

# INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager                      **SUBJECT:** Housing Benefit & Council Tax Reduction  
**TO:** Head of Finance                                      **DATE:** 30 June 2016  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Benefits & Fraud Manager

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 From 1 April 2013, Housing Benefits and the Local Council Tax Reduction Scheme are managed as two individual benefits, although they are still administered together.
- 2.2 The estimated Housing Benefit expenditure for 2016/17 will total approximately £29m, with 6190 current claimants.
- 2.3 The budget for the Council Tax Reduction scheme is roughly £6m for the current financial year and this is being paid to 6865 claimants.

## 3 Scope and Objectives of the Audit

- 3.1 The controls identified within the systems based audit programmes are covered over a three year timeframe to reflect the current evaluation of risk, as well as available resources. As set out below, this audit has concentrated on the controls in place regarding payments and overpayments. Controls in place within other aspects of the services provided will be covered on a rolling basis.
- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where

possible, although some reliance has had to be placed on verbal discussions with relevant staff, including the Benefits & Fraud Manager.

3.3 The objectives that have been considered as part of this audit include:

- Appropriate legislative and procedural guidance is in place and is available to adequately trained staff
- Bona fide payments are made in respect of claims received which are recorded appropriately on the system, with claimants being notified of what the payments relate to
- Transactions between different internal and external systems are regularly reconciled, with checks being performed to identify and investigate exceptions
- Overpayments are minimised but, when they occur, they are appropriately identified and calculated
- Appropriate processes are in place to recover the identified overpayments

3.4 The expected controls under the relevant matrices are categorised into the following areas:

Payments:

- (1) Policies and procedures
- (2) Payments – general
- (3) On account and discretionary payments
- (4) Landlord payments
- (5) Notifications and payments dispatch
- (6) Returned cheques
- (7) Unpresented cheques
- (8) Checks and reconciliations
- (9) Performance
- (10) Security of data

Overpayments:

- (11) Policies and procedures
- (12) Identification and calculation
- (13) Recording and notification
- (14) Recovery
- (15) Reductions and write-offs
- (16) Performance
- (17) Security of data

3.5 Some specific tests were not performed as they were either considered not relevant to the operations at the council or are covered under separate audits (e.g. data security is covered under a specific IT audit of the Civica Open Revenues system).

## 4 Findings

### 4.1 Recommendations from Previous Report

4.1.1 The report relating to the previous audit of these subsystems, undertaken in November 2014, did not include any recommendations.

### 4.2 Policies & Procedures

4.2.1 The examination has confirmed that Benefits staff have access to appropriate regulatory and policy material via a combination of on-line reference services (hbinfo.org and the gov.uk website) and the corporate intranet.

4.2.2 The Benefits & Fraud Manager (BFM) advised that, whilst old procedure documents are in place, these have not been maintained and there is no office manual.

4.2.3 However, all relevant staff have access to the hbinfo.org service which covers relevant legislation, case law etc. She also advised that guidance notes are drawn up following relevant training sessions and sample copies were provided to evidence this.

4.2.4 Training is provided to ensure that staff are kept up-to-date with relevant changes and new staff, including the apprentices, are provided with a mixture of on-the-job training as well as formal training courses.

4.2.5 The training calendar provided confirmed that a number of staff have received training during the current calendar year on topics such as the use of e-forms for dealing with changes in circumstances and equality impact assessments, and a planned training dates were also recorded against other topics.

### 4.3 Payments

#### 4.3.1 General

4.3.1.1 Payments are only made in relation to housing benefit to non-council tenants, as housing benefit for council tenants is posted directly to their rent account and council tax reduction is posted directly to the claimant's council tax account.

4.3.1.2 The vast majority of benefits payments are now made by BACS. A payment run will be performed on the Civica system with a file subsequently exported to the TOTAL system. The payments will then be made as part of, and be subject to the same controls as, the creditors payments runs that are performed.

4.3.1.3 If, for any reason, a BACS payment is rejected, staff from the FS Team will send an email to the Systems Officer to inform her of the issue, with details of the rejected payments being retained in a network folder.

4.3.1.4 The latest rejected BACS details were checked back to the Civica system and diary notes were found in each case to show that these issues were being raised. A report was also produced from the system showing the returned

payments during the 2015/16 financial year, and these payments were all flagged on the report.

