

Benefits Performance Audit Annual Update 2012/13



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Purpose

1. In April 2008, the Accounts Commission took over the responsibility for auditing housing and council tax benefit (HB/CTB) services in Scotland from the Benefit Fraud Inspectorate. This work is known as the benefits performance audit and this paper invites the Accounts Commission to note the outcome of Audit Scotland's benefits performance audit work for 2012/13.

Summary

2. Audit Scotland has found that well managed benefits services can deliver high quality services for claimants in a time of increasing workloads, reduced funding and uncertainty.
3. During 2012/13 we identified 129 risks to continuous improvement at ten councils with councils accepting all of these risks. We found 85% of risks identified at previous risk assessments had been either fully or partially implemented. Council satisfaction with the audit process is high at 89%.
4. Looking forward, UK Government welfare reforms are having a significant impact on councils. Universal Credit (UC), which is planned to be rolled out progressively between 2013 and 2017, will end the devolved administration of HB to councils. CTB was replaced in April 2013 by the Scottish Council Tax Reduction Scheme. Going forward there remains uncertainty around the timing of the migration of HB to UC and the on-going role councils will play in the delivery of UC.

Background

5. In Scotland, one in four households received financial support to help pay for their rent or council tax during 2012/13 in the form of means tested HB/CTB. Scottish councils paid out £2.17 billion in HB/CTB awards in 2012/13 and received £47.6 million in funding from the Department for Work and Pensions (DWP) to deliver HB/CTB services. This consisted of £42.3 million in administration grant, an additional £4.2 million of funding due to the recession and £1.1 million to help meet the costs of implementing welfare reform changes. This represents a 5.3% increase from 2011/12 in HB/CTB awards paid out and a 4.8% reduction in overall funding.
6. The main objective of the benefits performance audit is to help councils improve their benefits services but it also holds councils to account for any failing services. The audit has two phases:
 - a risk assessment phase that identifies risks to continuous improvement
 - a focused audit phase that examines the service, or parts of it in more detail if a council is unable, or unwilling to reduce key risks identified.
7. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
8. When a focused audit is required the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP and published on the Audit Scotland website.

