

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 September 2017
REPORT TITLE	Internal Audit Report AC1723 – Housing Benefit and Council Tax Reduction
REPORT NUMBER	IA/AC1723
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Housing Benefit and Council Tax Reduction.

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. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Housing Benefit and Council Tax Reduction.

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. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. IMPACT SECTION

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact 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. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8. APPENDICES

8.1 Internal Audit report AC1723 – Housing Benefit and Council Tax Reduction.

9. REPORT AUTHOR DETAILS

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ABERDEEN

CITY COUNCIL

Internal Audit Report

Finance

Housing Benefit and Council Tax Reduction

Issued to:

Steven Whyte, Head of Finance
Fraser Bell, Head of Legal and Democratic Services
Wayne Connell, Revenue & Benefits Manager
Helen Moir, Benefit Processing Manager
External Audit

EXECUTIVE SUMMARY

In order to assist with the cost of Rent and Council Tax, individuals can claim Housing Benefit (HB) or apply for Council Tax Reduction (CTR). Both are means tested and are governed by various pieces of legislation. During 2016/17, the Council made payments totalling £58.1 million in respect of HB whilst Council Tax Reductions totalled £9.1 million. Most of the cost to Local Authorities of paying HB is recovered from the Department for Work and Pensions whilst the costs of CTR are funded through the Revenue Support Grant.

The objective of the audit was to consider whether entitlement being paid are supported by appropriate documentary evidence, that the calculations are accurate, and that Housing Benefit has been properly recorded for subsidy purposes. Based on the testing undertaken, this was generally found to be the case.

1. INTRODUCTION

- 1.1 Housing Benefit (HB) is a means tested social security benefit intended to help meet housing costs for rented accommodation. The primary legislation which sets out the general entitlement to Housing Benefit 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 entitlement further.
- 1.2 Local authorities reclaim most of the Housing Benefit they have paid to claimants from the Department for Works and Pensions (DWP) by submitting subsidy claims certified by each authority's appointed external auditor. Benefit subsidy is restricted where local authorities are deemed to have most scope to monitor and control costs. For example, eligible overpayments attract a reduced subsidy rate of 40% to encourage local authorities to minimise and recover overpaid benefits. Should the Council recover the full overpayment, the DWP Housing Benefit overpayments guidance states the Council can retain the subsidy paid, and any overpayment recovered. In 2016/17, the Council made payments of £58.1 million for Housing Benefit and a subsidy claim for £57.3 million was submitted to the DWP representing 98.6% of the expenditure.
- 1.3 Council Tax Reduction (CTR) 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.
- 1.4 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 CTR awarded exceed funding received then any shortfall has to be met by the local authority. However, £9.1 million of expenditure was incurred in 2016/17 compared to £9.3 million of funding which was received for 2016/17 (102.2% of expenditure).
- 1.5 Currently, the Council has a caseload of approximately 10,400 Rent Rebate, 3,900 Rent Allowance cases and 13,800 households whose Council Tax was reduced as a result of the Council Tax Reduction Scheme.
- 1.6 HB and CTR claims / applications and supporting documentation are scanned and held within the Civica Electronic Document Management system which 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.
- 1.7 The objective of the audit was to consider whether entitlement being paid are supported by appropriate documentary evidence, that the calculations are accurate, and that Housing Benefit has been properly recorded for subsidy purposes.
- 1.8 The factual accuracy of this report has been agreed with Wayne Connell, Revenue & Benefits Manager and Helen Moir, Benefit Processing Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 HB / Council Tax Reduction Scheme

- 2.1.1 Claimants / Applicants may claim / apply directly to the Council for Housing Benefit and or Council Tax Reduction by using an online form (which currently has to be printed and sent) or by submitting a paper form to the Revenues and Benefits Office at Marischal College; Tillydrone Housing Office or Mastrick Customer Access Point. They may also submit a claim through Job Centre Plus for Housing Benefit.
- 2.1.2 When claims / applications are received they are scanned onto the Civica Electronic Document Management system and are then distributed to the Benefits Team for verification of the claimant's / applicant's information which is input to the Academy System for assessment of entitlement. Once assessed, a letter is issued to the claimant / applicant advising of the amounts awarded.
- 2.1.3 Where the claimant is a Council housing tenant, Housing Benefit will be interfaced directly to their rent account on the I-World Housing System on a weekly basis. Tenants of Housing Associations, Registered Social Landlords or private sector landlords, receive payments via BACS, although cheque payments are available.
- 2.1.4 Where an application for Council Tax Reduction (CTR) is made, any award is interfaced from the Benefits System to the Council Tax System and the customer will be rebilled automatically, unless a manual suppression is placed on their Council Tax account.

