed to modify the agreement to meet local needs or conditions. We found that in 9 of the 11 BA sites visited, the template had been adopted without adjustment.

2.593 We tested compliance with the counter fraud SLA by:

- interviews and workshops with BFIS FSMs, counter fraud LOs, BFIS investigators and LA counter fraud staff
- sampling
- reviewing minutes of joint meetings and other correspondence
- interviews with Security Branch staff.

Monitoring the counter fraud SLA

2.594 The SLA templates issued in November 1999 and May 2000 specified items within the counter fraud SLA that must be monitored and indicated how the monitoring should take place. The November 1999 template was a revised version which attempted to address concerns expressed by PAC, AC and BFI regarding the standard of monitoring of the SLA.

2.595 The guidance stated that a full annual review of the counter fraud SLA should be held at the end of March with a revised agreement signed and issued in April. An end-of-year certificate of performance was required to be completed at the time of the review and returned to Security Branch.

2.596 Where performance is less than required, a joint action plan must be produced to show how and when weaknesses are to be addressed. The action plan must form part of the end-of-year certificate.

2.597 Any service and performance requirements that have not been met must be noted in a statement of performance.

2.598 Performance against each of the standards in the SLA should be monitored and reviewed quarterly or monthly.

2.599 Our examination of the 11 BFIS and LA SLAs, and interviews and workshops with staff, revealed that none of the sites we visited followed that guidance.

2.600 Two-thirds of previous BFI reports have recommended that BFIS monitors the counter fraud SLA more effectively. We found widespread non-compliance with this recommendation.

2.601 In contrast, LAs have responded positively to BFI recommendations. Out of 57 LAs responding to a BFI questionnaire, 70% said they had improved the monitoring of their SLA with their BFIS Sectors as a result of an inspection.

2.602 All counter fraud LOs were interviewed. Everyone said they used the liaison meeting with the LA as the vehicle for monitoring performance. Assessment of performance was based on anecdotal evidence reported at the meetings rather than on sampling as required by the SLA.

2.603 Quarterly meetings between BFIS and the LA are a requirement of the SLA. Out of the 11 sites we visited we found 4 had not held a liaison meeting for 9 months or more.

2.604 We found no evidence that performance was monitored by FAM support. Nor did we find that performance was reported to the FAM regularly. We found that the certificate of performance for 1999/2000 had been, or was about to be, signed in respect of all SLAs from the BFIS sites we visited. This represented the only SLA performance report submitted to the FAM.

2.605 Nationally only 50% of certificates of performance for 1999/2000 counter fraud SLAs had been returned to the BA centre as at July 2000. Of even more concern is the fact that only just over 50% of the 1998/99 certificates of performance had been returned. This suggests that BA does not regard completion of the forms as important and means that it has no national view or assurance regarding performance against the counter fraud SLA.

2.606 All 11 BFIS sites we visited had an SLA in place for 1999/2000 and, as a minimum, were in the process of finalising the SLA for 2000/01 and signing off the 1999/2000 certificate of performance.

2.607 With one exception, all certificates we examined from the BFIS sites visited stated that the requirements of the SLA had been met. However, as no formal monitoring was in place at any of the sites, there is no evidence to support this.

2.608 This leads us to conclude that BFIS sites are reporting and Security Branch (Joint Working Unit since 20 November 2000) is receiving, inaccurate reports of the level of performance being delivered by BFIS. As no detailed evidence is gathered at fraud sector level, BA cannot accurately assess whether the quantifiable targets in the SLAs are being met.

2.609 The number of signed SLAs is reported to Security Branch who also collect completed certificates. A report is produced that indicates:

- the potential number of SLAs that could be signed by an AD
- the actual number of SLAs that have been signed by the AD
- the number of completed certificates signed by the AD
- a summary of areas of poor performance.

2.610 The report is copied to the DoFO and senior management in Security Branch.

We recommend that BA urgently ensures counter fraud SLAs are monitored properly, that the data gathered is consistent and accurately regulated.

Accountability for the SLA

2.611 The counter fraud LO reports direct to the FSM, who reports to the FAM who reports to the Area Director.

2.612 The appointment of a counter fraud LO with delegated responsibility to deal with LAs is the most practical way of managing the counter fraud SLA. The active involvement and support of the LO's line managers can only enhance the role.

2.613 We found that all SLAs had been signed by the FSM. Similarly, the FSM had signed, or was preparing to sign, the end-of-year certificate of performance.

2.614 With the exception of organisational or resource issues, all FSMs delegated responsibility for liaison and negotiation to the LO. All LOs said that they had the support of their FSM who encouraged them to take issues forward themselves and to report back the action they had taken.

2.615 Half the BA LOs interviewed told us that their FSM regularly attended the quarterly review meetings with them. The other half said the FSM did not.

2.616 Beyond assuring themselves that SLAs were in place and that certificates of performance had been completed, we found no evidence of FAM involvement in SLA issues beyond receiving the end-of-year returns and confirmation that an SLA was in place.