4.3.1.5 The Systems Officer also maintains a spreadsheet to reconcile the payments created against the postings to the Civica system, with explanations being recorded for any exceptions identified.

#### 4.3.2 **On Account & Discretionary Payments**

4.3.2.1 Payments on account are not as prevalent as they used to be and are now, generally, only made with regards to supported accommodation rent whilst the payments are awaiting authorisation from the Benefits Team Leader to pay the claims under Regulation 13 of the Housing Benefit Regulations 2006, and these relate to specific, known, properties, such as hostels.

4.3.2.2 Testing was performed on a sample of payments that had been made on account to ensure that the decision of a Senior Officer had been received on a timely basis with subsequent payments being offset by the payments made on account, that no more than two payments were being made by this method and that the claimant was being appropriately notified that any overpayments made as a result of the payments would be recovered. This testing proved satisfactory.

4.3.2.3 Reports are produced on a weekly basis by the Systems Officer showing all accounts that have a Payment On Account flag against them. The latest report available at the time of the audit examination showed that there were only four relevant accounts. The two longest standing accounts had subsequently had their payments on account stopped or suspended, whilst the two newer cases were awaiting approval from the Senior Officer for payments to be made under Regulation 13.

4.3.2.4 If a claimant is suffering financial hardship, they can apply for an additional discretionary payment. The DWP provide a small budget to make these payments and each application will be judged on its own merits, with payments approved being subject to the available funds.

4.3.2.5 Testing undertaken confirmed that appropriately completed application forms were held, along with approval from the Benefits Team Leader, for each of the sampled discretionary payments made.

4.3.2.6 The BFM advised that the Discretionary Housing Payments spreadsheets maintained include totals paid for the year to date. The council is aware of the total amount available as per the circular received each year and it was confirmed that the total paid in 2015/16 (£124,801.45) was within the Central Government Contribution amount.

#### 4.3.3 **Landlord Payments**

4.3.3.1 Direct payments to landlords are only made in certain circumstances (e.g. they are under threat of eviction or have arrears of more than eight weeks), with the vast majority of claims being paid directly to the claimant.

- 4.3.3.2 Once the claimant has applied for the payment to be made to their landlord or the landlords has proven that the arrears exist, the landlord is required to sign an undertaking to notify the council of any changes in their tenant's circumstances and to confirm that they would pay back any overpayments made.
- 4.3.3.3 Testing was performed on a sample of payments made directly to landlords to confirm that the claimant had demonstrated their 'vulnerability' where appropriate and that the landlord had returned a signed undertaking. This testing proved generally satisfactory, although there was no signed undertaking from one landlord.
- 4.3.3.4 This was a slightly unusual case as the landlord was the previous foster carer of the claimant. The BFM suggested that, whilst she understood why it may not have been requested, she would still have expected an agreement to have been received.

### **Risk**

**Overpayments may be harder to recover.**

### **Recommendation**

**An agreement should be obtained from the relevant landlord stating that they will repay any relevant overpayments.**

### **4.3.4 Notification & Payments Dispatch**

4.3.4.1 Samples of standard notification letters and a 'non-standard' letter (re discretionary housing payments) were reviewed. Upon examination, it was confirmed that they both contained relevant details of the organisation, including the name, address and a contact telephone number as well as reminders for claimants of the need to inform the council of any changes to their circumstances.

4.3.4.2 The letters also inform that claimants of what they payments they are receiving relate to, with any amendments to payments being similarly communicated.

### **4.3.5 Returned & Unpresented Cheques**

4.3.5.1 These 'issues' are becoming almost irrelevant, as all new claims are paid via BACS and there are now only 14 cheque payments being made each month. Cheques will generally be sent out independently by the Corporate Support Team although if, for any reason, the cheques are passed to Benefits staff they have to be signed for.

4.3.5.2 A report was run from the Civica system that detailed 'returned cheques' (and BACS) and this highlighted that there had only been two returned cheques during the reporting period. In both cases, confirmation had been received from Finance that the cheque had been cancelled.

4.3.5.3 Upon review of the folder where the notifications from Finance were stored, it was noted that two further cheques had been cancelled (after the production

of the report). In both cases, Benefits had been advised that the cheques had not been received.