Work carried out during 2012/13

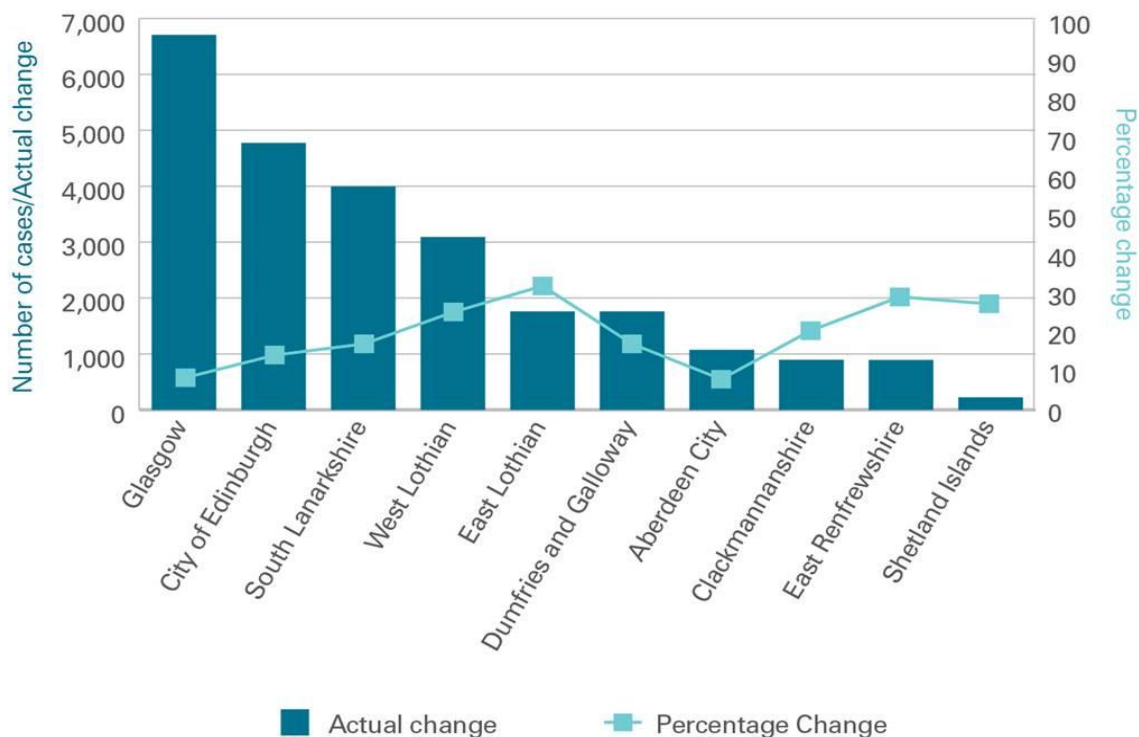
9. The current round of risk assessments commenced in 2010/11 and continued through 2012/13. A risk based model was used to ensure the councils representing what we considered to be the highest risk were assessed first.
10. Appendix A contains the details of the ten risk assessments which were planned and completed during 2012/13. In addition, a follow up of progress made by Aberdeenshire Council was carried out following its focused audit in 2011/12. The progress report was presented to the Accounts Commission in August 2012.
11. Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, progress reports were requested from 9 councils during 2012/13. The details are in appendix B.
12. To date, progress reports have been received from all councils with the exception of Aberdeen City Council which is due to be received in October 2013. Action taken to address risks was considered to be satisfactory in all updates received to date. However, due to the speed of processing performance only recently improving in the City of Edinburgh Council, a further update was requested by the end of July 2013 to ensure performance had been sustained. This update has been received as is currently being reviewed.
13. In line with Audit Scotland's objective of identifying and sharing good practices, a review of housing benefit overpayments was undertaken in January 2013 comparing performance in Scotland against English and Welsh councils in respect of the identification and recovery of overpayments. As well as identifying areas of concern, the review identified and shared areas of good practice with councils to help encourage councils to review and improve the quality of their processes. The key messages from the review were that :
 - overpayments outstanding in Scottish councils have risen by 31% from £72.1 million in 2009/10 to £94.7 million in 2011/12
 - the value of overpayments identified each year by Scottish councils has increased by 5% from £49.5 million in 2009/10 to £51.8 million in 2011/12
 - the value of overpayments recovered each year by Scottish councils has increased by 3.5% from £34.3 million in 2009/10 to £35.5 million in 2011/12
 - omissions from DWP published datasets made meaningful analysis and benchmarking difficult.
14. In May 2013, a welfare reform update was prepared which included details of Scottish councils' preparedness for the upcoming changes. The report was presented to the Accounts Commission before being sent to the Chief Executives of all Scottish councils.

Key issues from 2012/13 Risk Assessments

Outcomes of the risk assessments

15. Audit Scotland identified 129 risks to continuous improvement (199 in 2011/12) in the ten risk assessments carried out in 2012/13. Our work identified that 85% (77% in 2011/12) of previously agreed actions had been either fully or partially implemented
16. Improvement plans have been received from all councils visited.
17. Analysis of the submitted improvement plans identified that:
 - 100% (100% in 2011/12) of the identified risks were fully accepted by councils
 - 27% (35/129) of these risks were carried forward from previous risk assessments.
18. Councils have offered the current economic downturn and associated caseload increases, along with budgetary and welfare reform pressures as reasons why not all agreed actions have been implemented.
19. Between November 2008 and February 2013, there has been a 15.6% (65,623) increase in HB claims in Scotland. The exhibit below details the caseload increase for the ten councils we visited.

