

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Housing Benefit and Council Tax Reduction (Discretionary Housing Payments)

TO: Head of Revenues and Customer Services

DATE: 17 September 2021

C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Benefits and Customer Services Manager
Portfolio Holder (Cllr Matecki)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 A Discretionary Housing Payment (DHP) is financial support towards housing costs paid by a local authority when they are satisfied that the claimant needs more help with housing costs and is currently claiming either housing benefit or universal credit with housing costs towards rental liability.
- 2.2 The DHP is intended to cover shortfalls between household income and expenses with discretion being given to the local authority as to how they administer the funds provided. The Council has a policy in place that sets out (in general terms) how the funds are to be administered.
- 2.3 An annual amount is provided to the Council by the DWP, although the funding has been split into two tranches this financial year. The Council also has discretion to top up this amount from its own funds.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The audit was undertaken to test the management and financial controls in place. This was achieved through a 'risk-based audit' approach whereby key risks are identified and then processes are assessed to provide assurance that

the risks are being managed effectively. This approach has been in place only since the start of this financial year following an external review of the function.

3.2 In terms of scope, the audit covered the following risks:

- The Council does not appropriately manage the budget provided by the DWP for Discretionary Housing Payment
- Unidentified changes to Universal Credit result in overpayments of Discretionary Housing Payment
- The Council's Discretionary Housing Payment scheme does not comply with guidance from the DWP
- Claims of discrimination over the refusal of Discretionary Housing Payment applications
- Benefit (including Discretionary Housing Payment) is paid in excess of entitlement on the strength of false representation or wilful failure to disclose changes in circumstances.

3.3 These were identified during discussion between the Principal Internal Auditor and the Benefits and Customer Services Manager (BCSM).

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- External – People strand re Health, Homes & Communities (specifically around the benefit 'contribution' towards improved health and housing needs being met for all)
- External – Money strand re Infrastructure, Enterprise & Employment (benefits and DHPs paid being spent in the local economy & town centres).

3.5 Other risks relating to the administration of Housing Benefit and Council Tax Reduction payments as a whole, identified in the departmental risk register, were not considered for this audit, as a specific request had been made to cover DHPs which had not been covered to any great extent under the 'normal' rolling programme of reviews in this area.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The previous audit of Housing Benefit and Council Tax Reduction, undertaken in July 2019, covered specific modules of the standard CIPFA programme (administration and assessment). The recommendation made will be reviewed when the next audit of these processes is undertaken.

4.2 Financial Risks

4.2.1 **The Council does not appropriately manage the budget provided by the DWP for Discretionary Housing Payment.**

The amount of funding awarded to each council by the DWP is set out in circulars that are available from the DWP pages of the GOV.UK website.

Upon review, it was confirmed that the figures for the previous and current financial years had been correctly loaded onto CIVICA.

The budget for 2020/21 had also been correctly included on TOTAL (rounded to the nearest £100) but the budget for the current year has not been amended from last year's figure. However, the BCMS highlighted that the funding announcement for this year has been split between April and October, so the final amount to be received is not yet known.

It was also confirmed that the figures from the subsidy circulars had also been correctly included on the monitoring spreadsheet maintained by the Benefits Team Leaders (BTLs).

They confirmed that each case is assessed on an individual needs basis. The DHPs are meant to be short-term awards, with the amount awarded being determined by the shortfall between the full rent and the relevant income (including benefits or Universal Credit (UC)) although, due to COVID, there has been a tendency to award for longer periods.

The decision to be made when assessing the applications is whether to award (i.e. a shortfall has been confirmed based on the information provided) and, if so, whether this should cover the full amount of the shortfall or just be a proportion of this amount. One of the considerations when determining the amount of the award is that the funding provided is meant to cover the whole financial year, so decisions will take into account that there will be people who may be in need later in the year.

The BTLs advised that they rely on the figures on the CIVICA system to identify remaining funds when undertaking these assessments.

Testing was undertaken on a sample of DHPs awarded during the current and previous financial years to ensure that they had been appropriately assessed in line with the criteria with the payments awarded agreeing to the amount shown on the system. This proved satisfactory.

4.2.2 **Unidentified changes to Universal Credit result in overpayments of Discretionary Housing Payment.**

The Principal Benefit Officer (PBO) advised that, whilst details can be checked on the DWP's Searchlight system, no 'routine' checks are performed.

