

FROM: Audit and Risk Manager

SUBJECT: Administration of Housing
Benefit and Local Council
Tax Reduction

TO: Head of Finance
Benefits and Fraud Manager

DATE: 5 July 2019

C.C. Chief Executive
Deputy Chief Executive (AJ)
Portfolio Holder – Cllr Richard
Hales

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Local authorities continue to administer housing rent benefit for limited categories of claim with resourcing from central government subsidy while the migration to Universal Credit remains in a transitional state. Latest predictions indicate migration of all new claims by 2021 and ultimate completion of the migration process by the end of 2023.
- 2.2 In accordance with requirements under the Localism Act 2011, the Council has adopted and maintains under review its own scheme for determining eligibility for council tax reliefs which are incorporated into the council tax billing process. This includes central government provisions on eligibility for pensioners.
- 2.3 Based on budget projections, approximately £25 million is expected to be paid by Warwick District Council in housing benefit in the current financial year. Reliefs granted under the adopted Council Tax Reduction Scheme are expected to total in the region of £6.5 million in the year.
- 2.4 While the two types of relief are subject to separate umbrella frameworks in legislative and financing terms, the processes for administering them day-to-day have not changed greatly except for the advent of, and ongoing enhancements to, digital application and assessment solutions.

- 2.5 Claimants in the categories not yet captured by the Universal Credit migration can still claim both local council tax reduction (LCTR) and housing benefit in a single application. While the eligibility and calculation criteria remain largely harmonised between the two reliefs, some detachment in the finer detail for LCTR-only claims became evident in the course of the audit (a profile analysis showed that these account for approximately 70 per cent of all new claims).
- 2.6 Along with continuing migration of new claims to Universal Credit, other noted changes since the last audit include:
- discontinuation of the Risk Based Verification Policy;
 - replacement of the former externally hosted e-form service with an in-house process integrated with the Civica benefits application;
 - advent of a fast-track approach to determining LCTR entitlements for claimants on Universal Credit and the introduction (in April 2019) of a banded scheme for these claimants in April 2019;
 - implementation of an interface to HMRC Real Time Information (RTI) data enhancing means of verifying household income.

3 **Scope and Objectives of the Audit**

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of controls for the determination of entitlement to housing benefit and council tax reduction in accordance with the national framework and local scheme respectively.
- 3.2 While the usual cyclical approach applying elements of CIPFA Systems-Based Auditing Matrices has been followed, it was noted that test programmes within the CIPFA Matrices represent operating environments that pre-date the Local Housing Allowance Scheme as well as the subsequent welfare reform agenda. Some judgement has had to be used in applying, prioritising and adapting the programme based on the assurance objectives.
- 3.3 The areas covered under this examination come under the 'Administration' and 'Assessment' modules. Evidential testing has focused on the following themes with much of the emphasis on verifying adherence to the traditional DWP evidence standards:

Administration

- Policies and Procedures
- Staff Training and Awareness
- Service Accessibility
- Benefits Documentation
- Receipt of Claims and Supporting Information

Assessment

- Claims and Supporting Documentation
- Liability, Residency and Identity
- Income
- Capital
- Households and Non-Dependents.

3.4 The findings are based on discussions with Andrea Wyatt (Benefits and Fraud Manager) along with examination of relevant documents and, where appropriate, data analytics. Samples for testing have concentrated on the most recent new claims processed from December 2018 to April 2019 to reflect the latest stages of the Universal Credit migration and the discontinuation of the risk-based verification formalities.

4 Findings

4.1 Recommendations from previous report

4.1.1 The previous audit covering the Administration and Assessment modules was undertaken in July 2017 with a single recommendation reported concerning standards of documentation supporting the risk-based verification process. In view of the discontinuation of the aforementioned Policy, the issue raised is no longer deemed relevant.

4.2 Administration

4.2.1 It has been confirmed from discussions, documentary evidence and testing that:

- the administrative processes are supported by appropriate internal procedure documentation in electronic form, system training manuals and authoritative online reference resources accessible to all Benefits staff;
- arrangements for staff development, training and awareness promotion are appropriate;
- facilities in place to secure accessibility for claimants in line with equality standards are appropriate;
- claim forms and related information resources are appropriate for purpose;
- arrangements for receiving and acting on claims and related enquiries are appropriate for purpose.

4.2.2 From analysis of recent claims, online e-form applications continue to account for around two-thirds of all claims. In view of the aforementioned changes to the e-form and related interfaces, testing by completion of dummy online applications undertaken in the previous audit was repeated for the current e-form.

4.2.3 This was found straightforward to use and meets the traditional test criteria for content and declaration requirements. A technical issue was experienced on a test e-form in the scenario of a third party declared as completing the form on behalf of the claimant and this was reported to the Principal Benefits Officer (no known incidences could be recalled of any similar issues experienced on 'live' applications).

