

<b>To:</b> HOUSING & TECHNICAL SERVICES COMMITTEE		<b>Subject:</b> BENEFIT FRAUD INSPECTORATE (BFI) REPORT – NORTH LANARKSHIRE COUNCIL
<b>From:</b> DIRECTOR OF HOUSING & PROPERTY SERVICES		
<b>Date:</b> 20 March 2002	<b>Ref:</b> TMCK/UC/JMCE	

### 1. Purpose of Report

- 1.1 This report seeks Committee's homologation of the Council's response to the Department for Work and Pensions (DWP) on the findings and recommendations contained in the BFI's report on benefits administration in North Lanarkshire.

### 2. Background

- 2.1 The outcome of the BFI's inspection and subsequent findings following their visit to North Lanarkshire between February and May 2001 was the subject of a report considered by Committee at its meeting of 7 March 2002.
- 2.2 Further to the publication of the BFI's report on 27 February 2002, the DWP has written to the Council on behalf of the Secretary of State for Social Security, inviting the Council to submit proposals for:
- a) improving its performance in relation to the prevention and detection of fraud relating to housing benefit and council tax benefit or otherwise in relation to the administration of benefit; and
  - b) remedying any failings identified in the BFI's report.
- 2.3 The Council's response is to reach the DWP by 29 March 2002.

### 3. Response

- 3.1 The Council's proposals in response to the BFI's findings are set out in the appendix to this report.
- 3.2 The Council has established an action plan to take forward the BFI's recommendations, 75% of which have been either fully or partially implemented to date. There are a number of areas which will be addressed during 2002/03 and a target date of 31 March 2003 has been set for full implementation.

**4. Conclusion and Recommendation**

- 4.1 It is my intention to submit a further report advising Committee on the outcome following the Secretary of State's consideration of the BFI's report and the Council's response.
- 4.2 In the meantime, Committee is requested to homologate the Council's response to the DWP appended to this report.

**5. Background Information**

- 5.1 Background information is available from the Housing & Property Services Department.



Thomas McKenzie  
**Director of Housing & Property Services**  
encl.



# **North Lanarkshire Council**

## **Response to the Benefit Fraud Inspectorate's Report**

**March 2002**

# Contents

	<b>Page</b>
<b>Section 1: Management Summary</b>	
Introduction	1
Strategic Framework	1
Standards	3
Action Plan	3
Timetable	3
Monitoring Arrangements	4
<b>Section 2: Key Issues</b>	
Standards of Verification	5
Monitoring and Control of Benefit Periods	6
Processing Renewal Claims and Changes of Circumstances	7
Fraud Investigation and Sanctions	8
Classification and Recovery of Overpayments	9
<b>Section 3: Other Areas of Work</b>	
Restructuring	11
Staff Training and Development	11
Business Process Review	12
IT Procedures and Controls	12
Security Controls	12
Subsidy Claims	13
Internal Audit	13
<b>Section 4: Conclusion</b>	14
<b>Annexes</b>	
1. Implementing the Plan	
2. Performance Standards	
3. Benefits Action Plan	
4. Management Information System	
5. Claim Form	
6. Determinations	
7. Team Targets	
8. Claims Processing – Graphical Illustration	
9. Benefit Fraud Policy	
10. Training Plan	
11. Training Plan Update	
12. Business Process Review	
13. IT Procedures	
14. Systems Administration – Report Procedures	

# **Section 1**

## **Management Summary**

### **Introduction**

- 1.1 This report sets out the Council's proposals in response to the Benefit Fraud Inspectorate's (BFI) report on the administration of Housing Benefit and Council Tax Benefit in North Lanarkshire.
- 1.2 The Council has established an action plan to take forward the BFI's recommendations and significant progress has already been made towards implementation.
- 1.3 North Lanarkshire Council is committed to improving its performance in benefits administration and the findings contained in the BFI's report will be used to inform many of the areas that still need to be addressed.