2.617 We conclude that the lack of attention paid to the counter fraud SLA and the failure to monitor performance can only be compounded by the lack of any real accountability for the delivery of the requirements of the SLA.

We recommend that to show commitment to the counter fraud SLA process BA ensures that achieving the standards set out in the SLA is a key work objective for each Area Director, FAM and FSM and that all other BFIS and BIS staff have relevant key work objectives relating to their role in delivering the SLA.

2.618 We commented earlier on the failure to closely control and monitor centrally funded closer working initiatives funded from the Programme Protection Fund. This shows a failure on the part of BA to provide clear direction and requirements to operational areas. The consequences have been:

- duplication of effort, with ADs having to develop their own monitoring mechanisms
- lack of co-ordination of initiatives
- resources being underspent
- successful initiatives not being rolled out nationally or publicised effectively.

2.619 We found further evidence of this lack of basic management information and duplication of effort on the part of BFIS sectors when we tried to extract a sample of sanction cases for the national sample detailed in the *Putting it right* section of this report. Only 3 FAMs had all the information we required relating to details of fraud files that had resulted in a sanction, but this was because they had taken a local decision that this information was important to the organisation. Other FAMs, as well as the BA centre, could not readily provide the data.

2.620 The consistent failure to provide a clear central steer regarding management information to be recorded and monitoring to be applied is said by those in the BA centre to be a cultural issue. We were told that, traditionally, operational managers have had a great deal of autonomy. However, our discussions with operational managers revealed a strong desire for greater direction on matters such as the monitoring of closer working initiatives.

Case management

2.621 The case management package FIBS is presently the only computerised support used by BFIS investigators across the organisation. BA told us that several individual enhancements had been developed to overcome perceived deficiencies in the system.

2.622 FIBS was not designed, nor has the capability, to provide data which would help BFIS and LA fraud managers co-ordinate counter fraud planning. Similarly, FIBS cannot help managers monitor progress made against planned activity.

2.623 Since the on-site inspection BA told us that Operational Intelligence Units will be in place in each AD by April 2001. These units will collect and collate intelligence to supply the NIU with information to enable enhanced fraud planning and risk management to take place. However, there is still a need for a fraud case management system that allows collection, analysis and exchange of information between BA and LAs.

We recommend that BA seeks the urgent introduction of a comprehensive fraud case management system to improve management information relating to closer working.

Planning

2.624 BA has a sophisticated planning system. The annual Business Plan outlines BA's aims and objectives and each AD and local office produces an annual business plan detailing how it will contribute to these.

Greater Manchester South East's business plan includes an objective to work closely with LAs to ensure adherence to SLA standards by undertaking quarterly reviews and baselining customer satisfaction levels. It also includes an objective of working closely with LAs to prevent and detect fraud.

2.625 Closer working with LAs has a low profile in BA's *Business Plan 2000/01* and this is reflected in local plans. There are however, pleasing exceptions. BA Greater Manchester South East's business plan includes an objective to work closely with LAs to ensure adherence to SLA standards by undertaking quarterly reviews and baselining customer satisfaction levels. It also includes an objective of working closely with LAs to prevent and detect fraud.

2.626 BA had a Public Service Agreement outcome target to reduce benefit losses from fraud and error in IS and JSA by 30% by March 2007, with at least a 10% reduction by March 2002. This was amended in July 2000 to reduce losses from fraud and error in IS and JSA by 50% by March 2006, with a 25% reduction by March

2004. There is no equivalent target to reduce losses from fraud and errors in HB or CTB.

2.627 Each AD produces a PPP. A mandatory requirement of the plan is an entry relating to closer working. There is also a requirement to produce a closer working plan. This is to be commended but having scrutinised 9 AD PPPs we were disappointed at the absence of BA and LA action plans which would inform the PPP. We were also disappointed that none of the plans included quantifiable outcomes against which progress could be measured.

2.628 Security Branch provides a mentor to each AD to assist in the production of the PPP. We were told that, in addition to this, there was also a closer working mentor to deal specifically with closer working issues. A draft of the plan is submitted to Security Branch then circulated to stakeholders for comment. As the DoFO is ultimately responsible for endorsing the plan they can accept or reject any comments from stakeholders.

2.629 Monitoring of the plans by Security Branch is minimal. A team from Security Branch visits each AD once a year to confirm progress. At the end of the year Security Branch collects a very simple evaluation from each AD that comments on progress against the plan.

2.630 The only monitoring of the closer working plan is through a monthly exception report. We were told that no AD had yet reported an exception.

2.631 Each PPP must be supported by a BA and LA Liaison Action Plan. This plan must:

- demonstrate how the AD is working with LAs to protect programme expenditure and specifically how this satisfies the Fraud Strategy Action Plan
- state with which LAs it is working and in which locations
- provide details of how it has used the funding for BA and LA liaison
- demonstrate how it fulfils the requirements of the counter fraud SLAs
- provide Security Branch with monthly updates of progress against action plan
- implement recommendations arising out of BFI inspections wherever possible.