2.2 New Claims

- 2.2.1 A review of 10 new claims for benefit was undertaken (5 rent allowance and 5 rent rebates). This involved checking the details held on the Academy Benefits system and the details held on the Civica Document Management System, to ensure the required information for the claimant's calculation of benefit was present, the start date was correct, the claim was processed correctly / timeously, the award of benefit had been calculated correctly and properly recorded for the purposes of subsidy. All testing, calculations and subsidy classifications were satisfactory.
- 2.2.2 There were a small number of instances where the HB / CTR form was not completed with the date the form was issued, the claimant's / applicant's name and address or reference number, or not dated when received. In addition, one of the changes in circumstance sampled cases did not have the claimant's address, name, issue date or the received date noted on the form.
- 2.2.3 The Service has explained that this information is only recorded on the claim form / application if it is issued from a Council designated office i.e. Marischal College, Mastrick Customer Access Point or Tillydrone Access Point. Claim forms / applications are readily available from other agencies e.g. Housing Associations, as well as the Council's website, and may, therefore, be received without an issue date, name and address or reference number.
- 2.2.4 Claim forms / applications posted to Marischal College will be manually stamped with the date received, by staff processing the mail. Those submitted in person at designated offices are scanned and an electronic receipt date is recorded in the Benefits System. This electronic date stamp will be the received date. The name and address will be updated in the Benefits System and any other information required to process the claim / application. The paper form is not updated as this would be duplication of effort.

2.3 Change of Circumstances

- 2.3.1 Changes of circumstances can result from changes to the claimant's / applicant's income, household composition, or changes in legislation. Notifications may be directly from the claimant / applicant or other government agencies. It is mandatory for the claimant / applicant to ensure timeous notification be given to the Benefits Team to ensure entitlement is accurate.
- 2.3.2 10 change of circumstance (6 rent rebates and 4 rent allowances) were selected for testing from Academy. Using information from Civica EDMS the entitlement was recalculated for the sample to ensure accuracy. All changes were found to be correctly applied and entitlement correctly calculated.
- 2.3.3 Diary events put into Academy allow the system to highlight important dates which are likely to affect entitlement. The Academy system produces a report of these diary dates on a weekly basis and Benefit Assessors use this to ensure the claimant / applicant has provided the required information to support their claim / application in respect of the predicted change. If the claimant / applicant has not provided the information, the Benefit Assessor will contact them to request the required information and, if appropriate, the claim / application will be suspended. The Benefit Assessor will then deal with the claim / application to its resolution.
- 2.3.4 There was a software problem between October 2016 and January 2017 which resulted in diary events not being picked up. The Service interrogated the Benefits system and produced a report in January 2017 to capture the unreported diary dates and Benefit Assessors actioned this report in the same manner as they would a normal diary report. A copy of this report was provided to Internal Audit providing claim ID, the diary date and the nature of the change in circumstances to be investigated. The report was sufficient for the purposes of identifying required diary dates.

2.4 Overpayments

- 2.4.1 Where a claimant's circumstances change resulting in a change in entitlement and the claimant does not inform the Council, an overpayment of Housing Benefit may occur. When the change is notified to the Council, the new details are input and entitlement is calculated. Any difference in entitlement for the period affected by the change will be recovered from the claimant.
- 2.4.2 The Council actively pursues overpayments, which are recovered from claimants by debtor invoice, or from ongoing benefit should the claimant still be entitled. Between 1 April 2016 and 23 March 2017 £2.8 million of overpayments were made.
- 2.4.3 The testing of 10 overpayments (5 rent rebate and 5 rent allowance) confirmed calculations were accurate and subsidy classifications were correct. However, there was an instance identified where an overpayment of £7,077 was marked as a Local Authority Error and therefore not recoverable. The claimant notified the Benefits Team of the relevant change in circumstances two years prior to the overpayment being identified. It is important that Benefit Processing Staff address all changes in circumstances notified in order to avoid unrecoverable overpayments occurring unnecessarily.
- 2.4.4 The Service advised that the Benefits Team has put significant work and extra checking into this area. Errors such as this are discussed at weekly Operational Meetings, after which staff are reminded of the importance of addressing changes in a timely manner. A weekly "Did you know" email highlights errors being made or processes which are not being correctly followed and reminds staff on the correct procedure. Extensive work has also been undertaken to improve processing times, which has reduced the number of days

to process from 40 to 18.4 for 2016/17. This, along with the work done on Accuracy, has resulted in Local Authority Error in the Subsidy Claim being reduced from being over both thresholds 2 years ago to £109,616 below the lower threshold this year.

