

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Finance Services  
Benefits and Fraud Manager  
**C.C.:** Chief Executive  
Deputy Chief Executive (AJ)

**SUBJECT:** Administration of Housing  
Benefits and Council Tax  
Reduction

**DATE:** 28 June 2013

---

### 1. INTRODUCTION

- 1.1. In accordance with the Audit Plan for 2013/14, Ian Wilson, Senior Internal Auditor has completed an examination of the above subject area and this report presents the findings and conclusions for information and action where applicable.
- 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. SCOPE AND OBJECTIVES OF AUDIT

- 2.1. The purpose of the examination was to report a level of assurance on the adequacy of controls for determination of entitlement to housing benefit and council tax reduction in accordance with the national framework and local scheme respectively.
- 2.2. The usual cyclical approach applying elements of CIPFA Systems-Based Auditing Matrices has been followed, in this case using the Assessment module and focusing on claims processing. The scope of assessment and testing covered the following areas:
- § Policies and Procedures
  - § Claims and Supporting Documentation
  - § Liability, Residency and Identity
  - § Income
  - § Households and Non-Dependents
  - § Rents Payable
- 2.3. The findings are based on discussions with Benefits staff, examination of relevant documents and, where appropriate, data analysis. Samples for testing have drawn from new claims received from 1<sup>st</sup> April 2013 to date. It is emphasised the purpose of tests on data and sample claims was to gain due assurance that requisite procedures and standards are complied with and should not be taken as giving any assurance as to the actual level of error or incidence of irregularities.

2.4. The principal contact for audit was Andrea Wyatt, Benefits and Fraud Manager.

### 3. FINDINGS

#### 3.1 Developments in Benefits Administration

3.1.1 From 1<sup>st</sup> April 2013, two key outcomes from the Governments's Welfare Reform programme came into force:

- localised council tax support schemes replacing council tax benefit;
- social sector size criteria for rent benefit.

3.1.2 Warwick District Council has approved a Council Tax Reduction (CTR) Scheme for 2013-14 based on the national model criteria (essentially unchanged from those for council tax benefit), while a project is in place to devise a Scheme from 1<sup>st</sup> April 2014 that meets spending reduction targets. A project governance framework has been established (at the time of this report, preparations for consultation on a draft scheme are in progress with involvement of Corporate Management Team).

3.1.3 Details of the Council Tax Reduction (CTR) Scheme are published on the Council's website with instructions on how to apply.

3.1.4 The second development mentioned above entails a potential reduction in benefit for council and other social housing tenants classified as under-occupying their residences (in similar fashion to how the Local Housing Allowance is applied for private tenants). In preparation for this, existing claimants in Warwick District likely to be affected were identified prior to implementation and notified. It was reported that only a small number of claimants was involved.

3.1.5 In spite of the above developments, the claims process is essentially unchanged beyond a newly designed combination claim form having been introduced.

#### 3.2 Policies and Procedures

3.2.1 It was reconfirmed that the processes are supported by a combination of internal procedure documents in electronic form, system training manuals and on-line reference resources available to all Benefits staff. Published guides in book form are also held for reference.

3.2.2 It was also confirmed from enquiry that requirements under the Employee Code of Conduct in respect of personal interests are met. This has been integrated into the wider written declaration requirements in place for system users.

3.2.3 Data matching tests within benefit records and between benefit and human resource records did not reveal any indications of any conflict of interest among Benefits staff (employed and agency).

3.2.4 Procedures for actioning and independent checking of parameter updates were confirmed in place for the current financial year.

### 3.3 Claims and Supporting Documentation

3.3.1 It was confirmed from verbal enquiry and reference to Civica system displays that regular and appropriate management information is produced to support monitoring of workloads and manage staff performance.

3.3.2 Testing used a sample of new claims selected across all claim types (CTR-only, Council tenant (HRA and non-HRA) and private tenant. Examination of these confirmed that claims are properly constituted with correct forms used and requisite supporting documentation obtained before assessing them.

3.3.3 It was noted that data protection issues were raised where claims are made on old forms or on electronic forms from the Department of Work and Pensions (Local Authority Input Documents). This related to the validity of data subject consent to use of information for CTR assessment as it is not a national welfare benefit. In such cases a supplementary consent form is used requiring the claimant's signature.

3.3.4 The majority of CTR-only claims processed up to the time came in on the old forms – signed consent forms were found to be present in all these cases (as were those on Local Authority Input Documents).

3.3.5 Examination of the 'workflow' suite in respect of the sample claims showed correct and duly legible document images. The attached documents appeared to be complete except for one isolated case where a significant bundle of documents was missing (this has since been actioned). The scanning source of each document is identifiable from a history log within the system.

### 3.4 Liability, Residency and Identity

3.4.1 Checks on the sample of claims selected confirmed that established procedures ensure effectively that adequate evidence of residency, liability and identity is produced in support of claims.