4.3.5.4 In one of the reported cases, the cheque was being held by Benefits staff for collection before it was subsequently cancelled. As suggested above, this cheque should have been signed for, but there was no evidence that this had been undertaken. However, due to the one-off nature of this issue, it is not felt that a recommendation is warranted.

#### 4.3.6 **Checks & Reconciliations**

4.3.6.1 A pre-payment run report is generated prior to each payment run being performed, and any payments above specified limits (£1,500) are investigated to ensure that they are legitimate.

4.3.6.2 Following the payment runs, the Systems Officer will perform a reconciliation between the benefits module on the system and the various other modules and systems (e.g. the council tax module on Civica and the housing rents system) to identify any anomalies or mismatched records. Spreadsheets are maintained by the Systems Officer to record these reconciliations and these were found to be up-to-date during the audit.

#### 4.4 **Overpayments**

##### 4.4.1 **Identification, Calculation, Recording & Notification**

4.4.1.1 The BFM advised that there is no documented 'strategy' as such for minimising overpayments, but in effect it is to advise all claimants and landlords of the need to notify the council of any changes of circumstances (CoCs) as soon as they occur. All staff, including Frontline and Corporate Support Team staff, are trained to place scanned items into the urgent queue on workflow if they are likely to cause a reduction in benefit, and this queue should be cleared on a daily basis to minimise overpayments.

4.4.1.2 She also highlighted that, where claimants have advised that their pay is to change, a workflow date will be included on Civica to prompt a review. Where the claimant is not aware of any future changes in income a reminder is set for the anniversary.

4.4.1.3 Reports were obtained from the system that showed overpayments that had been made and testing was performed to ascertain whether they had been calculated on a timely basis following receipt of notification of changes and that the correct effective dates have been used, the details had been accurately recorded and decision notices, containing appropriate details were issued to relevant parties in a timely manner.

4.4.1.4 Testing proved generally satisfactory although there was a known issue in relation to the timeliness of dealing with some of the CoC notifications with a backlog occurring.

4.4.1.5 Whilst reviewing one sampled case another issue was noted as the income figures provided by the claimant, relating to a different (unsampled) CoC, had

been incorrectly entered onto the system. Minor input errors were also noted in relation to another of the sampled cases.

**Risk**

**Claimants may receive incorrect payments.**

**Recommendation**

**Staff should be reminded of the need to ensure that all information provided is accurately input onto the system.**

**4.4.2 Recovery, Reductions & Write-Offs**

4.4.2.1 Where possible, overpayments are recovered from current claims payments in weekly instalments if a valid claim is still being paid. However, if there is no longer a valid claim a debtors account is raised for immediate repayment and the chasing of the debt is then dealt with as per any other sundry debt.

4.4.2.2 Council Tax Reduction 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. Debt recovery processes in relation to Council Tax are covered under audits of that topic.

4.4.2.3 Reports were produced from Civica which showed amounts that had been written off due to administrative errors. A small sample was taken from these reports which confirmed that adequate supporting documentation was in place showing appropriate reasons for the write offs and who had agreed (authorised) them.

4.4.2.4 Other write-offs, such as those where overpaid claimants are untraceable (i.e. they have moved and no new address can be ascertained), are dealt with via the sundry debt module and these are also covered under separate audits.

**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 payment and overpayment process for Housing Benefit and Council Tax Reduction are appropriate and are working effectively.

5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
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 controls that do exist.

- 5.3 Minor issues were identified relating to the lack of an undertaking from a landlord agreeing to pay back any overpayments, and change of circumstances information being incorrectly input onto the system.
- 5.4 Another issue was noted with regards Benefits staff not signing for the receipt of a cheque. However, due to the one-off nature of this issue, no recommendation has been included.

## 6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager



## Action Plan

## Internal Audit of Housing Benefit &amp; Council Tax Reduction – June 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3.4	An agreement should be obtained from the relevant landlord stating that they will repay any relevant overpayments.	Overpayments may be harder to recover.	Low	Benefits & Fraud Manager	Staff will be reminded of this at the next team meeting.	End of August 2016
4.4.1.5	Staff should be reminded of the need to ensure that all information provided is accurately input onto the system.	Claimants may receive incorrect payments.	Low	Benefits & Fraud Manager	Staff will be reminded of this at the next team meeting.	End of August 2016

\* 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.