Exhibit 1: Change in caseload between November 2008 and February 2013



20. Some councils have performed well. South Lanarkshire Council had taken action to either fully or partially implement all of the agreed actions from their first round risk assessment. Only two risks were identified during Dumfries and Galloway Council's risk assessment in March 2013 against an overall average of 13 risks for the councils visited in 2012/13.
21. It is clear from our risk assessments that where benefits services are well managed they can deliver value for money and high quality services for claimants in difficult economic circumstances although the availability of sufficient experienced and skilled staff appears to have a significant affect on performance.

Good practices identified

22. A number of innovative initiatives and areas of good practice have been identified in Scottish benefit services during 2012/13. Many of these can be tracked back to the actions taken by councils to address the risks identified in our first round of risk assessments. The initiatives and areas of good practice identified during our visits include:
 - Aberdeenshire Council were presenting comprehensive performance updates including comparison against targets, previous years and other Scottish local authorities to members.
 - Glasgow City Council's Revenues and Benefits division's close working relationships with key stakeholders have assisted customers. Initiatives include:
 - working with the Registrar's department to ensure that recently bereaved customers are receiving the correct amount of benefit and discounts
 - publicising and providing a tailored service with additional support to first time claimants
 - the *Long Term Conditions and MacMillan Service*, a free and confidential money advice and support service.
 - Glasgow City Council has DWP fraud investigation officers co-located within the council counter-fraud team and working relationships with the DWP officers and other stakeholders such as the Police have facilitated joint sanctions.
 - East Lothian Council introduced a risk-based verification approach to processing new claims which helped maintain claims processing performance during a period when the service was under resourced.
 - The City of Edinburgh Council's benefits service achieved Customer Service Excellence accreditation in October 2010. The service routinely consults customers and publishes its performance against customer service standards.
 - The City of Edinburgh Council has developed a comprehensive Quality Assurance Framework focusing on risk to help ensure quality and accuracy across benefits administration.
 - Dumfries and Galloway, South Lanarkshire and the City of Edinburgh Councils have performance management frameworks in place which include the measurement of individual benefits processor's performance as well as team and service performance.

This has been effective in improving performance and allowing the service to identify and take action where officers are in need of support.

- Scottish councils have been participating in various working groups at a national level reviewing welfare reforms and their implications. These groups include the Benefits Software Suppliers Group and the DWP's Single Fraud and Investigation Service (SFIS). In addition a number of Scottish councils we visited during 2012/13 are involved in piloting various aspects of welfare reform. These include:
 - The benefits service in City of Edinburgh Council is working with Dunedin Canmore Housing Association trialling the direct payment of HB to tenants
 - Glasgow City Council is piloting the DWP's SFIS where a fraud investigation team has been established consisting of staff from the council, DWP and HM Revenue and Customs (HMRC) with the authority to investigate and sanction all benefit and tax credit offences
 - South Lanarkshire Council is taking part in the Scottish Government's local authority UC pilot looking at developing online facilities at local offices to assist and support customers who do not have access to the internet
 - Dumfries and Galloway Council is involved in one of the UK wide local authority led pilots supporting digital inclusion. The benefits service is also working with the council's employability and skills service to provide financial education and support.

Areas for improvement

23. Audit Scotland has identified the following main areas of risk during 2012/13:

- weaknesses in the analysis, accurate recording and monitoring of overpayments raised and subsequently recovered
- a significant rise in the value of overpayments outstanding and a lack of targets being in place for the recovery of overpayments
- accuracy checks not being effectively completed and limited recording and analysis of the outcomes to help identify learning and deliver improvement
- a lack of challenging targets for counter-fraud activity and a decline in counter-fraud performance
- a lack of publicity of successful counter-fraud outcomes
- a decline in customer service performance
- councils not setting targets and reporting performance on all aspects of the service
- performance being adversely affected during periods of change such as the restructuring of benefits services
- limited recording and analysis of outcomes to enable councils to improve the effectiveness of intervention activity
- experienced staff leaving through voluntary early release schemes and benefits services having difficulty in filling vacant positions.