- 2.4.5 The Scottish Director of Finance Performance Indicators were last published in 2015/16. These indicators are based on figures provided by the Service and are not audited. These showed the Council made overpayments of 0.39% of Benefits Expenditure which were due to Council error and there was a steady improvement when compared to 2013/14 (0.60%) and 2014/15 (0.5%). However, the rate of overpayments due to Council error was higher than the Scottish average of 0.21% in 2015/16. In 2016/17 overpayments of 0.27% of Benefits Expenditure were due to Council error.

2.5 Reconciliations

- 2.5.1 Reconciliations are carried out on a weekly basis to ensure the Rent Allowance and Rent Rebate payments on the Academy Benefit System are accurately interfaced to the eFinancials Ledger and I-World Rents systems as required.
- 2.5.2 A review of reconciliations completed in March 2017 confirmed that the Benefits System is being reconciled to the ledger and Rents System in a timely manner. Reconciliations were arithmetically correct and variances were highlighted for investigation.

2.6 Quality Assurance

- 2.6.1 To ensure accuracy of input, Service management review 10 claims / applications per month for each full time equivalent processing member of staff. Therefore, approximately 10% of all cases are reviewed to determine accuracy, compared to the DWP recommendation of 4%. In 2016/17, 93.39% of Housing Benefit claims and 93.63% of Council Tax Reduction applications were processed accurately compared to 91.77% of Housing Benefit claims and 92.95% of Council Tax Reduction applications in 2015/16.

2.7 Interventions

- 2.7.1 Interventions are a risk based means of proactively identifying unreported changes that affect benefit entitlement.
- 2.7.2 As per the Audit Scotland July 2015 Aberdeen City Council Audit of Housing Benefit Risk Assessment report, the Council was found to actively participate in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI) and the DWP's Real Time Information (RTI) data matching services, which all help to identify possible unreported changes of circumstances that require further investigation. The Benefits Processing Manager confirmed that Benefits Assessors continue to review information received in these reports and where required issue a full review to claimant.
- 2.7.3 The Benefit Team also set diary events where there is a predictive change in claimants' / applicants' circumstances, like chasing up evidence of earnings or a significant birthday that may affect entitlement. The Service has advised that they monitor diary dates, investigate any required changes to benefit entitlement and action these as appropriate.
- 2.7.4 The Benefit Team has in the past also carried out interventions, that target individuals with private pensions; cases not reviewed in the last 2 years and cases where the customer has capital exceeding £14,000. The Service has advised that these interventions were not carried out in the financial year 2016/17.
- 2.7.5 The Benefit Processing Manager prepared a report on Intervention Analysis 2015/16, which stated that for the first quarter of 2015/16 it was decided that no interventions would be carried out. This allowed resources to focus on bringing new claims / applications and

the changes in circumstance workload up to date. The Intervention activity recommenced in July 2015 however this was reduced in November 2015 due to a National Fraud Initiative Council Tax exercise. The following table highlights the intervention results between the financial years 2013/14 and 2015/16:

Year	Total of number of Interventions	Total number with increase in benefit	Amount of underpayments	Total number with a decrease in benefit	Amount of Overpayments	Average overpayment per intervention with decrease.
13/14	2,096	134	£14,219.37	1,199	£441,258.59	£368.02
14/15	751	71	£3,416.96	413	£157,701.46	£381.84
15/16	1,053	147	£12,774.20	373	£145,264.21	£389.45

2.7.6 The July 2015 Audit Scotland report highlighted that interventions were reduced in 2014/15, as a result of 9 experienced processing staff leaving the team. Subsequently a decision was taken to suspend targeted interventions so that processing performance was not compromised.

2.7.7 The Council has since opted into the DWP Right Benefit Initiative which began in April 2017. As a result the Council was awarded £50,206 for 2017/18, for additional staffing, to target incorrect earnings amongst claimants / applicants, the highest risk area for Housing Benefit fraud and error. The Council has been allocated 5,205 Optional RTI referrals for 2017/18. The DWP will monitor the volume of referrals processed, cases reviewed and outcomes through the Council's HBMS Single Housing Benefit Extract returns. The Service has advised that it would be focusing its resources on these referrals as per DWP recommendation.

AUDITORS: D Hughes
A Johnston
J Galloway

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.