

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 March 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2311 – Benefits Quality Assurance Process
REPORT NUMBER	IA/AC2311
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Benefits Quality Assurance Process.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Benefits Quality Assurance Process.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit Report AC2311 – Benefits Quality Assurance Process

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Benefits Quality Assurance Process

Status: Final

Date: 27 February 2023

Risk Level: Cluster

Report No: AC2311

Assurance Year: 2022-23

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

Report Tracking	Planned Date	Actual Date
Scope issued	26/10/2022	28/10/2022
Scope agreed	04/11/2022	24/11/2022
Fieldwork commenced	14/11/2022	18/11/2022
Fieldwork completed	16/12/2022	26/01/2023
Draft report issued	13/01/2023	07/02/2023
Process owner response	03/02/2023	24/02/2023
Director response	10/02/2023	27/02/2023
Final report issued	17/02/2023	27/02/2023
Committee	23/03/2023	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Director - Customer
Process Owner	Wayne Connell, Revenues and Benefits Manager
Stakeholder	Jacqui McKenzie, Chief Officer – Customer Experience
	Mark Crighton, Benefits Officer
	Jenni Lawson, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Graeme Flood, Auditor

Contents

1	Introduction.....	5
2	Executive Summary.....	6
3	Issues / Risks, Recommendations, and Management Response.....	8
4	Appendix 1 – Assurance Terms and Rating Scales.....	9
5	Appendix 2 – Assurance Scope and Terms of Reference.....	10

1 Introduction

1.1 Area subject to review

Aberdeen City Council is responsible for administering a number of benefits to residents. The main benefits to assist with housing costs are Housing Benefit (HB) and Council Tax Reduction (CTR).

Housing Benefit is a means tested social security benefit intended to help meet housing costs for rented accommodation. The primary legislation that sets out the general entitlement to HB is the Social Security Contributions and Benefits Act 1992. The Housing Benefit Regulations 2006; Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006, and subsequent amendments describe entitlements further. In 2021/22, the Council made payments of £42.67 million for Housing Benefit (£28.73m Rent rebate + £13.94m rent allowance) and a subsidy claim for £40.46 million was submitted to the DWP representing 94.83% of the expenditure.

Council Tax Reduction is means tested and intended to help meet the cost of Council Tax. CTR replaced Council Tax Benefit from April 2013 and the legislative responsibility passed from the Department for Work and Pensions to the Scottish Government. CTR is governed by the Council Tax Reduction (Scotland) Regulations 2012, the Council Tax Reduction (Pension Credit) (Scotland) Regulations 2012, and subsequent amendment regulations which are issued on an annual basis. CTR does not apply to charges for water or waste water even though these are billed along with Council Tax. £11.40 million of expenditure was incurred in 2021/22 compared to £10.604 million of funding received as part of the Revenue Support Grant for 2021/22 (93.02% of expenditure).

As at 30 September 2022, the Council has a caseload of approximately 6,137 Rent Rebate, 2,306 Rent Allowance cases and 13,563 households whose Council Tax was reduced as a result of the Council Tax Reduction Scheme.

HB and CTR claims / applications and supporting documentation are scanned and held within the Civica Electronic Document Management system that allows for the workloads to be allocated across the Team. The claims / applications are processed through the Academy system, calculating any entitlement based on the claimant's / applicant's income and personal circumstances.

The Revenues and Benefit team undertake their own quality assurance process that is carried out by the Benefits Officer, who is separate from the Claims Transaction team. This work involves sample checking Housing Benefit and CTR claims to ensure they are supported, accurately calculated and in the case of Housing Benefit accurately recorded for claim purposes.

Rationale for the review

The objective of this audit is to ensure the Council's quality assurance processes over rent allowances, rent rebates and council tax reduction benefits ensure benefit claims are supported, accurately calculated, verified, and properly recorded for subsidy purposes.

Housing Benefit and Council Tax Reduction was last reviewed in July 2017; positive assurance was obtained within the area and no recommendations were made.

External Audit as part of their review of the subsidy claim check forty rent rebate and forty rent allowance claims paid in the financial year back to the initial claim application and incorporating all claim changes applied subsequently. Any errors identified will result in more transactions being tested within the specific area the error occurred and can result in External Audit qualifying the claim, extrapolating any error on the basis of this subsequent testing, and amending the claim accordingly. External Audit at the end of the process will provide a written report to the Council detailing their findings. At the scoping, External Audit had still to submit their 2021/22 report.

1.2 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.

2.2 Assurance assessment

The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's management of Housing Benefits (HB) and Council Tax Reduction (CTR) processing.

