

## **Appendix A**

# **FLINTSHIRE COUNTY COUNCIL RISK BASED VERIFICATION (RBV) POLICY RESTRICTED**

## **Background**

Department for Work and Pensions (DWP) Circular S11/2011 paragraph 14. directs that effective from 1st April 2012 each Local Authority opting to apply RBV will be required to have in place a RBV Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked.

The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement or recommendation. The DWP have determined that information held in this Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.

## **Purpose of the Policy**

The purpose of this policy is to specify how Flintshire County Council's Benefit Service will operate the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness.

The main objectives relating to the policy are as follows:

- Understand the impact of the risk scores in terms of the likelihood of fraud and error being present
- To highlight the efficiencies being targeted from the implementation of RBV
- Setting out and initiating the required process changes in support of the risk score
- Outlining the base line position in relation to the current level of fraud and error that exists at the claim gateway
- How checks and balances will be introduced into business as usual processes
- Performance reporting implications

## **The Risk Profiles**

Flintshire County Council Benefits Service will from 1<sup>st</sup> August 2014 implement a 'risk based' approach to Verification principles employed at the New Claim stage. This secures the gateway to benefit placing the onus on the claimant to provide prescribed levels of documentation in support of any claim and directs the assessment officer to employ elevated levels of scrutiny in those cases which represent the highest risk of fraud or error.

The Council will be using Coactiva's Risk Based Verification software which is integrated with the benefit processing software.

When the Benefits Service receives a new claim the claimant's household and financial details are captured electronically and a risk score profile is sought.

Profiles are determined by a propensity model; a mathematical formula which uses historical outcome data to establish the likelihood of fraud and error appearing in any given claim. Each benefit claim is analysed by the risk score software to identify if any of the characteristics associated the occurrence of fraud and error are present. Likelihood is expressed by a risk category of High, medium or low risk'.

This risk algorithm has been developed to identify the likelihood that fraud and error exists in a claim as it is made at the Local Authority. This has been built using historical local authority data and its performance validated across a number of local authorities.

The risk framework which is embedded in the IT solution is shown below:

Risk Score	Risk Level	Distribution of Risk across claims	Likelihood of error being present in claim
1	<b>HIGH</b>	21%	27%
2			
3			
4	<b>MEDIUM</b>	27%	11%
5			
6			
7			
8	<b>LOW</b>	52%	3%
9			
10			
11			
12			
13			
14			
15			

Upon receipt of a claim benefits staff will apply different processes with regards to verification based on the risk score returned on a case by case basis.

One of the following options will be immediately provided back to the benefits Assessor:

### **Low Risk –no verification required**

On the basis of the risk algorithm outlined above, circa 52% of claims received will be low risk. In this circumstance only essential Identification and NI checks are made.

There is circa 3% chance in this risk category that fraud and error could enter the system at the claim gateway, this is deemed to be acceptable in line with DWP guidelines.

### **Medium Risk –Current verification regime**

Circa 27% of claims will be deemed to be medium risk. In this circumstance these claims will be verified in the same way as they are currently.

There is circa 11% chance in this risk category that fraud and error could enter the system at the claim gateway.

### **High Risk –Current verification plus additional checks**

Circa 21% of claims will be deemed to be high risk. In this circumstance these claims will require additional checks to be made on top of the normal checks currently undertaken.

There is circa 27% chance in this risk category that fraud and error could enter the system at the claim gateway, this will lead to fraud and error being identified at the claim gateway, thus minimising subsequent overpayments and collection costs.

In the event that the Coactiva Risk Based Verification software is ever unavailable all claims processed during a downtime period will be treated as medium risk with full verification being requested and no easement will be allowed. (Default, medium risk)

### **The Verification Standards**

Flintshire County Council Benefits Service will adopt the following verification standard according to the risk score:

**Low Risk Verification Standard:** If the score comes up as low risk and the claimant is on a pass-ported benefit; the Benefits Service will only need verify the pass-ported benefit. If the claim is a standard case we need only verify ID/NINO.

**Medium Risk Verification Standard:** current full verification of evidence is required for all claims scored as medium risk.

**High Risk Verification Standard:** current full verification plus a high risk telephone interview or if required a personal office or home interview with the claimant recorded in writing and held on our Anite document imaging system.

The exception to this is In and Out of Work (IOW) cases or Rapid Reclaims (RR) that come back as high risk. In these cases treating the claim as High Risk defeats the object of either the IOW project or Rapid Reclaim process. If we receive an APPSOM2, APPCMS or Rapid Reclaim and obtain a High risk score these will be treated as medium risk.

**The minimum number of claims to be checked**

All new claims are risk scored and processed under relevant verification standard. The Benefit service expect a minimum 50% of these to be returned with a risk score of 'low'

**The Robust Baseline against which to record the impact of RBV**

A key component of this policy is to create a robust baseline of existing fraud and error. This base lining work will be carried out on prior to introduction of RBV

Low risk sample: number of errors divided by number of claims in sample = low sample detection rate (%)

High risk sample: number of errors divided by number of claims in sample = high sample detection rate (%)

To determine the baseline

Low risk claims	x	Low risk sample rate	=	Expected errors in low risk
High risk claims	x	High risk sample rate	=	Expected errors in high risk
Medium risk claims				Actual errors
Total expected and actual errors	/	Total claims	=	Baseline detection rate

The Coactiva RBV solution uses a system of blind sampling to establish on-going performance baseline of fraud and error detection at the gateway. If evidence is retrospectively gathered and checked after the claim has been risk scored and assessed the checker may be influenced by the risk score and results may be skewed. Retrospective checking may also introduce other variables which may compromise the results. The supplier of our IT solution will automatically select 4-5% of cases that will be deemed to be a 'blind sample'. The blind sample will, without the knowledge of the claim processor

present this randomly selected group of claims as having a higher level of risk than that calculated by the risk model itself . Blind sampling removes variables and any bias. A small percentage of high and low risk claims are returned to the assessor as medium risk. The assessor then puts the claim through the original verification process unaware of the actual risk score. Results from these samples will be used to establish the baseline error detection process:

**Performance monitoring of RBV**

Each member of staff responsible for processing claims will be trained in the use of the IT solution and the subsequent process change that will need to be implemented to support this policy has been developed prior to implementing the solution.

Our supplier will provide monthly performance reports so that we can ensure the effectiveness of the approach. The report will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each.

The report will also outline how much fraud and error has been detected in blind sample cases.

Flintshire County Council Benefit service will monitor the performance of its RBV data monthly to ensure its effectiveness. Reporting will be part of the overall Policy and will, as a minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

Below is an example of performance monitoring currently available:

Ongoing baseline using blind sample % detection rates					
		Claims Assessed	Expected Errors	Detection Rate	
	Low risk	550	17	3.0%	Blind sample detection rate
	Medium Risk	200	15	7.5%	Actual detection rate
	High Risk	250	30	12.0%	Blind sample detection rate
	Total	1000	62	6.2%	Calculated Baseline

### **Policy review**

The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It should be read in line with the *Standards of Evidence document* available within the benefit service.

This policy must be reviewed annually but not changed in-year as this would complicate the audit process.

## **FLINTSHIRE COUNTY COUNCIL RISK BASED VERIFICATION (RBV) POLICY**

### **Signed as approved**

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Section 151 Officer

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Cllr B Mullin

Lead Member for Corporate Management...