### **Strategic Framework**

- 1.4 The framework in which the improvement plan will be implemented is set out at Annex 1. This framework illustrates the links between four key stages:
  - setting direction;
  - making it happen;
  - checking progress; and
  - making it better.
- 1.5 The Council's Corporate Plan sets out the organisation's priorities for the three year period from 2001 to 2004, providing a focus and framework for planning and managing services and identifying the main aims and actions that need to be taken.
- 1.6 As Council services are wide ranging, priorities for focussing corporate action on particular aspects of service are grouped under six themes. The Plan outlines the strategic issues to be addressed under each priority theme and details the aims and underpinning actions to be achieved over the Plan period.
- 1.7 The Housing and Property Services Department's Service Plan 2001 – 2004 sets out a three year action plan which will contribute towards the achievement of the Council's corporate priorities.

- 1.8 The plan identifies key actions and target dates under a number of priority tasks, one of which is *To improve the efficiency of benefits administration, increase uptake and combat benefit fraud*, which is linked to the Corporate Plan priority theme *Promoting Social Inclusion*.

Under this heading, in terms of key actions, the department seeks to:

- improve claims processing performance;
  - establish an effective management information system;
  - improve debt management;
  - address all operational issues arising from the BFI's recommendations;
  - maximise benefit take up; and
  - improve performance in the prevention and detection of benefit fraud.
- 1.9 Progress towards implementing the actions set out in the Service Plan is the subject of a report to the Housing and Property Services Committee on a quarterly basis.
- 1.10 Following the Government's Comprehensive Spending Review and the Scottish Executive's decision to settle budget figures with local authorities for a three year period, in setting its budget for the current year, North Lanarkshire Council developed a three year budget strategy, aligning budgeting with service planning which, previously an annual process, also adopted a new three year planning horizon. This approach has resulted in a more streamlined budget process and ensured that resources are effectively targeted towards service priorities.
- 1.11 The current financial position and projected outturn for the year are reported to the Corporate Management Team at the end of every accounting period and to the Housing and Technical Services Committee at each cycle to ensure that financial targets are achieved and to provide explanations on any significant variances.
- 1.12 Prior to local government reorganisation in 1996, the Council approved a policy statement on housing benefit administration. This provided a framework within which the benefits service would be managed after reorganisation, encompassing key elements of best practice, setting out specific objectives and incorporating target service standards. This policy document is currently the subject of a review and will be updated to reflect the Council's aims in relation to benefits administration together with the principles and methods which will be applied to achieve them.
- 1.13 In accordance with the Council's commitment to customer consultation and involvement, the Housing and Property Services Department has taken a number of steps to obtain user feedback on housing services. Customer focus groups have been established, a series of road-shows undertaken and postal surveys carried out. These initiatives have proved invaluable in obtaining customers' views on service priorities and feedback has been used to inform budget decisions in terms of allocating growth to service enhancements.

1.14 The other elements contained within the framework set out at Annex 1:

- Benefits Action Plan;
- Performance Framework;
- Management Reporting;
- Training Plan; and
- Best Value Service Review,

are covered in detail within the appropriate sections in this report.

## **Standards**

1.15 To support its improvement plan, the Council recognises the need to have in place a benefits section which is adequately resourced with staff who, through effective training and sound procedural guidance, are equipped to provide a service of the highest standard, supported by a robust performance management framework.

1.16 The Council is committed to matching the high standards in benefits administration set out in the BFI's report. During the past year, considerable progress has been made towards raising internal standards and work is already underway to develop the benefits performance management framework in line with the proposed National Standards for HB/CTB administration, jointly produced by the DWP and BFI for introduction in April 2002.

1.17 Internal performance standards have been set for claims handling, monitoring and management and these are detailed at Annex 2. Improvements in performance during the period from April 2001 to February 2002 are illustrated in the table also included at Annex 2.

## **Action Plan**

1.18 Following a presentation by the BFI on emerging findings, at the end of the inspection period, the Council produced an action plan, in July 2001, to address the weaknesses identified. The plan was later developed to replicate the recommendations in the BFI's draft report.

