



Internal Audit Report

Finance

Council Tax Reduction

Issued to:

Richard Ellis, Director of Corporate Governance
Steven Whyte, Head of Finance
Wayne Connell, Revenues and Benefits Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Council Tax Reduction (CTR) replaced Council Tax Benefit in April 2013 and the legislative liability passed from the Department of Work and Pensions to the Scottish Government.

The amount of CTR to which a claimant is entitled, is dependent on their income, personal circumstances and applicable amounts. The applicable amount is the amount of money the Government has determined as being required to live on each week.

The objective of this audit was to consider whether CTR paid to claimants is supported by appropriate documentary evidence, and is calculated accurately. This involved reviewing claim documentation input and entitlement calculation for a sample of new and reviewed claims, and claims where a change of circumstances was reported.

The systems in place for processing CTR were found to be robust, well managed and generally well adhered to. There were two input errors identified, one of which impacted on the CTR awarded; this has since been corrected by the Service. The Service has agreed to remind staff of the importance of inputting information accurately.

1. INTRODUCTION

- 1.1.1 Council Tax Reduction (CTR) replaced Council Tax Benefit from April 2013, and the legislative liability passed from the Department of 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.
- 1.1.2 CTR is based on the claimant's Council Tax liability net of any discounts applicable and is credited direct to the claimants Council Tax Account with a revised Council Tax Bill being issued. The reduction in liability does not apply to water and / or sewerage (waste water) charges.
- 1.1.3 The amount of CTR to which a claimant is entitled, is dependent on their income, personal circumstances and applicable amounts. The applicable amount is the amount of money the Government has determined as being required to live on each week. It is made up of personal allowances and / or premiums and apply on the basis of age, circumstances and who is in the household. When the applicable amount has been calculated it is then compared with the income the claimant has available. If the income exceeds the applicable amount, 20% of that excess is deducted from the net Council Tax liability to determine the CTR entitlement.
- 1.2 CTR is no longer funded by the DWP through the Subsidy Claim, but is funded by the UK Government, Scottish Government and local government. In 2014/15 the Council received £9,485,000 in UK and Scottish Government Funding, the final total reduction in Council Tax liability was £9,180,000 (*Source Scottish Government Financial Statistics 2014-15*). Each Local Authority receives funding for the CTR scheme as part of the Revenue Support Grant. This funding is not ring fenced and is not dependent on the CTR awarded, should there be more CTR awarded than funding received then any shortfall has to be met by the local authority.
- 1.3 CTR claims are processed by the Benefits Team within Corporate Governance. The Team is managed by the Benefits Processing Manager, supported by:

Job Title	Full Time Equivalents
Support Officer	1.0
Team Leader (Benefits)	5.0
Team Leader (Benefits Support)	2.0
Appeals & QA Officer	3.0
Benefits Assessor	35.0
Benefits Assessor (Support)	3.5
TOTAL	49.5

- 1.4 In 2015/16, 13,230 claims resulted in the award of £9.05 million of Council Tax Reduction
- 1.5 The objective of this audit was to consider whether CTR paid to claimants is supported by appropriate documentary evidence, and is calculated accurately. This involved reviewing claim documentation input and entitlement calculation for a sample of new and reviewed claims, and claims where a change of circumstances was reported.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Helen Moir, Benefits Processing Manager and Wayne Connell, Revenues and Benefits Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 The Service has an online manual available to staff that covers guidance on the relevant regulations and the processing of claims. Guidance clarifies the differences between Council Tax Benefit and CTR and provides comprehensive information on how claim information should be input to the Academy Revenues and Benefits System.

2.2 New Claims

- 2.2.1 Applications for CTR are made on a claim form and must be supported by relevant documentary evidence. The date a claimant is entitled to CTR from is dependent on the effective date of claim. Should a claimant telephone to express an intention to claim, then provided a claim is submitted within one month, the date of claim will be the date on which the claimant first made contact. It is a similar situation in the case of a new liability, or the claimant moving into a new property. With the exception of a new Council Tax liability, the first day of entitlement will be the Monday following the effective date.
- 2.2.2 Ten new CTR claims were reviewed to ensure all supporting information was evidenced, that the entitlement calculation was accurate and the reduction amount was accurately posted to the claimant's Council Tax account. Errors were found in two claims
- The earned income for one claimant had been calculated on the basis that the claimant was paid monthly. The supporting payslips showed the frequency as being four weekly and, as a result, income was understated resulting in a lower award of CTR. This claim also had the incorrect start date applied when the claim was first assessed. The error was highlighted when the claimant successfully appealed the decision, and the correct start date was applied.
 - The Child Tax Credit award for one claim had been input incorrectly to the Academy System: £107 instead of £170. This error did not impact on the CTR entitlement.