2.632 We asked each of the 8 ADs covering the 11 BA offices we visited, for a copy of their PPP and BA and LA Liaison Action Plan. All were able to provide a PPP but only one sent the Liaison Action Plan. Another AD provided a list of initiatives, another admitted it did not have a Liaison Action Plan. In 2 cases Security Branch had asked for a Liaison Action Plan on 3 separate occasions and appears to have given up on further requests. Following the on-site inspection BA told us that a BA and LA Liaison Action Plan had not been required for 2000/01 but as can be seen from the confusion we found, this seems not to have been effectively communicated.

2.633 None of the 8 PPPs complied fully with the requirements detailed above.

2.634 The PPP is broken down into the 4 strands of the government's fraud strategy but closer working appears only under *keeping it right*. We believe closer working is relevant to *getting it right, keeping it right, putting it right* and *making sure things work*.

2.635 Omission of closer working from, for example, *putting it right*, suggests that BA sees no role for joint investigations with LA counter fraud staff.

2.636 The instructions are supported by a clear and simple template. However, we are concerned that closer working has a very low profile within them.

2.637 There are 9 PPIs relating to IS and JSA. None relate to HB or CTB.

2.638 We were also concerned at the lack of measurable objectives relating to closer working in the AD PPPs. One example is the planned outcome of:

...the closer working initiatives that have been approved demonstrate that the sharing of information and best practice with LAs is vital to bringing a consistent approach to tackling fraud and error.

2.639 There is no indication of how progress toward achieving this vague outcome will be monitored. Monitoring is a requirement of the PPP. Nor does it indicate the number of interventions, sanctions or other outcomes that may result.

2.640 We also found that the majority of AD PPPs did not include full coverage of the closer working minimum requirements. In all we found only one AD that appeared to comply with all the minimum requirements set by Security Branch.

2.641 We conclude that adherence to PPP instructions is poor and monitoring is weak.

2.642 As well as a PPP, each AD produces a business plan. One produced an Area-wide plan that encompassed BFIS. In other ADs, BFIS produced a separate plan. Our examination of the plans revealed

that all contained proposed closer working activity. However, many of the objectives lacked definition, in particular a clear statement of what was to be achieved, to what standard and to what time-scale. The following objectives, chosen at random, illustrate the point:

- *"maximise opportunities to reduce fraud and error"*
- *"continue to work closely with other agencies and partners to detect fraud and abuse".*

We conclude that adherence to PPP instructions is poor and monitoring is weak.

2.643 The lack of clear objectives means:

- staff at all levels cannot be certain of what is to be achieved
- key work objectives cannot easily reflect Area objectives
- there is no standard or time-scale against which to measure progress.

2.644 In total it would appear that 7 planning documents are produced at AD or BFIS level covering counter fraud activity. These are:

- AD PPP
- closer working action plan
- BA and LA Liaison Action Plan
- AD business plan
- FAM business plan
- Fraud Strategy Action Plan
- counter fraud SLA.

2.645 This is planning overload. The system is complex, resource intensive and is discredited through a lack of compliance or monitoring. Following the on-site inspection, BA told us that, following FoD, a specification team is reassessing the requirement for planning and incentives by building on the experience gained through programme protection, to assist BA and DSS to meet the required reduction in the level of fraud and abuse.

We recommend that BA develops and implements a meaningful monitoring mechanism to ensure that its planning regime is complied with at all levels of the organisation.

BA's response to reports on closer working

2.646 BA, especially in relation to its interface with LAs, is open to close scrutiny by a number of bodies including BFI. We examined several reports relating to closer working or associated issues, these included:

- PAC report – *Measures to combat HB fraud* – 24 November 1997
- NAO – *Progress on Measures to combat HB fraud* – April 1999
- AC – *Review of fraud and related liaison arrangements between the BA and LAs.*

2.647 PAC concluded that:

Close liaison between the Benefits Agency and local authorities is essential if Housing Benefit fraud is to be tackled effectively. Service level agreements between the Benefits Agency and local authorities are in principle a good idea but we consider it extremely unsatisfactory that those agreements have not been monitored and enforced. If the current arrangements for administering Housing Benefit are to continue, it is essential that the service level agreements are updated and then made to work.

2.648 In response to the criticism regarding monitoring of SLAs the Chief Executive of BA gave DoFOs personal responsibility for the BA's commitment to

and compliance with the SLAs between BA and LAs. Revised SLAs were put in place in November 1998 and included:

- mandatory appointment of LOs in BA
- mandatory liaison meetings
- mandatory and improved adjudication targets
- clearer procedures for escalating disagreements.

2.649 Compliance, it was said, would be monitored throughout the year, but we found widespread failure to monitor and enforce SLAs.

2.650 PAC also called for improvements in electronic exchange of data and a wider roll out of RATs. Elsewhere in this report we commend BA for the part it played in these 2 activities.

2.651 NAO's report *Progress on measures to combat Housing Benefit fraud* published in April 1999 stated that BA had put in place a certification process where BA and LAs meet annually to review performance and record whether the SLA was met, listing any exceptions. Both parties would then agree on what improvements to include in targets for the following year. BA would record the results of the review and follow up cases where the SLA standards were not met.