1.19 A copy of the action plan, which sets out the Council's response to every recommendation in the BFI report, progress achieved to date towards implementation and target dates for future developments, is enclosed, (Annex 3).

1.20 To date, 75% of the recommendations have been either fully or partially implemented.

## **Timetable**

1.21 Target dates have been identified for each item set out in the action plan and, whilst considerable progress has already been made towards implementation, there are a number of areas which will be addressed during 2002/03. A target date of 31 March 2003 has been set for full implementation, with a Best Value service review planned for 2003/04.

## **Monitoring Arrangements**

- 1.22 A new Management Information System (MIS) has been developed to monitor performance in all areas of benefits administration. The monthly performance report for February 2002, together with the reporting framework and targets set for 2002/03, is set out at Annex 4. This framework will be subject to further development during 2002/03 to comply with the National Standards for HB/CTB administration to be launched in April.
- 1.23 Progress towards implementation of the benefits action plan is formally monitored by the departmental Senior Management Team as part of the monthly MIS review. It is also the subject of a monthly report to the Chief Executive and reviewed on a six monthly basis by the Corporate Management Team.
- 1.24 An Internal Audit review of progress towards implementation of the BFI's recommendations will be included in the Council's 2002/03 Audit Plan.
- 1.25 In accordance with the Council's corporate planning process, progress against the key actions set out in the departmental Service Plan is the subject of a quarterly report to the Housing and Technical Services Committee.
- 1.26 Following full implementation of the action plan, a Best Value service review will be undertaken during 2003/04.

## Section 2

### Key Issues

2.1 The BFI's report places particular emphasis on the following key issues:

- standards of verification;
- monitoring and control of benefit periods;
- processing renewal claims and changes of circumstances;
- fraud investigations and sanctions;
- classification of overpayments; and
- recovery of overpayments.

2.2 In response to the BFI's recommendations, the Council's proposals in relation to these issues are detailed below.

#### Standards of Verification

2.3 The Council has revised its HB/CTB application form in order to introduce a single claim form which combines rent rebates and rent allowances for both new and renewal claims. The new form, which takes full account of the detailed critique contained in the BFI's report, has already received BFI approval, and it is proposed to seek Crystal Mark approval in the near future. The revised form (Annex 5) will be introduced in April 2002.

2.4 All notices of determination have also been revised in accordance with the BFI's recommendations. The new BFI approved format (Annex 6) will be introduced with the April 2002 uprating.

2.5 Whilst the report confirmed that the BFI were very satisfied with the standard of evidence gathering in North Lanarkshire, the Council was criticised for the way in which the evidence, once collected, was actually used. In order to improve the quality of the "considerative process", a programme of Verification Framework and Fraud Awareness training was undertaken during the period from August to November 2001. Refresher training has been scheduled in the current year's training plan. As a result of this programme, all aspects of evidence are now fully considered as part of routine processing.

2.6 Formalised sample checking procedures have been introduced to assist in identifying any deficiencies in the quality and accuracy of processing. Checks are undertaken and formally recorded by Team Leaders. Results are monitored by the Benefits Management Team, considered at Team Briefings and included in a newsletter which is circulated to all benefits staff. Any weaknesses identified through the monitoring process will be addressed through relevant training. As the Benefits Section has recently emerged from a period of consolidation during which resources have been targeted towards other priorities such as reducing backlogs and implementing new procedures, it has not been possible to increase the level of checking beyond 5%. However, a more stable level of performance has now been achieved and this will enable resources to be released to increase the level of management checks to the 10% target recommended by Audit Scotland with effect from 1 April 2002.