A sound quality assurance (QA) process is in place for checking processing of Housing HB and CTR claims. This covers the accuracy of input as well as decisions taken based on related claims and supporting documentation e.g. calculation of weekly wage, income to be disregarded, start date of claim etc. Five processed benefit claim transactions per transactional team member per month are reviewed, with additional testing undertaken where necessary to identify recurring errors. Where errors or omissions are identified the relevant team leaders of processing staff are notified to allow corrections to be undertaken and where necessary for training to be delivered. Staff are also supported through a training programme on joining the transactional team and have access to relevant procedures for processing.

In addition, staff are expected to maintain a 95% processing accuracy level. This target forms part of a staff member's monthly 1 to 1's with Team Leaders.

The transactions tested and the combined accuracy rates for all staff for the current period (April to October 2022) and the previous two full financial years, are as follows:

Period		Housing Benefit				CTR			
From	To	Total Actions	Total Checked	Total Correct	%	Total Actions	Total Checked	Total Correct	%
Apr-20	Mar-21	9,474	555	541	97.5	20,843	777	761	97.9
Apr-21	Mar-22	8,124	769	750	97.5	19,512	1,226	1,171	95.5
Apr-21	Oct-22	5,600	356	344	96.9	9,122	462	440	95.2

The audit walked through a sample of 12 claims from the benefits system to the supporting documentation within the electronic document management system, to ensure all required documentation was present and input correctly. The testing found the required QA checklist had been completed and the appropriate supporting documentation was present and input correctly into the benefits system.

The errors identified in the QA process are categorised by the Benefits Team as material (has an impact on the payment made to the claimant e.g. claim back dated without proof of good cause, change in dependant status) and non-material (all other errors e.g. incorrect income not affecting outcome). In

the period 1 April – 30 November 2022 the QA process identified 36 material and 61 non-material errors. Internal Audit reviewed nine material and seven non-material of these errors to ensure all relevant Team Leaders had been informed and confirmed notifying emails had been issued to each. It was also confirmed with each Team Leader those corrections had been completed and appropriate consultation had taken place, and been recorded, with the members of staff involved.

Whilst the QA process does not recheck the calculation made by the benefits system for the payment due to the claimant (just accuracy of data input and decision making), assurance over system calculations is provided by the systems team who undertake system tests every time a new update to the system is published and the annual Department of Work and Pensions (DWP) issue of new rates or rules affecting a claim calculation. This was last reviewed as part of Internal Audit report AC2101 Council Tax and Benefits System.

Relevant statistical data is also made available to the Revenues and Benefits Manager on an ongoing basis, as the monthly checks are completed, facilitating management and scrutiny of the process.

Furthermore, the benefits team undertake reviews of specific claims based on requests from the DWP. A spreadsheet of claim references is sent to the team as part of this process and claims are reviewed based on the DWP requirements before being reporting back on results to the DWP.

One minor recommendation has been made to enhance controls including formalising the quality assurance procedures and recording quality assurance corrective actions for errors identified.¹

2.3 Severe or major issues / risks

No severe or major issues/risks were identified as part of this review.

2.4 Management response

The service is reassured that the audit was able to provide substantial assurance over the Council's management of Housing Benefits (HB) and Council Tax Reduction (CTR) processing and that the Benefit Officer has continued to refine and improve the quality assurance process.

The one minor recommendation made to enhance controls by updating and expanding procedures covering all elements of the quality assurance currently undertaken to reflect the improved process that the officer has implemented has commenced and will be completed by end of March 2023.

¹**Subsidy claim** – For the subsidy period April 2021 to March 2022, the certified Housing Benefit claim form should be submitted to the DWP by External Audit by 31 January 2023. Internal Audit requested details of the testing undertaken by External Audit to gain further assurance beyond the internal QA process, but as at the time of concluding this review no details had been provided and the certified claim had yet to be submitted to the DWP. Where certified claims to the DWP are delayed, this affects the accuracy of subsidy funding received and risks reputational damage to the Council.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p>Written procedures – Comprehensive written procedures and their effective communication are an essential element in any system of control. They are beneficial for the training of current and new employees and provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>The quality assurance (QA) procedures at the time of review were limited. As the Benefit officer responsible for QA has been doing the process for over nine years they have adapted and improved the process based on their knowledge and experience of the DWP requirements and the transactional team procedures and processes. The procedures at the time of review do not adequately reflect this process.</p> <p>The Benefits Officer has begun redrafting the procedure notes and the guidance for completing the test checklist; a recommendation is included to track progress for training and succession planning purposes.</p>		
IA Recommended Mitigating Actions			
Procedures covering all elements of the quality assurance process should be updated and expanded.			
Management Actions to Address Issues/Risks			
<p><i>Agreed. The process to update the written procedures to reflect the improved process that the Benefit Officer has implemented have now commenced and will be available to all staff within the Benefits team.</i></p> <p><i>The Benefits Officers who provide cover for the current incumbent are all fully trained and experienced benefits professionals. Should the position ever require to be filled these requirements would form part of the essential criteria of the post.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Revenues and Benefits Manager	31 March 2023