The BTL advised that a new memo has now been set up to allow for assessors to flag up changes to Universal Credit (UC), although she also highlighted that UC can change on a weekly basis, with minor changes not affecting the shortfall and the award of the DHP. However, if bigger changes are made, these will obviously affect the payments.

The Systems Officer confirmed that a specific work type had been set up that allows for staff to type relevant notes, with the memo being sent to the DHP work queue. Upon review of the system, two of these memos had been created with one referring to an overpayment and another currently outstanding.

The testing undertaken above identified one recipient that had received an amended UC award that should potentially have been reviewed to determine if the DHP was still relevant. However, this review had not been undertaken as the change to UC had not been identified at the time.

The BCSM and the PBO advised that it is up to the recipient to flag any relevant changes and reviewing all changes to UC would be extremely time-consuming. However, the BCSM suggested that sample testing on a number of changes to UC to ascertain if the changes would affect the DHP would be possible.

Recommendation

Sample testing of changes to universal credit should be undertaken to ascertain if the DHPs need to be amended.

Where an overpayment has been made, the 'debt' has to be raised through a sundry debt invoice.

As highlighted above, the sample testing of DHPs identified only one case where the DHP had been potentially overpaid, and this had not been reviewed. For the two memos raised, one is outstanding and the other was to be recovered from their rent account.

As a result, the BCSM provided a sample of sundry debt invoices that had been raised through the system to confirm that the process did operate as set out.

4.3 Legal and Regulatory Risks

4.3.1 The Council's Discretionary Housing Payment scheme does not comply with guidance from the DWP.

The BCSM advised that updates to guidance and circulars would be emailed to her and they are also all published online.

Upon review of the Council's DHP policy, it was confirmed that it is in line with the guidance. It is noted that the regulations allow for a fair degree of discretion in the interpretation of what can and can't be included under the 'scheme'.

The latest version of the Council's policy (June 2019) was reported to Executive in July 2019 and was formally agreed.

4.4 Reputational Risks

4.4.1. Claims of discrimination over the refusal of Discretionary Housing Payment applications.

The Council's DHP policy sets out general details on what can be covered and what will be taken into account, although it specifically highlights that the '... policy is not intended to define the specific situations of when we will or will not make a discretionary payment, to do so would make the policy too rigid

and may prevent payments being made where there are exceptional or unusual circumstances.’ However, it is intended to cover current needs rather than past debts.

The BTL advised that there is nothing specific recorded to show how the applications have been assessed against the criteria with the decision effectively recorded by the fact that the applications are either approved or refused.

In terms of the refused applications, there are comments included on the monitoring spreadsheets to record the reason for refusal.

The BTL advised that if an ‘appeal’ is raised against a refused application, the other Benefits Team Leader would review the application to ensure that the decision reached is appropriate. Details of the cases that have been reconsidered are also recorded in the comments column on the monitoring spreadsheets.

The outcomes of the review performed are included on CIVICA against the relevant module, either by way of details of the award or the continued refusal of the claim.

4.5 **Fraud Risks**

4.5.1 **Benefit (including Discretionary Housing Payment) is paid in excess of entitlement on the strength of false representation or wilful failure to disclose changes in circumstances.**

The BCSM advised that the two staff who deal with the applications (i.e. the two BTLs) have received fraud training and are heavily involved in dealing with Benefits too so are aware of what to look out for.

She highlighted that there had been one fraud case that had involved a DHP alongside other benefits. Upon review of the diary notes on the system and the documentation on the system workflow, it was confirmed that the case had been referred to the Fraud Investigation team as appropriate.

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 Housing Benefit & Council Tax Reduction (Discretionary Housing Payments) are appropriate and are working effectively to help mitigate and control the identified risks.

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.

Level of Assurance	Definition
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 controls that do exist.

5.3 There is one issue that requires further action:

- No regular reviews are performed of changes to universal credit to ascertain if changes would affect the DHP awards.

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 Housing Benefit and Council Tax Reduction – September 2021

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.2	Financial Risks - Unidentified changes to Universal Credit result in overpayments of Discretionary Housing Payment.	Sample testing of changes to universal credit should be undertaken to ascertain if the DHPs need to be amended.	Low	Benefits and Customer Services Manager	The Benefits and Customer Services Manager will request that the Benefits Team Leaders undertake a percentage check for accuracy. The results should be reviewed after three months to determine whether more in-depth checking is required.	Start date 01/10/2021

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.