- 2.7 Team targets have been set in order to assess the standards of performance achieved in relation to speed and accuracy of processing (Annex 7). As a result of the action taken to reduce benefit backlogs, the Council has dramatically improved its claims processing performance. The backlog of claims awaiting processing has reduced from 16,000 in May 2001 to 2,800 (equivalent to approximately 3/4 days mail) in March 2002. This is illustrated on the graph at Annex 8.
- 2.8 A benefits procedures manual has been issued to all benefits staff and training delivered on a range of topics during dedicated training sessions between August and December 2001. The manual is being further developed to incorporate the BFI's recommendations, expand the detail within each section and adopt a corporate style. A target date of 30 September 2002 has been set for completing this major exercise, following which the manual will be subject to continuous review and updated to reflect procedural and legislative changes.

### **Monitoring and Control of Benefit Periods**

- 2.9 North Lanarkshire Council moved to a weekly rolling review on 4 May 2001. The Central Team runs a report each Friday which recognises each claimant who is due a review form eight weeks in advance of benefit cut-off. A Go File is then sent to our printers who customise the review forms by printing name, address, benefit number and date of issue, and who then post these forms direct to the claimants. In order to plan workload and make appropriate provision for customer counter calls, North Lanarkshire Council produces a timetable of reviews due on a weekly basis for the full financial year to inform Team Leaders and Area Housing Managers of the numbers involved.
- 2.10 After the file is produced on a Friday, the computer system report is converted to an Excel spreadsheet which allows the two Assistant Managers to drill down and inform each Team Leader of the number of reviews appropriate to their area and also each Housing Association of the number and addresses of reviews pertinent to them.
- 2.11 Staff have welcomed the introduction of the weekly review which has eradicated, in the main, the peaks and troughs of irregular reviews. Area Housing Officers have also welcomed weekly reviews as customer counter visits are more manageable and long queues are very infrequent.
- 2.12 Cancellation of benefits has been prioritised over all other areas of work to ensure claimants are not being paid beyond their legal entitlement and overpayments are reduced.
- 2.13 NHB8s and personal notifications from claimants and landlords are dealt with immediately and every effort is made to cancel benefits timeously, particularly before the weekly benefit posting which takes place on a Friday evening for the following week. Although the IT system does not automatically prevent excess benefit periods or stop awards on expiry of the benefit period, a range of reports informs the Benefits Management Team and allows corrective action to be taken. Efforts have been and will continue to be made to pursue a software solution should this prove feasible.

2.14 Due to the improved measures put in place by North Lanarkshire Council with regard to:

- issuing reviews to all claimants annually
- moving to a weekly rolling review
- Benefit Officers ensuring review end dates are set within legal limits
- review periods are closed properly on the computer IT system
- better MIS which inform the Benefits management of areas where early intervention is required,

benefit period overruns are well under control and well within the DWP tolerance limit of 5% for each of the three categories. North Lanarkshire Council is continuing to afford this area a great deal of scrutiny to ensure illegal, and possible fraudulent, claims do not remain in payment, performance standards are raised and subsidy penalties are not incurred.

2.15 North Lanarkshire Council currently has a management checking procedure in place which measures the quality, accuracy, and security of a weekly random sample of claims. Checks cover all activities involving new claims, renewal claims, and changes of circumstances. Standard documentation is used by Team Leaders to record their checks, and the information is passed to the Assistant Benefits Manager for analysis, and a report then given to the Benefits Management Team at regular meetings. The Council will increase the level of checking to achieve the 10% target recommended by Audit Scotland (paragraph 2.6 refers) and implement any training issues which arise therefrom. Increased checks will continue to be carried out by Internal Audit until the 10% level is reached.

2.16 Areas of individual concern are brought to Benefits Officer's attention by Team Leaders and at team briefings, and more general areas of deficiency highlighted at Team Leaders' meetings and through the Benefits Newsletter.

### **Processing Renewal Claims and Changes of Circumstances**

2.17 A post-implementation review of the CPT has been undertaken and different working practices introduced by the Benefits Management Team (BMT) to improve throughput and quality of processing. Individual and collective weekly targets have been issued to the CPT and these are monitored by the Team Leader by way of the weekly mail statistics which are produced for each team, including the CPT. A random sample of claims is also checked.