2.652 The report went on to say that BA would link the results of the SLA standards to the annual performance review of their staff.

2.653 BA introduced enhanced SLAs in November 1998 and has developed the process to monitor. We found little evidence of compliance with the monitoring guidance. Nor did we see any evidence of SLA standards forming part of the annual review process of individual staff.

2.654 We found that SLAs were held on all sites we visited during the inspection but found little evidence of monitoring taking place or being planned.

2.655 AC's report *Review of fraud and related liaison arrangements between the BA and LAs* found poor awareness of SLAs and an almost total lack of monitoring. Exchange visits were rarely carried out and there was no joint counter fraud planning. These weaknesses were found still to exist during our inspection.

2.656 AC further recommended that both BA and LAs monitor SLAs with some form of penalty for non-performance. However, SLAs are not routinely being monitored and we have come across no evidence that failure to meet standards in SLAs has been penalised or success rewarded. Indeed there is a lack of data to show whether or not standards are being met.

2.657 Other key findings from the AC report included:

- liaison often limited at senior level
- joint fraud exercises limited in number and often perceived as not very effective
- no joint strategic or operational planning on counter fraud activities
- failure of both parties to share general fraud intelligence
- SLA3 forms confusing and ineffective

Findings

- many LAs having problems with the availability of BA and other fraud training courses
- grievance procedures not generally used
- SLA targets not being met.

2.658 Again the weaknesses above were found to still exist during the course of our inspection.

2.659 The AC report also recorded that of BA staff questioned:

- 62% agreed that liaison with LAs had been hindered by the failure to effectively monitor SLA targets and provisions
- 66% said that efforts to combat fraud would benefit from joint strategic and operational planning between BFIS and LAs
- 74% said that efforts to combat fraud would benefit from an increase in joint fraud exercises between BFIS and LAs.

2.660 In some areas BA has responded very positively and successfully to comments and recommendations. These include setting up BALACLC, introducing SLAs, rolling out RATS and later ETD. However, there are areas where its actions have failed to fully resolve the problem, for example introducing enhanced SLAs without the mechanism to ensure and measure compliance.

2.661 BFI examines the interface between BA and LA during each LA inspection. A copy of the BFI report is sent to Security Branch, the relevant AD and local BA manager. The BFI report provides details of any weaknesses in liaison activity with recommendations for improvement.

2.662 Security Branch forms the liaison point for BA with BFI. This arrangement is currently being reviewed as Security Branch has, since April 2000, been part of DSS.

2.663 Security Branch maintained a database of BFI recommendations relating to BA activity whether administrative or counter fraud. A list of common recommendations was issued to BFIS fraud managers on 7 April 1999 as *FML17/99*. An equivalent circular was issued to administrative staff at around the same time. The FML said that BA Security:

...had a monitoring role in ensuring BFI recommendations are carefully considered and, where practical, implemented.

2.664 The FML went on to say:

We will be contacting Districts and BFIS involved in the first inspections to check what progress has been made.

2.665 Since then no action has been taken and no further communications been issued. Security Branch claims that responsibility for responses to BFI reports was handed to DoFOs but has not been able to provide any evidence showing when this was done.

2.666 Implementation of BFI recommendations was a minimum requirement of PPPs in 1999/2000 and 2000/01 but Security Branch does not monitor compliance.

2.667 Again we found pockets where local initiative had led to the close analysis of BFI recommendations with a view to improving performance. This was notable in AD9 Greater Manchester which had tailored its administrative SLAs to take BFI findings into account. AD9 also held discussions with offices about to be visited by BFI and produced guidance addressing identified weaknesses.

Guidance

2.668 Clear guidance is essential if staff are to deliver what is required of them. We found no guidance relating to how to work more closely with LAs.

2.669 AD10 (Yorkshire) had developed an *Active Modern Service Framework Guidance for Managers*. This has not been updated since its issue in 1998 nor developed by BA into something covering the whole of the organisation.

2.670 The guidance contains detail of initiatives that can be undertaken on the BA business unit's authority, concentrating on aspects relating to signing and improving SLA arrangements with local LAs. It also states that a *National Framework of Guidance for Managers on Closer Working between BA and LAs* would be published by the BA's Modern Service Team in the near future. Two years on we have not been able to trace any such guidance.

2.671 The FIG contains no entries relating to how a fraud investigator should approach closer working. Where it covers procedural issues around closer working, for example, the issue of QB64s or HBF1s, it is widely ignored by BFIS staff.

2.672 We were also told that guidance on identical subjects is often issued at different times to LA and BA staff. The prime example quoted was where BA staff received guidance on HRA and LA staff did not. We found that this was an exception and it was rare for BA to receive circulars and guidance before LAs. One of the reasons for this is that HBM can issue circulars electronically to LAs but not to BA.

2.673 If BA is to improve closer working with LAs it needs to produce guidance and instructions that can be understood and complied with by all staff.