Where a claim is not fully evidenced, or incorrect income information is input against a claim, the risk of inaccurate entitlement calculations is increased. The Service has corrected both these errors.

Recommendation

The Service should remind staff to ensure that all claimant information is input accurately.

Service Response / Action

Agreed. Staff to be reminded via Team Briefings and 1-2-1s.

Implementation Date

April 2016

Responsible Officer

Helen Moir (Benefits Processing Manager)

Grading

Important within audited area

- 2.2.3 Due to the error rate identified above an additional ten new claims were selected for review. No errors or omissions were noted in the additional sample.

2.3 Changes in Circumstances

- 2.3.1 It is incumbent on the claimant to advise the Council of any change in circumstances that may affect CTR entitlement to ensure that the correct level of entitlement has been set against the claimant's Council Tax liability.
- 2.3.2 Twenty claims where a change of circumstances had been processed were reviewed and it was confirmed that they had sufficient supporting evidence, the resulting changes in entitlement had been calculated accurately, and the amounts had been input correctly to the Council Tax system.

2.4 Interventions

- 2.4.1 The Service has an Intervention Strategy, to highlight the reasons for customers failing to notify the Council of changes which may impact on CTR entitlement. This also details the Service's planned approach to minimise overpayments. On a six-weekly basis, 300 claim are selected from a claimant group (e.g. claimants receiving an occupational pension) and review forms are issued which require a response within 14 days. If no response is received a second letter is issued allowing a further 14 days to respond. If no response is received within this time, the claim is suspended and may be cancelled if no contact is made by the claimant and a revised Council Tax bill is issued.
- 2.4.2 Intervention action reports for July, August, September and November 2015 were reviewed and it was confirmed that the Service is complying with the requirements of the Strategy. 1,211 claims were reviewed by the Service over the four intervention cycles examined. Although the total sample for November was not the full sample (295 reviewed), this was due to a National Fraud Initiative (NFI) exercise impacting upon intervention actions, with NFI identified claims making up 158 of the 295 claims reviewed.
- 2.4.3 Ten reviewed claims were tested and it was confirmed that the claim form had been returned timeously, CTR entitlement had been recalculated accurately or had been terminated where applicable, and that the customer had been rebilled for Council Tax.

2.5 Cancelled Claims

- 2.5.1 The Council makes use of the DWP's Automated Transfer to Local Authority Systems (ATLAS) to provide updates to claims without claimant's needing to submit documentation. Where an ATLAS transfer indicates the end to a claim for Income Support, Jobseekers Allowance (Income Based), or Employment & Support Allowance (Income Related) then CTR should end immediately, being the Sunday following the end of DWP benefit entitlement. Ten claims an ATLAS transfer indicating an end to IS, JSA or ESA were reviewed and it was confirmed that they had been processed correctly.

2.6 Quality Assurance and Performance

- 2.6.1 To improve processing time and accuracy of processing, the Service has implemented a Quality Assurance Plan, and are monitoring performance on an ongoing basis. The Service has set an accuracy target of 95% of all claims processed, and to measure this the Quality Assurance team selects 5 to 10 claims processed by each member of staff for checking by Team Leaders. A QA check sheet is completed, and the outcomes are discussed with individual team members.
- 2.6.2 On an annual basis, the Benefits Processing Manager submits an annual report to the Head of Finance. The annual report serves as a section business plan, includes a retrospective look at performance across all areas of the Service and details key objectives, tasks and performance for the year.

- 2.6.3 The performance statistics for the previous four years and current year to February 2016 are shown below and show improvement in the accuracy of processing claims:

Year:	2011/12	2012/13	2013/14	2014/15	2015/16 (to Feb)
Accuracy:	77.00%	84.39%	88.91%	92.50%	92.95%

- 2.6.4 The Service maintains performance data on the time taken to process new claims (target 20 days) and changes of circumstances (target 9 days). The time taken to process claims has reduced from 38 days in 2013/14 to 20.02 days in 2014/15. The most recent statistics maintained by the Service show processing times of 18.73 days for new claims, and 8.86 days for changes of circumstances, which are within targets set by the Service.

AUDITORS: D Hughes
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Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.