2.18 A working party of Benefits Officers from both Area Teams and the CPT has met to discuss and resolve perceived difficulties, and measure the ongoing value/impact of the CPT. The leader of this group has reported back to the BMT with the group's findings including requests for decisions to be made on areas of disagreement.

2.19 The CPT has recovered the position outstanding at the BFI's visit, and throughput, accuracy of processing and security of processing are meeting targets.

2.20 Improved MIS from the computer system has also better informed the BMT to take intervening action where necessary, in terms of timeous cancellation of non returns, timeous cancellations at the benefit end period, bulk issues of reminders and a programmed issue of reviews to stabilise the workload.

- 2.21 Weekly reviews are being issued eight weeks in advance for all areas of benefits, ie, Rent Rebate, Rent Allowance, Housing Associations and Council Tax. The introduction of the weekly review has stabilised workloads and counter calls and allowed both speedy processing of applications, but with more time to consider all aspects of evidence for each application, thereby increasing security.
- 2.22 North Lanarkshire Council is currently reviewing all local PIs and targets as part of its overall MIS culture to ensure areas of concern are quickly highlighted, although some of the BFI recommendations have been implemented, eg, prioritising changes, correct input of date of change, standards for clearance performance.
- 2.23 Every Benefit Officer, Team Leader and Manager has a procedures manual which is subject to continuous review and change. Changes are electronically notified to staff and they then update their procedures manual and note any change and date of change at the front of the manual.
- 2.24 The BFI have recommended some procedures, which are not presently included in the procedures manual, that will be written and inserted as soon as possible. North Lanarkshire Council will endeavour to comply with the BFI's recommendations and complete the procedures manual, in a corporate style, by September 2002. In the interim, changes and new procedures will continue to update this document.
- 2.25 Sample checks are being undertaken on a regular basis by Team Leaders and reported to the Assistant Benefits Managers who report back to the BMT on the actions of the sampling. North Lanarkshire Council is reviewing current procedures and practices to attain the level of checking recommended by Audit Scotland (paragraph 2.6 refers).

### **Fraud Investigation and Sanctions**

- 2.26 The Council's Benefit Fraud Policy has been revised to take account of the Social Security Administration (Fraud) Act 2002; the new Fraud Incentive instruction issued by the DWP; the Council's Internal Audit Section's recommendations; and the BFI's guidance on best practice. The new policy (Annex 9), which incorporates a prosecution policy, was approved by the Housing and Technical Services Committee on 7 March 2002. The policy will be reviewed in April 2003.
- 2.27 A review of the existing fraud team, taking account of the BFI's recommendations, has been carried out, and proposals to increase the level of resources allocated to counter-fraud work will be considered at the next meeting of the Housing and Technical Services Committee.
- 2.28 In an effort to target its counter-fraud resources more effectively, the Council has introduced formal risk-based assessments for all referrals. All counter-fraud procedures have been revised to comply with the BFI's recommendations and formal quality checks on all fraud files have been introduced.
- 2.29 The Council has also reviewed its approach to internal data matching and match criteria have been tightened up in an effort to optimise opportunities for successful investigations.

- 2.30 Following a review of training needs, a counter-fraud training programme was established in June 2001. To date, training has been undertaken in VF and fraud awareness, RAT operation and provisions of the Human Rights Act. All fraud investigations are undertaken by Designated Fraud Officers, all of whom have completed PINS training to improve their skills and knowledge in investigation.
- 2.31 Arrangements are in place for the implementation of the Weekly Incorrect Benefit Scheme from 1 April 2002. The benefit IT system has been enhanced to incorporate the anti-fraud incentive module and all relevant staff have received training.
- 2.32 In an effort to encourage members of the public to participate in the Council's drive to combat benefit fraud, a fraud hotline has been established. This facility has been publicised via the local press, posters in all Council premises and public buildings within North Lanarkshire and a notice is incorporated in the new benefit claim form.
- 2.33 Following submission of a successful bid to the DWP, a housing association VF pilot was launched in September 2001. North Lanarkshire Council is the only Scottish local authority participating in this initiative, which, combined with improved joint working through a focus group, has resulted in significant improvements in processing performance within this claimant sector.