Welfare reform

24. Our welfare reform update identified that all councils had identified welfare reform as a risk and had carried out a significant amount of work to plan for and mitigate against the impact of the changes. All councils were found to have information on the financial impact of welfare reform and in some cases detailed financial analysis of the impact in respect of each of the welfare changes had been undertaken.
25. From the first round of assessments we are seeing improvements in communication with stakeholders and partnership working. All councils are acutely aware of the need to communicate welfare reform changes to stakeholders such as benefit recipients, landlords, community planning partners and third sector agencies. A number of different communication channels have been used such as local forums, seminars, training and awareness sessions, information helplines, and press releases. A significant amount of communication with benefit recipients has also taken place with regards to future reforms such as UC and assistance with financial planning and budgeting.
26. Despite some tight deadlines for the introduction of various welfare reforms, councils are working much more with partners such as COSLA, the Scottish Government, the DWP and each other mainly to help deliver the changes.
27. Uncertainties remain which make it difficult for councils to plan effectively. In particular, there is uncertainty in respect of the migration timeline from HB to UC, and the level of support councils are expected to provide to customers in the future.
28. During 2012/13, councils have successfully implemented systems to deliver the Scottish Welfare Fund and the new Scottish Council Tax Reduction Scheme despite many challenges.

Stakeholder feedback

29. Assessment questionnaires are issued after each risk assessment. The questions are designed to gain assurances over whether the audit methodology and documentation are effective and to look for areas which can be improved. During 2012/13, we received replies from ten councils. Council satisfaction with the audit process is high at 89% (88% in 2011/12).
30. Overall the responses were positive and provided assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:
 - Communication was professional throughout with the on site visit carried out in an effective and efficient way focusing only on areas where further clarification was required
 - The auditor's manner was exemplary
 - There were no surprises and it was carried out in a professional manner
 - I was allowed an extension to the deadline which was appreciated
 - I felt at ease and had the opportunity to ask stupid questions.
31. Whilst the majority of the responses were positive not every council found the process to be so. Particular concerns raised were:

- The completion of the self-assessment was troublesome in terms of everything else required of the team
 - The benefits service had undergone a major change and was in a period of recovery. It was felt that the timing of the audit did not provide a "normal view" of performance
 - The timescale for the self-assessment was fairly tight due to the amount of supporting evidence and indexing of the information
 - The expectation of continuous improvement had not altered despite the changes instigated by the council, DWP and an overall increase in workload resulting from the economic climate.
32. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. Specifically, we have revised our processes, have increased the time for councils to complete self-assessments, and are now focusing more on the effectiveness of services in meeting national and local priorities, business planning and reporting, and delivering outcomes.
33. We will also continue to monitor our approach going forward in conjunction with the DWP.

Appendix A – The 2012/13 risk assessment programme

Date on site	Council	Date reported
May 2012	Aberdeenshire Council- progress report following focused audit	August 2012- report to the Accounts Commission
April 2012	Glasgow City Council	July 2012
June 2012	West Lothian Council	September 2012
July 2012	City of Edinburgh Council	October 2012
August 2012	Shetland Islands Council	November 2012
September 2012	Aberdeen City Council	January 2013
October 2012	Clackmannanshire Council	January 2013
November 2012	East Renfrewshire Council	February 2013
January 2013	South Lanarkshire Council	March 2013
February 2013	East Lothian Council	May 2013
March 2013	Dumfries & Galloway Council	May 2013

Appendix B – Progress reports requested during 2012/13

Council	Date progress report received or expected	Conclusion on action taken to address risks
Midlothian Council	December 2012 & April 2013	Satisfactory
East Dunbartonshire Council	August 2012	Satisfactory
The Moray Council	October 2012	Satisfactory
Comhairle nan Eilean Siar	May & November 2012	Satisfactory
Renfrewshire Council	February 2013	Satisfactory
Glasgow City Council	March 2013	Satisfactory
City of Edinburgh Council	January 2013 and another update due by 31 July 2013	Update received and currently being reviewed
South Lanarkshire Council	July 2013	Satisfactory
Aberdeen City Council	Due by 31 October 2013	