We recommend that BA ensures that guidance and instructions relating to closer working is reviewed and produced where none currently exists, detailing for example, what is meant by closer working and what is expected of each staff member. Where guidance does exist, for example, on issue of forms to LAs, BA must ensure that this is understood by and complied with by all staff.

Information Technology

2.674 We were frequently told by staff in BA and LAs that inadequate IT was a barrier to closer working. This was because the various IT systems did not interact, making duplication of effort and failure to update records a real risk.

2.675 PAC recognised the need for BA to make greater use of IT to increase co-operation between BA and LAs. BA has had notable successes in ensuring the widespread use of RATs and the roll out of ETD. In the longer term DSS is seeking to link LA HB and CTB computer systems to the DSS's future generation of computer systems.

2.676 The *Spending Review White Paper* of 18 July 2000 announced that the delivery of social security services would be improved through investment of £404 million, £786 million and £680 million over the next 3 years to:

- create the infrastructure to deliver a new service to those of working age so staff can focus more on helping claimants find work, not simply processing benefits
- overhaul the service to pensioners so that pensioners no longer need to visit benefit offices but can make their claims over the telephone, making it easier for them to claim the Minimum Income Guarantee
- protect the system against fraud and error.

2.677 BA is currently delivering these improvements through the WAS Modernisation Project. This will introduce new, more effective processes for gathering information from customers who are claiming or who are in receipt of IS, JSA, IB and associated HB or CTB. This is to be implemented from late 2001 and will provide the facility for HB and CTB information to be collected, extracted and referred automatically to LAs.

2.678 The Spending Review also announced that Electronic Claim Forms (ECFs) are to be developed to reduce the number of forms claimants need to complete and enabling the roll out of ONE.

2.679 BA told us that there are an estimated 14 ECFs in existence across DSS. We found that 5 of these involved HB and CTB. These have been developed in isolation and concentrate on the requirements of a limited range of specific business areas. No standard procedures exist for ECFs and there is no co-ordination between BA and LAs about the various forms that have been developed.

2.680 BA undertook an ECF Review in March 2000. The review concluded that:

- to ensure that ECF designs capture accurate information, business data standards need to be developed, maintained and assigned clear ownership
- there must be close links between the teams developing business processes and ECFs and the body set up as a result of the DSS review of Electronic Government
- Security Branch needs to work closely with teams developing ECFs. By building in Security Branch requirements and expertise the opportunities within the process for security and the integrity of data held on the system will be improved.

2.681 We fully endorse these conclusions. In addition BA must continue to work towards the standardisation of sharing of data between itself and LAs through the downloading and automatic updating of its IT legacy systems. This is planned to begin at the end of 2001 with full roll out across all BA offices by the middle of 2003.

We recommend that BA continues to work towards automatic sharing of data with LAs through IT legacy systems as soon as is possible.

Making sure things work – recommendations

We recommend that:

- BA communicates to operational staff a clear strategic direction for closer working with LAs. (Paragraph 2.500)
- the role of the single senior manager in BA with responsibility for all aspects of closer working with LAs is redefined and given greater publicity and support. (Paragraph 2.507)
- BA ensures that clear, unambiguous and more prescriptive guidance regarding content and monitoring requirements of the administrative SLA is issued. (Paragraph 2.522)
- BA ensures that Agency-wide targets for closer working matters are set. These targets should be those included in current SLAs and should be those that are felt to be most crucial to the delivery of an efficient, co-ordinated service. (Paragraph 2.531)
- BA urgently establishes which of the administrative SLA standards are required by legislation and undertakes an exercise to establish current levels of performance to ensure that 2001/02 standards are realistic and based on accurate historical performance data. (Paragraph 2.541)
- BA ensures that precise direction and definitions are developed to ensure consistency of approach to measuring performance against the SLA standards. (Paragraph 2.541)
- achieving all aspects of the SLA is made a mandatory part of all BA District business plans and key work objectives of District Managers or Operations Directors. (Paragraph 2.546)
- BA ensures that processes are put in place to achieve monitoring of all component parts of the administrative SLA in a comprehensive and consistent manner allowing assurance to be provided at local and national levels. (Paragraph 2.583)
- BA urgently ensures counter fraud SLAs are monitored properly, that the data gathered is consistent and accurately regulated. (Paragraph 2.610)
- BA ensures that achieving the standards set out in the SLA is a key work objective for each Area Director, FAM and FSM and that all other BFIS and BIS staff have relevant key work objectives relating to their role in delivering the SLA. (Paragraph 2.617)
- BA seeks the urgent introduction of a comprehensive fraud case management system to improve management information relating to closer working. (Paragraph 2.623)
- BA develops and implements a meaningful monitoring mechanism to ensure that its planning regime is complied with at all levels of the organisation. (Paragraph 2.645)
- BA ensures guidance and instructions relating to closer working is reviewed and produced where none currently exists, detailing for example, what is meant by closer working and what is expected of each staff member. Where guidance does exist, for example, on issue of forms to LAs, BA must ensure that this is understood by and complied with by all staff. (Paragraph 2.673)
- BA continues to work towards automatic sharing of data with LAs through IT legacy systems as soon as is possible. (Paragraph 2.681)

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Appendix A: Methodology

Introduction

In this appendix we summarise the methodology used by BFI.