### **Classification and Recovery of Overpayments**

- 2.34 Comprehensive training has been undertaken by all benefits processors and managers on the identification and recovery of benefit overpayments. Training covered the regulations governing overpayments and the categorisation, notification and general administration of overpayments.
- 2.35 Refresher training from the software supplier has been rolled out to existing staff and systems training given to new staff, part of which dealt with the classification and recovery of overpayments.
- 2.36 The overpayment notification letter has been revised to meet the legal requirements specified in Schedule 6 of the Housing Benefit Regulations and is now more clearly presented.
- 2.37 The practice of posting overpayments to rent accounts has ceased and, from April 2002 Housing Benefit overpayments will be recovered, where possible, by deductions from ongoing benefit. Where this is not an option, debtor accounts are being raised through the Council's debtors system. Rent Allowance overpayments will, in certain circumstances, also be recovered from landlords in respect of a third party.
- 2.38 Procedural guidance has been issued to benefit staff detailing how to apply recovery from ongoing benefit, the options available when this is not possible and instructions on how to make sure the overpayment has been correctly classified.
- 2.39 A benefits overpayment module will be purchased from the software supplier enabling the Council to manage overpayments more effectively and produce more detailed management information on the levels of outstanding debt.

- 2.40 A new structure for benefits has been proposed, incorporating a benefits overpayment team, who will monitor overpayments, raise debtors accounts, recover overpayments from other DWP benefits, write off overpayments, and provide MIS on all aspects of overpayments. Targets for recovery are to be introduced and progress towards meeting these are to be submitted to the benefits management team monthly.
- 2.41 Overpayments will be checked end-to-end as part of the 10% weekly checking procedures and any errors fed back to processing staff and Team Leaders with any weaknesses addressed through refresher training. Checks will include correct classification of overpayment, correct notification issued and recovery method used. A separate sample check of recovery progress is also to be carried by an Assistant Benefit Manager.

## **Section 3**

### **Other Areas of Work**

#### **Restructuring**

- 3.1 Proposals have been developed for re-structuring the benefits section to reflect the BFI's recommendations in relation to resources for counter-fraud work and management of housing benefit overpayments.
- 3.2 Management roles and responsibilities have also been reviewed and re-defined to take account of the BFI's comments.

#### **Staff Training and Development**

- 3.3 A benefits training plan, setting out training programmes to be undertaken during the 18 month period from July 2001 to December 2002, was issued in June 2001 (Annex 10), with an interim progress report produced in March 2002 (Annex 11).
- 3.4 Training needs were grouped into four key areas which provided the framework for a training programme:
  - counter fraud;
  - procedural guidance;
  - IT skills; and
  - management development.
- 3.5 Training courses have been delivered by a range of providers including in-house staff, external trainers, the benefits IT software supplier, the Benefits Agency and other specialist agencies.
- 3.6 To date, training has been undertaken in the following areas:
  - Human Rights Act;
  - VF awareness;
  - Fraud awareness;
  - PINS;
  - RAT;
  - Procedures Manual;
  - Benefit Assessment;
  - WIB IT system;
  - WIB procedures;
  - Identification and classification of overpayments;
  - Sanderson benefits IT system;
  - Microsoft Word and Excel;
  - Induction; and
  - Self defence.

- 3.7 A bi-monthly newsletter is issued to all benefits staff to ensure they are kept up to date on new developments. The contents of DWP circulars are considered at regular team leaders meetings and staff briefing sessions.

### **Business Process Review**

- 3.8 A business process review was undertaken by the benefits software supplier in March 2001. The purpose of this exercise was to review the various processes in place and identify the changes necessary to meet operational requirements. All recommendations contained in Sanderson's report (Annex 12) have now been fully implemented.