4.2.4 On the area of data security in the context of the Benefits service, it is noted that a retention schedule has been compiled in accordance with corporate GDPR compliance policies and implementation of a software product to manage data retention in the Civica application is being explored.

4.2.5 On closer inspection, the retention schedule appeared incomplete in its coverage of housing benefit and LCTR data. This has been raised with the Benefits and Fraud Manager to be followed up.

4.3 **Assessment**

4.3.1 The test programme under this module has traditionally considered staff awareness in terms of acceptable conduct. The corporate framework and declaration requirements specific to users of the Civic system are unchanged from the previous audit and reference to the declaration forms, along with data match testing, revealed no issues.

4.3.2 Tests on individual new claims mainly used a random sample drawn from new claims dating from 1 December 2018 that were either pending or in payment at the time of the audit. Observations from the testing overall showed the claims to be properly constituted on valid forms supported by clear scanned document images, the only reservation being the clarity of photographed images of supporting documents taken on home visits.

4.3.3 In some instances, figures supporting declared capital amounts were not always discernible from the images, although visible print patterns were sufficient to rule out any significant variation of the amounts in these cases.

Risk

Declared income, capital, etc. for claims may not be verifiable to acceptable standards.

Recommendation

Management should review facilities for capturing document images on home visits to ensure acceptable clarity of information supporting claims.

4.3.4 The new streamlined approach to LCTR-only claims is triggered by incoming Universal Credit Notices transmitted electronically by the DWP. Where these relate to households liable to council tax but not currently in receipt of LCTR, the Benefits service can work proactively to determine LCTR entitlement without requiring a formal application from the liable person(s).

4.3.5 Observations from the sample showed some of these Notices coinciding with claim applications which would be processed in the usual manner. Where there was no accompanying application, a standard letter would be generated requesting the Universal Credit claimant's signed permission to use the information to assess LCTR entitlement and further processing held pending return of the signed permission.

4.3.6 Until recently, this was believed to be necessary to comply with the GDPR. It was revealed in subsequent discussion, however, that this permission request correspondence has been discontinued on the basis of DWP advice that the requisite permission is already covered in the sign-up to Universal Credit.

- 4.3.7 Only three cases in the aforementioned sample were initiated from Universal Credit Notices without accompanying applications, but inordinate processing delays were evident for all three. On further examination, and following discussion with the Benefit and Fraud Manager, these are attributed to a more general processing backlog rather than any workflow management issues specific to this type of claim.
- 4.3.8 The above three cases were the exception in the context of the wider sample. The remainder, from paper and online application forms, were typically determined within three working days of receipt of all requisite information. In the more protracted cases, there were explainable factors including referral for senior officer consideration and dependency on Housing Services for completion of tenancy succession formalities.
- 4.3.9 The remainder of the audit testing was devoted mostly to confirming that the key information elements making up new claims are properly verified to supporting evidence in accordance with the traditional DWP standards. This was done by tracking those elements from a selection of claims to the linked supporting records within the electronic document management repository, supplemented by data exception and duplicate testing where appropriate using the HBMS extract.
- 4.3.10 Individual case testing on the identity, residency and liability elements used the aforementioned profile sample while separate extractions were drawn from the new claims within the aforementioned time range for capital and certain components of income.
- 4.3.11 The outcomes of these tests overall proved satisfactory for assurance purposes, subject only to isolated anomalies which have been referred individually to Benefits for follow-up. Those with potentially significant implications for the respective claims (or related relief) were:
- non-dependent member of a household declared where single occupant discount has been applied;
 - failure to notify a change in circumstances in connection with a declared company directorship (shown on the Companies House Register to have been dissolved in February 2019).
- 4.3.12 Other instances that did not have significant implications were:
- two claims where proof of capital appeared incomplete (statement for secondary bank account could not be located in each case);
 - deduction of full occupational pension contributions in earnings calculation instead of regulation 50 per cent (historic only in this case as subsequently awarded Universal Credit).
- 4.3.13 A brief examination and sample test with reference to system reports and spreadsheet exports confirmed that active processes are in place to periodically review the status of dependents household members over eighteen years of age.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the administrative and assessment processes for operating the Local Council Tax Reduction Scheme and residual Housing Benefits are appropriate and working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

5.3 Minor issues have emerged from testing under the Assessment module and a single recommendation made along with descriptions of isolated anomalies as informal advisories.

6 **Management Action**

6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Administration of Housing Benefit and Local Council Tax Reduction - June 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3	Management should review facilities for capturing document images on home visits to ensure acceptable clarity of information supporting claims.	Declared income, capital, etc. for claims are not verifiable to acceptable standards.	Low	Benefits and Fraud Manager	There are sometimes problems with how the images upload into Civica. As a back-up the visiting team retain these in their own personal folders for a period of time so that if the assessors have a problem reading the document they can request a copy. The Recovery Manager, Council Tax, manages the visiting team and has advised that this issue has already been highlighted and is suspected as user error for which further training will be provided.	30/07/19

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.