BFI analyses processes to identify both best practices and areas where BA could work more effectively. The 2 main areas that are considered during the inspection are:

- benefit administration
- counter fraud work.

The inspection process is divided into 3 stages:

- set-up
- inspection
- reporting.

Set-up

BFI developed outline proposals for the inspection. At this stage, provisional dates were agreed for the:

- capture of data via questionnaires
- on-site inspection
- presentation of emerging findings
- drafting and clearance of report.

Inspection

The inspection process began with the analysis of questionnaires received from the 11 BA and BFIS sites to be inspected.

On site

The BA offices and associated LAs we visited are shown in Figure A.1.

Fig. A.1: BA offices visited and their associated LAs

BA district	BA office visited	LA visited
Cornwall	Truro	Carrick
Northumberland	North Shields	North Tyneside
Forth Valley	Falkirk	Falkirk
North Wales	Wrexham	Wrexham
Gtr. Manchester South East	Hyde	Tameside
South East Yorkshire	Doncaster	Doncaster
Durham	Durham	Durham
West Sussex	Worthing	Worthing
Makerfield	Makerfield	Kensington and Chelsea
Liverpool North	Liverpool Breckfield	Liverpool
Birmingham Chamberlain	Edgbaston	Birmingham

Source: BFI

Inspection methodology

The main elements of on-site work were:

- interviewing staff from operational business units, BFIS, the Area Support teams and LAs
- interviews with senior managers and key stakeholders
- workshops for BA operational staff
- sampling individual claims including new claims, change of circumstances and sanctions
- observations of activities in BA offices
- interviews with staff at BA centre and in DSS
- study of guidance, audit reports and other associated documentation
- examining closer working and liaison between BA and LA.

Reporting

Initial findings have been presented to BA and DSS stakeholders.

Draft report to be issued to BA.

Final report to be published.

Appendix B: Good practice

Introduction

This appendix covers 3 BA Districts who have, following a BFI inspection of their neighbouring LA, successfully introduced closer working initiatives.

The appendix gives just 3 examples of what can be, and has been, achieved where BA and LAs work together. It illustrates that while our report found weaknesses in a number of aspects of closer working with LAs, BA has made significant progress in a number of individual offices.

In Town Together

In Town Together is a joint initiative between East Devon District Council and the local BA office. It involves BA and LA staff delivering a front line service to customers from a single point of contact in Exmouth Town Hall.

Following a BFI inspection of East Devon District Council, a recommendation was made for closer working between the BA and the LA. When accommodation became available in Exmouth Town Hall reception area, an opportunity arose to enhance the relationship and improve customer service by co-locating BA and LA reception staff in a single office. The move into the Town Hall has had many advantages for both organisations, customers in the Exmouth area and other organisations in the area.

Firstly there were advantages with the building itself. Its position in the centre of town made it more accessible than BA's previous caller office in Exeter Road which is half a mile out of town. The Town Hall has access for wheelchair users and people with a disability. It also has some car parking which was not available at BA's previous location. Also housed within the Town Hall are Social Services and Exmouth CAB. Exmouth Jobcentre is only a 2-minute walk away, so bringing the BA caller point into the same proximity as other linked organisations.

The advantages for the staff of both organisations have been the ease of access to information on BA and HB claim status and a better understanding of each other's processes and problems. This has helped the staff give better advice to customers.

There is also a perceived reduction in fraud. All staff feel that customers are now less likely to give conflicting information to the 2 organisations because they are physically seen to be working together. BA and East Devon District Council have expanded on this theory by participating in a closer working initiative project, the aim of which is to share information at the new claim and review stages. This is

still under evaluation but a small sample taken before the start of the project showed a 32.5% discrepancy rate.

During the initial trial period of joint occupancy in the Town Hall, statistics were kept to ascertain the number of BA and LA referrals and a customer survey was conducted to gauge public reaction to the move. Of the customers who took part in the survey, 92% were in favour and therefore permission was requested to make the move permanent. This has now been granted and the 2 organisations are now considering the next step forward. Possibilities include cross training and closer working between BA, LA and ES.

Oxford closer working

In August 1999, the BFI published a report on its visit to Oxford City Council. Findings included a lack of awareness and monitoring of the SLA, and a lack of liaison between the LA and BA, demonstrating a clear need for closer working.

In September 1999, 2 BA staff took up post as dedicated LA Liaison Officers for the 5 LAs covered by Oxford BA. With no set guidance or work pattern to follow, they used the BFI report and recommendations as the basis of their initial work plan.

Their first task was to monitor the SLA. They found this task difficult due to the lack of national monitoring guidance. A great understanding of processing procedures and workflow was needed to enable a comprehensive monitoring system to be developed at a local level. All requirements were monitored for one month and, although time consuming, this proved invaluable to achieve a baseline result for the District.