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Aberdeen City Council is responsible for administering a number of benefits to residents. The main benefits to assist with housing costs are Housing Benefit (HB) and Council Tax Reduction (CTR).

Housing Benefit is a means tested social security benefit intended to help meet housing costs for rented accommodation. The primary legislation that sets out the general entitlement to HB is the Social Security Contributions and Benefits Act 1992. The Housing Benefit Regulations 2006; Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006, and subsequent amendments describe entitlements further. In 2021/22, the Council made payments of £42.67 million for Housing Benefit (£28.73m Rent rebate + £13.94m rent allowance) and a subsidy claim for £40.46 million was submitted to the DWP representing 94.83% of the expenditure.

Council Tax Reduction is means tested and intended to help meet the cost of Council Tax. CTR replaced Council Tax Benefit from April 2013 and the legislative responsibility passed from the Department for Work and Pensions to the Scottish Government. CTR is governed by the Council Tax Reduction (Scotland) Regulations 2012, the Council Tax Reduction (Pension Credit) (Scotland) Regulations 2012, and subsequent amendment regulations which are issued on an annual basis. CTR does not apply to charges for water or waste water even though these are billed along with Council Tax. £11.40 million of expenditure was incurred in 2021/22 compared to £10.604 million of funding received as part of the Revenue Support Grant for 2021/22 (93.02% of expenditure).

As at 30 September 2022, the Council has a caseload of approximately 6,137 Rent Rebate, 2,306 Rent Allowance cases and 13,563 households whose Council Tax was reduced as a result of the Council Tax Reduction Scheme.

HB and CTR claims / applications and supporting documentation are scanned and held within the Civica Electronic Document Management system that allows for the workloads to be allocated across the Team. The claims / applications are processed through the Academy system, calculating any entitlement based on the claimant's / applicant's income and personal circumstances.

The Revenues and Benefit team undertake their own quality assurance process that is carried out by the Benefits Officer, who is separate from the Claims Transaction team. This work involves sample checking Housing Benefit and CTR claims to ensure they are supported, accurately calculated and in the case of Housing Benefit accurately recorded for claim purposes.

5.2 Rationale for review

The objective of this audit is to ensure the Council's quality assurance processes over rent allowances, rent rebates and council tax reduction benefits ensure benefit claims are supported, accurately calculated, verified, and properly recorded for subsidy purposes.

Housing Benefit and Council Tax Reduction was last reviewed in July 2017; positive assurance was obtained within the area and no recommendations were made.

External Audit as part of their review of the subsidy claim check forty rent rebate and forty rent allowance claims paid in the financial year back to the initial claim application and incorporating all claim changes applied subsequently. Any errors identified will result in more transactions being tested within the specific area the error occurred and can result in External Audit qualifying the claim, extrapolating any error on the basis of this subsequent testing, and amending the claim accordingly. External Audit at the end of the process will provide a written report to the Council detailing their findings. At the scoping, External Audit had still to submit their 2021/22 report.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Cluster level.
- Individual **net risk** ratings for findings.

Please see Appendix 1 – assurance Terms and Rating Scales for details of our risk level and net risk rating definitions.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

This review will focus on the central controls around benefits administrations, specifically quality assurance process including:

- Written procedures and training
- Adequacy of Quality Assurance checks
- Quality Assurance scheduling
- Completion of Quality Assurance checks
- Improvement Planning

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, and guidance.

Due to flexible working, this review will be carried out primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Graeme Flood (**audit lead**)
- Andrew Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Director - Customer Services
- Jacqui McKenzie, Chief Officer – Customer Experience
- Wayne Connell, Revenues and Benefits Manager (**process owner**)
- Mark Crighton, Benefits Officer

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date ²
Scope issued	28 Oct 2022
Scope agreed	4 Nov 2022
Fieldwork commences	14 Nov 2022
Fieldwork completed	16 Dec 2022
Draft report issued	13 Jan 2023
Process owner response	3 Feb 2023
Director response	10 Feb 2023
Final report issued	17 Feb 2023

² Timelines have been extended to take account of annual leave.