

INTERNAL AUDIT REPORT



FROM: Audit and Risk Manager **SUBJECT:** Internal Audit of Housing Benefit and Council Tax Reduction (Payments and Overpayments sub-systems)

TO: Head of Finance **REF:** SC/BEN

C.C. Chief Executive **DATE:** 13 November 2014
Benefits and Fraud Manager

1 Introduction

- 1.1 As part of the 2014/2015 Audit Plan an audit was undertaken recently on the systems and procedures in place to manage certain aspects of the Housing Benefit and Council Tax Reduction System.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2 Scope and Objectives of the Audit

- 2.1 The audit reviewed the controls in place over the processes for making payments and reclaiming and stopping overpayments. The approach to the audit was to ascertain and evaluate the controls in place by applying the CIPFA Control Matrices for these subsystems on the Housing Benefits and Council Tax Reduction System. These basically comprise internal control questionnaires which are completed following a discussion with the main audit contact and are designed to identify any control weaknesses. These are followed by the completion of a set of compliance tests that are linked to the ICQs.
- 2.2 There is a phased approach to the audit of Housing Benefits and Council Tax Reduction System with the aim being to cover all of the modules over a three year cycle. On this occasion the payment and overpayments modules were applied.
- 2.3 The expected controls under these two modules are categorised into the following areas:

Payments:

- Policies and procedures
- Payments including those to landlords
- Checks and reconciliations
- Performance
- Security of data

Overpayments:

- Policies and procedures
- Identification and calculation
- Recording and notification
- Recovery
- Reduction and write off
- Performance
- Security of data

2.4 On the 29th September 2014 the Council was notified that Universal Credit will be rolled out to all jobcentres and Local Authorities from February 2015. This is part of the Government benefits reform programme and will meet the aim of simplification of the benefits system as new claims to legacy benefits will close from 2016 with migration to Universal Credit to follow thereafter.

3 Background

3.1 The management of Housing Benefits and Council Tax Reduction System is undertaken by staff in the Benefits Division of Finance. There are currently 16 staff equating to 13 fte.

3.2 The Council expenditure on Housing Benefit is £31 million which is funded by grant. In addition the Council receives £653k as grant subsidy to operate the Housing Benefits service.

3.3 The Council Tax Reduction Scheme costs approx. £7 million in 2014/15 with Warwick District Council's share being approx. 10%. The remainder is shared across the other precepting bodies, most significantly the County Council and Police.

3.4 Housing Benefits and Council Tax Reduction transactions are processed through the "Civica" system. This has changed little in recent years and, coupled with fairly settled, knowledgeable and experienced staff, a stable working environment exists.

4 Findings

4.1 Based on the examination of the aspects of Housing Benefits and Council Tax Reduction referred to above the audit found that there are sound systems and procedures in place to manage Housing Benefits and Council Tax Reduction. This is consistent with previous audits where there are either no recommendations or there are recommendations of a relatively minor nature.

4.2 The findings are summarised below under the headings:

- Policies and procedures
- Data security
- Checks and reconciliations
- Payments

- Overpayments

4.3 Policies and Procedures

- 4.3.1 The Council's own guidance such as the Financial Code of Practice etc. are all available to staff on the Council intranet (WaSP – Warwick Staff Portal). It was confirmed that legislative guidance is held by the Benefits and Fraud Manager such as the Statutory Instrument 2006 No.2013 – Social Security – The Housing Benefits Regulations 2006, which came into force on the 6th March 2006. This is the main legislation for Housing Benefits.
- 4.3.2 The service has a subscription to a Housing Benefit information website (hbinfo.org). An internet search established that the latest benefits circular issued was A15/2014, which was published on the 24th September 2014. Testing confirmed that circular A15/2014 is available on the hbinfo.org website.
- 4.3.3 The Benefits and Fraud team have and plan to continue to work with Rugby Borough Council on sharing training costs, although it is offered to all District and Borough Councils within Warwick, through the periodic Head of Benefits meetings.
- 4.3.4 From the training record and discussion it was established that recent training included:
- Claimants from overseas: 2 staff – Jan 2014
 - Refresher training Claimants from overseas: All staff – April 2014
 - Debt advice for non-debt advisors: CAB – Dec 2013
 - Universal Credit: All staff – Sept 2013
 - Data Protection: Senior Assessment Officers - Jan 2014

4.4 Data security

- 4.4.1 This aspect of the audit is covered periodically during audits of the Civica application controls and reviews of Information Governance and Data Protection so it was not examined in detail.
- 4.4.2 Discussion and observation determined that security of hard copy data is not an issue as, as apart from current working documents, virtually all data is held electronically within Civica.
- 4.4.3 It was confirmed that benefits staff sign an accessing data protocol which includes a confidentiality clause and also a declaration of interest clause. The declaration of interest confirms they have no financial interest in any Housing Benefit matter at Warwick District Council either as a claimant or a landlord.