### **IT Procedures and Controls**

- 3.9 In response to the BFI's recommendations, new protocols and controls have been put in place in relation to the use of IT systems:

- All benefits system users sign and return a mandate acknowledging they have entered their personal password and they have read the department's security guidelines. If a user changes their employment status or leaves the Council, the user returns a mandate to the Central Team who will then amend/delete the password.
- Central Team monitor passwords on a monthly basis and amend/delete as necessary.
- Different designations are afforded different levels of access to the system, however, North Lanarkshire Council are currently working on tailoring access to individual users rather than groups of users, eg, clerks, benefit officers, team leaders, managers.
- From 2 April 2002, Central Team will extend the audit of the Sanderson software system to investigate time users logged on/off and if they had permission to commence/cease work at particularly early/late times and their usage of the system.
- From 2 April 2002, Central Team will select at least one user per month and audit their use of the system against all internal security controls. This is being developed in conjunction with IT.

- 3.10 Procedural guidance has been formalised (Annex 13) and issued to all staff with regular audits undertaken to test effectiveness. This guidance requires further development and this is already underway in conjunction with colleagues from IT and based on BS 7799 Ten Key Controls.

- 3.11 Central Team keep a record of system output reports which lists reasons for report, frequency of report and designated officer(s) who action these reports (Annex 14).

### **Security Controls**

- 3.12 Following a review of post opening arrangements, taking account of the BFI's "Good Practice Guide", new procedures have been put in place and a secure mail opening room established at the benefits section headquarters.

- 3.13 Weekly cheque run controls for payments to private tenants/landlords have been re-vamped and appropriate demarcation put in place to ensure each stage of raising a cheque run is conducted and authorised by a different officer, up to and including raising the feeder file to be sent to the Creditors section in Finance who produce and dispatch the cheques. These procedures have been approved by the Council's Internal Audit Section who will also conduct periodic systems reviews, (20 days allocated in the 2002/03 Audit Plan).
- 3.14 The Team Leader of the Private section sample checks 10 claimants on a weekly basis to ensure there is a form to back up the payment. These 10 applications are also thoroughly tested for accuracy and security and included as part of North Lanarkshire Council's 10% sample.
- 3.15 Internal Audit has drawn up and issued procedures to the Finance Department staff on the security and storage arrangements within the Creditors and Payroll sections when cheques are being prepared for dispatch.
- 3.16 Internal Audit are presently conducting a risk analysis on the cheque payment process to highlight potential risks, and re-draft procedures to eliminate any such risks.

### **Subsidy Claims**

- 3.17 The completion of recent subsidy claims has been particularly problematic for the Council due to a number of influencing factors, including the effect of local government reorganisation which presented the major challenge of harmonising five different housing benefit systems together with the integration of Council Tax Rebates, the limitations of the previous IT systems and difficulties experienced in implementing the new Sanderson unified system.
- 3.18 As a result of the considerable efforts made to address these difficulties, the position has improved dramatically and this should reduce the number of problems arising from the completion and audit of future claims.

### **Internal Audit**

- 3.19 The Council's Internal Audit Plan for 2002/3 reflects the importance placed on benefits, with planned activities on benefits exceeding the pro-rata share of the audit resource.
- 3.20 Planned activities for 2002/3 include:
- Monitoring the implementation of the BFI recommendations and 2001/2 System Review recommendations;
  - Subsidy Claim testing;
  - Sample testing of key controls and validation checks on payments reports;
  - Anti-fraud data matching, including a pilot joint exercise with South Lanarkshire Council; and
  - Regularity visits to area offices and the Private Benefits Team.

## **Section 4**

### **Conclusion**

- 4.1 In setting out the Council's proposals in response to the BFI's findings and recommendations, this report, together with the enclosed Benefits Action Plan, demonstrates the authority's commitment to raising the standard of its performance in the prevention and detection of benefit fraud and otherwise in relation to benefits administration within North Lanarkshire.
- 4.2 The Council will submit progress reports on implementation of the action plan to the BFI on a quarterly basis from June 2002.