

Agenda Item No: 9

Report to: Audit Committee

Date of Meeting: 16 January 2013

Report Title: Chief Auditor's Summary Audit & Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of recent audit findings of the Housing and Council Tax Benefit, Creditors and Council Tax internal audit reports.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Report on the audit of Housing and Council Tax Benefit

Summary Reports

Report to Audit Committee

Background Information

This review was undertaken as part of the 2011/2012 agreed audit plan. The Housing Benefit service pays out over £65 million each year to over 13,000 claimants in the Borough. The service plays a vital role in the economy of the Borough; therefore it is imperative that the service is carried out effectively, efficiently and economically. This aspect of the Council's activities was last audited in 2008. The Service was then graded as B: Satisfactory and a number of minor improvement recommendations were made.

We believe that there is a very positive management attitude towards continual improvement of the efficiency and quality of service. Internal Audit believes management should be commended upon the progress that has been made.

Overall Audit Assessment: B – Satisfactory.

Most controls are in place and are working. Some minor improvements are possible to ensure statutory compliance, best practice and efficiency.

Key Findings

The audit found that the service is carried out effectively and efficiently. Accuracy is a vital aspect of the work and it was confirmed that the accuracy rate is 94.5%. This is also reflected in an unqualified certificate from the external auditors in respect of the Housing Benefit Subsidy claim.

The service is currently up to date and well within the performance target times for processing both new claims and changes in circumstances.

There is a regular reconciliation between the payments made as per the general ledger and the housing benefit computer system.

Overpayments are normally created by changes of circumstances, a claimant vacating the property and delaying to advise the Council or a fraudulent claim being discovered. The value of overpayments has been increasing and currently amounts to over £2.2 million. This problem is not only a Hastings issue but is reflected nationwide. During the year it has been necessary to write off over £200,000 of irrecoverable debt. The audit found that the recovery of debts from invoices raised are closely monitored and actively pursued. Recovery from claimants still on benefit is automatically recovered from ongoing entitlement. However it is recommended that management undertake a review of overpayment recovery based on a good practice guide document produced by the Department of Works and Pension [Pursuing overpayment recovery to deter non-reporting of changes in future - DWP](#).

The total value of overpayments is taken from a management report (RB OVR 310) that is produced from the NORTHGATE data base which is the system used by the Revenues and Benefits Service. It is acknowledged that the management of overpayments which requires transferring balances outstanding between invoices raised and collection automatically from current claimants requires complex computer programming and the system does not currently provide information that can be used to produce an auditable control account. The Revenues and Benefits Service Manager has produced detailed listings of debts outstanding at the end March 2012 and these have been test checked to provide assurance to the total overpayments outstanding at the year end. Further work is currently being done to substantiate all the figures that relate to the overpayments of housing benefit and maintain a control account of overpayments created and recovered.

The current accounting policy is to put in 100% provision for bad debts for the total value of overpayments whether the debtor has been invoiced or we are recovering the overpayment from current entitlement. In the last year over £340,000 was actually recovered from invoices sent out and over £1,300,000 from current entitlement. It is recommended that the accounting policy is reviewed to reflect a realistic judgement of the value of recoverable debt.

Currently there is a weekly back up of data kept off site. This would mean in the event of a major disaster up to 6 days data may need to be re-input. The setup of a Disaster Recovery site at the Town Hall which will ensure that data is backed up nightly off site, is in the IT Service Delivery Plan for this year.

Management Response

We agree the findings

Report on the audit of Housing and Council Tax Benefit

Summary of Recommendations

Priority classifications

High = Fundamental System Weakness - Action is Essential

Medium = Potential Control Weakness - Action Required

Low = Advised for Best Practice - these recommendations are given in the Detailed Report only

Recommendation 1

The Revenues and Benefits Service Manager should discuss with the Benefits Fraud Investigation Manager potential exception reporting that should be undertaken to highlight payment error / possible fraud.

Priority: Medium

Target Date: 30 September 2012

Responsible Officer: Revenues and Benefits Service Manager

Management Comment: We have no issue with this recommendation

Recommendation 2

A hash total is produced when the payments file is produced and prior to transmission to BACS the hash programme is re-run to confirm data has not been altered.