The results of Oxford BA's performance showed that it was not meeting many of the required standards, indicating a need for awareness of SLA standards amongst staff and immediate remedial action. These were presented to the District Management Team who were very supportive in giving assurance that any recommended remedial action would be encouraged.

Over the next month, SLA awareness talks were given to the BA staff, with the emphasis on how not achieving the standards has a negative impact on the LAs and claimants. Introductory liaison meetings were held with the LAs, with the 2 BA Liaison Officers establishing contact and outlining their role in the District.

Oxford BA and Oxford City Council successfully bid for funding for 3 initiatives under BA's centrally funded initiatives scheme. The BFI report was used as the basis of the bid.

As a result of the bid, funding for 3 closer working staff was secured primarily to continue working on the BFI recommendations.

One point the BFI report had noted was the need to increase the usage of the LA RATs, to prevent unnecessary communications to an already pressurised IS section. In discussion with the LAs, it was evident that there was a need for support. This was not the fault of the LAs, but mainly due to the fact that most of the original staff trained on the RATs had since moved on. Subsequent training had been passed on from one member of staff to another, resulting in a 'Chinese Whispers' scenario, with little or no expertise remaining. The impact of this was

that the RATs were not being fully used. One of the closer working staff is to provide support and training as required by each LA to ensure full usage.

Another of the closer working staff will continue to implement other BFI recommendations including:

- quarterly monitoring of the SLA. Although the 2000/01 bulletin suggests a minimum requirement, Oxford BA continues to monitor all areas where weaknesses have been identified
- holding HB and CTB workshops for the BA staff, which have had a positive impact on the SLA standards
- encouraging liaison between BA and LA staff
- preparing quarterly action plans on BFI recommendations for the DoFO
- organising joint advice weeks, involving LAs, ES and Inland Revenue.

Three closer working conferences aimed at specific client groups have also been held. These involved the young and unemployed, the sick, disabled and carers and the elderly and pensioners. Areas for discussion for each conference included access to the benefits system, processing of benefits, inter-departmental and inter-agency liaison, support for carers and issues affecting 16 and 17 year olds.

The attendees, who included BA, ES, and LA staff plus staff from customer representative organisations, were asked to discuss what is working in the current organisations across the BA District, what is not working and how they can all work together to improve liaison and customer service.

The subsequent recommendations, which included job exchanges, job shadowing, awareness talks for all organisations, better publicity, sharing of information and networking meetings, echoed the BFI recommendations but on a larger scale.

These recommendations have been put to the Oxford BA management team, to decide how to take them forward.

Oxford also tried to undertake a joint visiting pilot. This involved an LA and BA visiting officer working together initially, then individually using a form to gather information required by both parties. The aims were to improve customer service and prevent duplication of visits by satisfying the Verification Framework and BA evidence requirements at the same visit, then passing the information to the other party.

This initiative ran into problems. The main one was that previewing action required to satisfy the programme protection management information requirements did not sit with the LA visiting the case and then passing the relevant information to the BA. Other Districts in the AD have also tried this initiative with varying success but the same problems. This indicates a need for a central database of initiatives so Districts can network to avoid individually failing for the same or similar reasons.

Oxford has decided not to continue with this initiative at present, but will wait until a more structured and beneficial method can be found.

The liaison officers will continue to use the BFI report to formulate their action plans, particularly given that the conference results confirmed the need for this action.

Oxford has had the foresight to make an investment in the dedicated closer working staff. They work in a team alongside the Customer Complaints Officer and the District Information Officers. This is pulled together by the Active Modern Service Manager. In this environment ideas can be exchanged with colleagues, relevant information obtained from customer complaints and compensation payments can be incorporated into presentations, and a co-ordinated liaison with all agencies can continue. This shows that the investment is reaping rewards for the District and its customers.

Blackpool Assist Project

The Blackpool Assist Project is a series of joint working initiatives between BA, BFIS, Blackpool Borough Council and ES.

In November 1997, the BFI undertook its first inspection of an LA at Blackpool Borough Council.

The subsequent report detailing the findings of the inspection was published in March 1998. Within this report a number of recommendations were made about how Blackpool Borough Council, in conjunction with other stakeholders, could improve upon the existing fraud prevention and detection processes.

In addressing the BFI recommendations, Blackpool Borough Council devised an action plan. This action plan, entitled '*Benefiting Blackpool*', detailed how the Authority, in liaison with BA and ES, would implement these recommendations and to what timescales. The BA Area Director was a co-signatory to the plan.

A 'Task Force' was established in order to actively manage the implementation of the recommendations contained within the BFI report. The Task Force brought together representatives from all of the stakeholder organisations affected by the BFI report. Its role was to respond to the BFI recommendations by putting in place the various operational or organisational structures required.

The Task Force reported to a Steering Group whose role was to highlight any wider national policy issues arising from the work of the Task Force making strategic decisions on joint working issues and to resolve any disputes or difficulties within the multi-agency partnership.

In May 1999, all signatories to the '*Benefiting Blackpool*' action plan were in agreement that the recommendations made within the BFI report had been addressed to the satisfaction of all involved. Formal sign-off of the action plan took place on 17 May 1999.