3.4.2 Person data matching on a full HBMS extract did not show any significant anomalies (four cases of claimants still recorded as non-dependents at other addresses were referred for investigation). Matching to council tax records did not reveal any 'live' claims in respect of void properties.

### 3.5 Income and Capital

- 3.5.1 Checks on the sample confirmed that requisite proofs of income (all applicable types) and capital are supplied, although with some exceptions. Some instances of tolerance have been seen to be exercised where proof of earnings fall short of the requisite standard – e.g. only four weeks' supplied or break in period sequence. The capital amounts and disregards, where qualifying, were correctly applied in all sample cases.
- 3.5.2 Earnings calculations were mostly shown correct, the exceptions being:
- § a self-employed earnings assessment found to have major errors resulting CTR awarded greatly in excess of entitlement;
  - § employment earnings understated in one cases due to use of taxable earnings totals on payslips as gross pay where there are employer pension scheme deductions.
- 3.5.3 Both these cases have been referred for corrective action. In view of the self-employment assessment error case, all other new claims from 1<sup>st</sup> April 2013 with self-employment earnings were extracted and checked with no further errors. The claim with errors discovered is therefore deemed an isolated case.
- 3.5.4 Although the claim with occupational pension deductions from earnings was the only such claim in the sample, it is seen as indicative of a possible misunderstanding of the distinction between 'taxable pay' and 'pensionable pay' on payslips where there are pension deductions.

#### ***Risk***

***Earnings in cases where occupational pension deductions arise may be understated due to incorrect interpretation of taxable pay totals as gross pay.***

#### **Recommendation**

**Benefits staff should be briefed on correct extraction of gross pay from payslips which include occupational pension contribution deductions.**

### 3.6 Households and Non-Dependents

- 3.6.1 Checks on the sample showed valid evidence obtained to support constitution of household and dependent status (where applicable) in all cases.
- 3.6.2 From observations incidental to testing, procedures are seen as generally effective in ensuring the single person discount is withdrawn on council tax accounts when household changes invalidating entitlement become known in Benefits.

- 3.6.3 Data matching tests on a full HBMS extract of current claims to council tax accounts showed a small number of such cases which had not evidently been picked up (referred for investigation). The test also showed a small number of dependents input as non-dependents (also referred).
- 3.6.4 Data match testing was also used to identify cases where the claim households qualify for single person discount but no discount is deducted. This produced an output upward of 500 households with wide-ranging profiles (e.g. claim history, age of claimant, etc). At the time of post-audit consultation, the Benefits and Fraud Manager was progressing with checks on the cases in question and had established that a proportion were valid and that the true number of anomalous cases is probably nearer 400.

**Risk**

***Council Tax Reduction is significantly overpaid due to failure to apply single person discount in eligible cases.***

**Recommendations**

- (1) Procedures should be reviewed to ensure that eligible claimants have single person discount deducted before being assessed for Council Tax Reduction.**
  - (2) The data test output cases should be investigated and single person discount applied to those claim households found eligible.**
- 3.6.5 Tests on the sample showed that adequate evidence is obtained to support correct processing of non-dependents.
- 3.6.6 Reports are run monthly from the system showing all persons in claim households approach the age of 18 years. Most significant are dependents who become non-dependents and thus potentially carry a non-dependent deduction on claim. However, checks on persons listed in two recent reports gave a mixed picture of the extent to which these are followed up with approximately half those listed actually showing any evidence of action taken. These tend to show other changes in circumstances that coincide with the birthday events and may be have been allowed to overshadow them rather than combining with them.
- 3.6.7 That said, the vast majority of those that were followed up stayed as dependents on proof of continuing full time education and receipt of child benefit being provided.

**Risk**

***Benefit and/or Council Tax Reduction is overpaid through failure to apply non-dependent deduction.***

**Recommendation**

**Procedures for tracking dependents becoming non-dependent (actual and potential) should be reviewed.**

3.7 Rent

3.7.1 Testing confirmed proper proofs of rent are obtained and only rent valid amounts are posted as eligible rent in the system. A test on all new under-25 private tenant claimants from 1<sup>st</sup> April 2013 showed application of the shared rate of Local Housing Allowance in all non-exempt cases.

4. CONCLUSIONS

4.1 Overall the systems and controls stand up well to the in-depth scrutiny of the CIPFA model and provide SUBSTANTIAL assurance that the Council is not overly subject to material risk exposures against its objectives for administration and assessment of housing benefit and council tax reduction.

4.2 Some minor areas for attention arisen from the examination.

5 MANAGEMENT ACTION

5.1 Recommendations incorporated to address these areas are reproduced in the appended Action Plan for management response.

Richard Barr  
Audit and Risk Manager