Priority: Medium

Target Date: 31st May 2013

Responsible Officer: Revenues and Benefits Service Manager

Management Comment: Help from the IT department would be required to enable this.

Recommendation 3

The provision for irrecoverable housing benefit overpayments should be reviewed to reflect the probability of the debts being paid.

Priority: Medium

Target Date: 31st December 2012

Responsible Officer: Head of Finance

Management Comment: We have no issue with this recommendation

Recommendation 4

That further work is done and reports produced to provide assurance that all overpayments are correctly pursued.

Priority: Medium

Target Date: 30th September 2012

Responsible Officer: Chief Accountant/Group Auditor

Management Comment: We have no issue with this recommendation

Recommendation 5

The Benefit Manager undertakes a review of overpayments strategy and council website and completes a GAP analysis with the recommended DWP paper on overpayment recovery best practice.

The web page for overpayments is updated to provide claimants with full information of the overpayments recovery policy and methods of payment.

Priority: Medium

Target Date: 31st December 2012

Responsible Officer: Revenues and Benefits Service Manager

Management Comment: In view of the major changes to the benefit systems (commencing from April 2013 and continuing beyond 2016/17) all the existing and future HBC benefit service strategies will need to be considered. This relates to changes in Housing Benefit (Universal Credit) and Council Tax Benefit (Council Tax Support). Changes to the website will follow any decisions regarding the way forward with HBC Benefits service.

Recommendation 6

A formal reconciliation between officially authorised write offs and write offs in the computer system should be maintained within the benefits section.

Priority: Medium

Target Date: 30th September 2012

Responsible Officer: Revenues and Benefits Service Manager

Management Comment: We have no issue with this recommendation

Recommendation 7

Management should consider whether we continue to recover overpayments for other local authorities through the NORTHGATE system for claimants moving into Hastings who have overpayments due to other councils. Effectively, when the record is set-up, it shows there is an overpayment owed by the claimant which is currently incorrectly reflected in the Hastings Borough Council accounts as an amount owed to it. If it is considered that it is to continue, discussions need to be had with the Finance and Audit divisions to agree the necessary processes to record and control the service

Priority: Medium

Target Date: 30th September 2012

Responsible Officer: Revenues and Benefits Service Manager

Management Comment: We have no issue with this recommendation

Report on the audit of Creditors

Summary Reports

Report to Audit Committee

Audit Conclusion

Overall Audit Assessment: A – Good.

Controls are in place and work effectively. There are no significant audit concerns. There are no high recommendations made.

Key Findings

The Creditors system is administered effectively and efficiently.

The Creditors section is working towards a paperless office. The working practices are constantly being re-assessed and updated to ensure that there is the most efficient and productive use of the systems available to allow them to achieve this goal.

Management Response

We agree the findings

Report on the audit of Creditors

Summary of Recommendations

Priority classifications

High = Fundamental System Weakness - Action is Essential

Medium = Potential Control Weakness - Action Required

Low = Advised for Best Practice - these recommendations are given in the Detailed Report only

Recommendation 1

That a hash total program or similar is installed and used when the payments file is produced and prior to transmission to BACS to confirm data has not been altered.

Priority: Medium

Target Date: May 2013

Responsible Officer: Chief Accountant

Management Comment: Agreed

Report on the Audit of Council Tax

Summary Reports

Report to Audit Committee

Audit Conclusion

Overall Audit Assessment: A – Good.
Expected controls are in place and are working effectively.

Key Findings

The Council Tax system is administered effectively and efficiently.

Over the past 5 years the Council tax recovery rate has increased by over 1%. This is equivalent to recovering an additional £380,000.

A collaborate approach across the whole of East Sussex reviewing single person discount has produced £236,000 additional income to the Hastings area with a direct benefit to Hastings of £35,000.

The Council Tax section is continuously looking to improve the effectiveness and efficiency of collection.

Management Response

Report agreed. It should be noted that the introduction of the Council Tax support scheme and the ability to pay Council Tax by 12 instalments rather than the current 10 is expected to reduce the in year collection rate in 2013/14.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

Detailed internal audit reports of Housing and Council Tax Benefit, Creditors and Council Tax.

Officer to Contact

Tom Davies
tdavies@hastings.gov.uk
Telephone number: 01424 451524
