

Councillor Dick Walsh  
Council Leader  
Argyll & Bute Council  
Headquarters  
Kilmory  
LOCHGILPHEAD  
PA31 8RT

19 January 2017

Dear Dear Councillor Walsh

### **HOUSING BENEFIT FRAUD INVESTIGATION LIAISON ARRANGEMENTS IN SCOTLAND**

Please find enclosed a copy of the above report which was endorsed by the Accounts Commission on 8 December 2016 and [published](#) today. The report advises of the outcome of a recent Audit Scotland review of housing benefit fraud investigation arrangements between local authorities and the Department for Work and Pensions (DWP) since the responsibility for Housing Benefit (HB) counter-fraud work transferred from local authorities to DWP's Fraud and Error Service (FES) from July 2014.

The review of HB investigation liaison arrangements was completed as part of Audit Scotland's HB risk assessment process.

The Local Government in Scotland Act 2003 introduced statutory duties relating to Best Value and Community Planning. The key objective of the review is to determine the extent to which benefit services are meeting their obligations to achieve continuous improvement in respect of HB counter fraud activities. Information for this review was gathered from both council and DWP officers.

The DWP recently estimated that overpayments of HB due to fraud and error increased between 2014/15 and 2015/16 from 5.3% to 6% of HB expenditure. This amounts to a rise in monetary terms from £1.28 billion to £1.46 billion, the highest rate recorded.

The review identifies that there is generally good liaison between local authorities and FES, particularly where the local authority previously employed the investigator. However, the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as:

- potentially fraudulent claims are not always being dealt with appropriately
- fraudulent claimants are not always being subject to sanction or prosecution action
- fraudulent overpayments are not consistently being created and recovered, where appropriate
- performance against the UK performance indicators is not being routinely recorded, monitored, and reported by FES or local authorities.

As there is no standard approach for local authorities to record and monitor the progress of fraud referrals sent to FES, there is a lack of management information nationally and locally to:

- measure the outcomes from local authority fraud referrals
- determine the effectiveness of the fraud referral process against UK performance indicators
- help identify and resolve recurring issues
- highlight good practice.

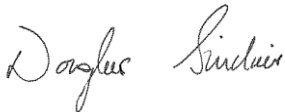
The Commission is of the view, therefore, that there remains scope for improvement in this vital area of public interest. Nevertheless, the report concludes that despite the significant issues identified, DWP and local authorities in Scotland are committed to delivering process improvements and to implementing a structured and regular approach to local liaison. These activities include the establishment of the HB Fraud Issues Progression Group as a forum to discuss, prioritise and resolve issues and the commissioning of the DWP Performance Development Team to review the end-to-end fraud referral process and the issues associated with the rollout of FES.

We hope that your council will find the report helpful in providing an insight into fraud investigation arrangements and examples of practices that may be of interest to your council in striving to deliver continuous improvement.

We are also sharing the report with DWP and I have copied this letter to your Chief Executive and the Chair of your audit committee.

If you have any questions or concerns about the report, please contact Anne Cairns in the first instance on 0131 625 1926 or by email at [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk).

Yours sincerely



Douglas Sinclair  
Chair  
Enc.

cc. Chief Executive, All Councils  
Chair of Audit Committee, All Councils