In November 1998, the Area Board of Management of BA's AD8 sanctioned a bid for Invest to Save Budget funding. This bid would be used to fund a project that would continue to develop the closer working initiatives already under way within Blackpool as part of the '*Benefiting Blackpool*' activity. Following evaluation, the project would then have the scope to replicate these initiatives elsewhere in the Area.

The funding from the Invest to Save Budget represented £450,000 to be distributed in stages over a 3-year project lifecycle. Additionally, a sum of £150,000 was allocated to the project from internal BA funds.

This led to the Blackpool Assist Project, a 3-year project aimed at delivering a series of initiatives in closer working across 3 stakeholder organisations – BA, Blackpool Borough Council and ES.

Day-to-day management of the Project is overseen by a BA project manager, reporting to a Project Board comprising senior managers from all 3 stakeholder organisations.

The Blackpool Assist Project is scoped to deliver 8 strands of activity throughout its 3-year lifespan. These strands are as follows:

- Joint Investigation Team (incorporating a joint sanctions policy)
- publicity strategy
- Joint Information and Advice
- joint debt management and recovery
- joint training initiatives
- joint visiting strategy
- shared validation and assurance initiatives
- joint landlord or tenant information pack
- joint approaches to sharing and utilising IT.

Of the above strands, the project has already successfully implemented the Joint Investigation Team, underpinned by the publicity strategy and joint training initiatives. Additionally, the project has recently made improvements in the front-end interfaces to benefits customers within Blackpool, with the implementation of the joint information and advice strand.

Since its launch by the SoS in January 2000, the Blackpool Assist Joint Investigation Team has enjoyed a high profile in relation to its activities throughout the town. Consisting of 12 staff (9 investigators and 3 administrators) the team has established a policy of targeting suspect landlords or premises throughout the town in a series of early morning raids.

Originally located at Queen Street close to Blackpool Town Hall, the Joint Investigation Team recently moved to premises owned by Blackpool Borough Council adjacent to Blackpool airport on the outskirts of the town.

In addition to investigating the activities of landlords, the team is also committed to investigating the many 'attraction' cases that are uncovered as part of the ongoing landlord activity. Attraction cases relate to the investigation of incidences of fraud perpetrated by tenants or associates of the landlords under scrutiny. The types of attraction fraud uncovered usually fall into the following categories:

- missing tenants
- working for the landlord
- multiple claims
- working and drawing
- LTAHAW or fictitious desertion
- instrument of payment.

Since its establishment the team has achieved some £860,000 worth of WBS – realising a rate of return of nearly 6:1 against the Invest to Save Budget funding stream used in establishing and maintaining the team. Similarly, prosecution figures are encouraging. Since January 2000 the team has been responsible for 23 successful prosecutions, with a further 17 prosecutions pending. The team has in total investigated 143 cases, with 124 of these resulting in establishing fraud.

The project is committed to ensuring that key messages in relation to the success of the Joint Investigation Team are communicated through the local and national news media. The team has, since its inception, enjoyed a high profile in the town thanks to the interest showed by local newspapers. This further enforces the key message that both BA and Blackpool Borough Council are working closely to tackle benefit fraud within the town.

The Joint Information and Advice strand of the project provides a more customer focused service to the people of Blackpool.

The project has deployed a 'Benefits Analyst' to Blackpool Town Hall. Many callers to the Customer Service Reception at Blackpool Town Hall have enquiries that are dependent on the LA obtaining information from BA. This information usually relates to proof of income or confirmation of a live IS or JSA claim in payment.

The normal process for managing these enquiries is for the LA first to check the LA RAT. If the RAT does not provide the LA with the relevant information, a clerical form NHB5 is raised detailing the information required and sent to BA for completion.

This process is protracted. Despite being sent from the LA to BA by first class post, due to conflicting priorities, it is not uncommon for an NHB5 to take up to 2 weeks to be completed and returned to the LA. This delay can generate extra caller traffic to both the LA and BA and contributes to a poor customer perception of the joint service delivery.

Since the deployment of the Benefits Analyst at the Town Hall (equipped with a BA RAT) the Blackpool Assist Project has measured a 91% reduction in paper enquiries from the Town Hall to BA. This has resulted in gains for the LA in terms of clearance times and accuracy, as well as a 72% reduction in callers to the BA District with HB or CTB related enquiries.

The Benefits Analyst is also involved in sharing knowledge of the benefits system with LA colleagues. This extends to providing guidance to the LA RAT operators in relation to their interrogation of the BA payments systems.

The Benefits Analyst has been highly instrumental in tracing many LA overpayments cases through DCI. From a random sample of 35 cases the Benefits Analyst successfully traced 29, resulting in a potential recovery of overpaid HB or CTB of some £8,000. This work, under the auspices of the Debt Management strand, will be expanded to address the 700+ overpayments cases still outstanding within the LA.

The 2 strands outlined in this section represent the `hub' of the Blackpool Assist Project – tackling fraud and abuse in the benefit system whilst focusing on co-ordinating improvements to customer service.