4.5 Checks and reconciliations

- 4.5.1 Daily reconciliations are undertaken on the Council Tax benefits awarded and that posted on the Council Tax system. All current cases are run

once budgets are agreed and the precepts are known as in that way those entitled to Council Tax benefit have it shown on their 2014/15 Council Tax bills. Testing confirmed that the transactions within the two systems reconcile at the date of this review with a value of £6,551,067.21.

- 4.5.2 There is a similar reconciliation on the Housing Benefit paid out and transferred to Council Rent Accounts. Testing confirmed that the transactions within the two systems reconcile at the date of this review with a value of £7,021,659.10.
- 4.5.3 The third element of the reconciliation is the value of payments made to third parties; both claimants and landlords. Testing confirmed that the transactions posted within the "Civica" system match the payments created export file. These reconciled at the date of this audit review with a value of £9,444,102.63.
- 4.5.5 It was established that the Systems Office undertakes these reconciliations and this provides effective segregation of duties from the Benefits Team who assess and maintain the records that generate the payments due.

4.6 Payments

- 4.6.1 The number of cheques processed is now approximately 40 per month and this is reducing and only in very exceptional cases would a new claim be added as a cheque payment. There have been no new claims paid by cheque set up in 2014/15.
- 4.6.2 No payments are made in respect of Council Tax reduction, the Reduction is a posting on the individual's Council Tax account. Sample testing confirmed that Council Tax Reduction claims had only been made in accordance with the approved policy and the Reduction had been correctly transferred to the Council Tax system.
- 4.6.3 Since 7th April 2008 direct payments to Landlords are only made in certain circumstances and the majority of claims are paid direct to the claimant. Housing benefit claims paid to the Landlord pre 2008 are still paid direct to the landlord. Sample testing confirmed payment had only been made direct to landlords in the appropriate circumstances, e.g. the tenant was over 8 weeks in arrears.
- 4.6.4 All benefits correspondence, whether to claimant or landlord, contain the contact details of the Council's contact centre, which is the initial single point of contact across the Council's services. All correspondence contains a detailed note on notification of change of circumstances which may affect a claimant's eligibility.

4.7 Overpayments

- 4.7.1 There is a clear strategy to minimise overpayments:

- There is clear change of circumstances wording
- Change of circumstances can easily be reported by phone (Call Centre), e-mail or personal visit to the Office
- Claims are suspended if evidence is required
- There is an urgent workstream queue on the "Civica" system, with Customer Services (the Call Centre) and the Document Management Centre (the Post Room) having been trained in what should go in the urgent work queue examples include change of address.

There is effective liaison with landlords (these are mostly social landlords as very few new landlords are added with claimants being paid direct now).

- 4.7.2 Where possible overpayment recovery is taken from current claims payments in weekly instalments if a valid claim is still being paid. If there is no longer a valid claim a debtors account is raised for immediate repayment and the chasing of the debt is then the responsibility of the Accounts Receivable team.
- 4.7.3 Council Tax benefit recovery is posted back to the Council Tax account and that would be subject to standard recovery action in accordance with standard Council Tax recovery arrangements.
- 4.7.4 Debt recovery on the Accounts Receivable system and through the Council Tax system are dealt with by the Recovery Team within Exchequer and they have no involvement in any debt write-off.
- 4.7.5 A sample of recoveries was tested and this confirmed that recovery of the sum due was in progress through:
- instalment payment from benefit in payments
 - raising of a debtors account

5 Conclusion

- 5.1 Based on the aspects that were examined the audit concluded that there are sound systems and procedures in place to manage the Council's Housing Benefits and Council Tax Reduction functions.
- 5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

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