

# INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager                      **SUBJECT:** Housing Benefit & Council Tax Reduction

**TO:** Head of Finance                                      **DATE:** 31 December 2018

**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Benefits & Fraud Manager  
Portfolio Holder (Cllr Whiting)

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, 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 2018/19 will total approximately £28m, with 7325 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 6386 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 current position in respect of the recommendations from the previous audit of these subsystems, undertaken in June 2016 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 An agreement should be obtained from the relevant landlord stating that they will repay any relevant overpayments.	Staff will be reminded of this at the next team meeting.	The agreement was not received but is no longer relevant due to subsequent events. Shortly after the audit report was finalised, an overpayment was identified. The claimant then left the property and a sundry debt has been set up with the claimant (as opposed to the landlord who was receiving the payments). This is being paid off in instalments by the claimant.
2 Staff should be reminded of the need to ensure that all information provided is accurately input onto the system.	Staff will be reminded of this at the next team meeting.	The Benefit & Fraud Manager (BFM) advised that reminders have been issued at team meetings as similar issues have been flagged by External Audit. Another error was also identified during the current audit (see 4.4.1.4 below).

### 4.2 Policies & Procedures

4.2.1 The audit 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 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 are provided with a mixture of on-the-job training as well as formal training courses.
- 4.2.5 The training calendar provided confirmation that a number of staff have received training during the current calendar year on topics such as GDPR and Universal Credit.

#### 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 Officers and other senior Benefits staff to inform them of the issue, with details of the rejected payments being retained as appropriate.
- 4.3.1.4 The BFM provided sample emails that showed rejected BACS payments (or in one case a report showing details to be changed). The rejected BACS payments were checked back to the Civica system, with relevant diary notes and adjustments being seen in most cases.
- 4.3.1.5 However, upon review of a report produced from the system showing the returned payments during the 2018/19 financial year it was identified that one of the rejected payments was not included. Upon review with the BFM, it was identified that this rejected payment had not been processed on Civica.

#### **Risk**

**Claimants may not be receiving the benefit that they are entitled to.**

#### **Recommendation**

**The rejected BACS payment should be processed accordingly on the system. Staff should also be reminded of the need to process these notifications on a timely basis.**

- 4.3.1.6 Reconciliations are performed between the CIVICA postings and the payments created, with the details being recorded on a spreadsheet. Upon review, it was identified that there were gaps where the payment amounts had not been entered.

4.3.1.7 The BFM highlighted that the Systems Officer who normally performed the reconciliations had been off on long term sick so other staff have covered the work. The current staff member undertaking the reconciliations had been completing the spreadsheet, but it was apparent that the other member of staff had not. However, as the issue has been addressed by the new staff member, there is no further action required.

#### 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 senior Benefits staff 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 largely satisfactory.

4.3.2.3 It was noted, however, that one of the claims had been underpaid as the restricted rent that had been applied had not been removed from the system.

#### **Risk**

**Claimants may not be receiving the benefit that they are entitled to.**

#### **Recommendation**

**An amendment needs to be made to the account that was flagged as having the restricted rent still being applied with the underpayment being actioned accordingly.**

4.3.2.4 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 two relevant accounts. One had been actioned accordingly whilst the other was the case flagged above.

4.3.2.5 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.

4.3.2.6 Testing undertaken confirmed that appropriately completed application forms were held, along with approval from a senior officer, for each of the sampled discretionary payments made.

4.3.2.7 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 2017/18 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. the claimant is under threat of eviction or has 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' and had approved the arrangement where appropriate and that the landlord had returned a signed undertaking.
- 4.3.3.4 This testing proved largely satisfactory, although three cases did not include appropriate supporting documentation (specifically Senior Officer decision notices) and in one of these cases there was no relevant authorisation from the claimant.

#### **Risk**

**Payments may be incorrectly paid to landlords.**

#### **Recommendations**

**Staff should be reminded of the need for Senior Officers to review the cases and complete the relevant decision notices.**

**Staff should be reminded of the need to get the claimants approval for the benefit payments to be made to their landlords in all relevant cases.**

- 4.3.3.5 It was also identified that the reason codes being used to identify why the payments were being made to the landlords did not always accurately reflect the actual reasons.

#### **Risk**

**Incorrect information may be provided if cases are queried.**

#### **Recommendation**

**Staff should be reminded of the need to select the relevant reason codes when processing landlord payment applications.**

#### **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 the claimants of what the 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. Only four claimants are currently receiving their benefit payments by cheque and it was, therefore, decided that no testing was required in this area.

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

4.3.6.1 Reports are produced for each payment run that highlight any payments over certain limits (£1,500 for rent allowance and £1,000 for rent rebates). These reports are examined by a Systems Officer as part of the reconciliation of the actual payments made 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 although, as highlighted above (see 4.3.1.7), there were some gaps due to staffing issues.

#### **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, as suggested above (see 4.1.1), a minor input error was noted in relation to one of the sampled cases. However, as staff have already been reminded of the need to ensure they input details accurately, there is no need for a further recommendation in this area.

#### 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 This review identified an issue with the Principal Benefits Officer having created the request documents as well as authorising the write-off in two of the sampled cases.

#### **Risk**

**Debts may be written off inappropriately.**

#### **Recommendation**

**There should be segregation of duties between the request and authorisation of write-offs.**

4.4.2.5 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 overleaf:



<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:

- A rejected BACS payment not being processed on the system.
- A Payment on Account remaining on a claim as a restricted rent amount had not been removed.
- Senior Officer decision notices were not held for a number of payments to landlords, with the relevant claimant approval not being held in one of these cases.
- Reason codes for landlord payments did not always accurately reflect the actual reasons.
- Write-offs being authorised by the person raising the request.

## 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 – December 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1.5	The rejected BACS payment should be processed accordingly on the system. Staff should also be reminded of the need to process these notifications on a timely basis.	Claimants may not be receiving the benefit that they are entitled to.	Low	Benefits & Fraud Manager	This has now been done.	Completed
4.3.2.3	An amendment needs to be made to the account that was flagged as having the restricted rent still being applied with the underpayment being actioned accordingly.	Claimants may not be receiving the benefit that they are entitled to.	Low	Benefits & Fraud Manager	This has now been done.	Completed
4.3.3.4	Staff should be reminded of the need for Senior Officers to review the cases and complete the relevant decision notices.	Payments may be incorrectly paid to landlords.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting.	12 December 2018
4.3.3.4	Staff should be reminded of the need to get the claimants approval for the benefit payments to be made to their landlords in all relevant cases.	Payments may be incorrectly paid to landlords.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting.	12 December 2018
4.3.3.5	Staff should be reminded of the need to select the relevant reason codes when processing landlord payment applications.	Incorrect information may be provided if cases are queried.	Low	Benefits & Fraud Manager	To be discussed during team meeting.	12 December 2018

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.4.2.4	There should be segregation of duties between the request and authorisation of write-offs.	Debts may be written off inappropriately.	Medium	Benefits & Fraud Manager	The appropriate member of staff has been advised.	Completed.

\* 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.