

Report to: Audit Committee

Date of Meeting: 6 February 2018

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

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the Housing Benefit and Council Tax Reduction audits.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary report to Audit Committee

Housing Benefit

Background Information

This review was undertaken as part of the 2017/2018 agreed audit plan. During the year 1st April 2016 to 31st March 2017, the Housing Benefit service paid more than £47 million in rent allowances to over 9,000 claimants in the Borough. The administration of Housing Benefit plays a vital role in the economy of the Borough and it is therefore imperative that the service is carried out effectively, efficiently and economically.

This aspect of the Council's activities was last audited in 2014. 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 and commend management for the progress that has been made.

Overall Audit Assessment: B – Satisfactory

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

Key Findings

The audit found that the Housing Benefit service is carried out effectively and efficiently, achieving its performance targets for processing both new claims and change in circumstances applications during the period 2016/17.

On 14th December 2016, Universal Credit full service went live within the Borough. Administered by the Department for Work and Pensions (DWP), Universal Credit now incorporates an allowance for housing costs within the claimant's benefit award.

Consequently, the Housing Benefit section has seen a continual reduction in the number of live claims since the previous audit. In March 2015, the number of live claims was 11,483. Over a period of 2 years, the number of live Housing Benefit claims had decreased to 9,173 by 31st March 2017. Within a further 5 months, the live caseload had again reduced to 8,331 by 31st August 2017.

Although the number of new claims has notably decreased, the volume of change of circumstance requests has remained constant due to the introduction of electronic income and benefits updates provided by the DWP.

Accuracy is a vital aspect of Housing Benefit assessment. Checks undertaken by the Housing Benefit Monitoring Team, for the period ending 31st March 2017, have confirmed an accuracy level of 93.8%. Current checks, as at 30th September 2017,

indicate an accuracy level of 92.6%. In comparison, checks for the period ending 31st March 2016 showed an accuracy rate of 95.6%.

Analysis of the Housing Benefit assessment monitoring spreadsheet by Internal Audit confirmed that 75% of errors recorded for the period ending 31st March 2017 were attributable to the incorrect recording of income figures.

Checks undertaken by external and internal auditors, as part of the annual Housing Benefit subsidy claim, also identified that a common area for assessment error was the incorrect recording of claimants' earnings.

Given the importance of correctly recording information on the Northgate system, Internal Audit believe that further steps could be taken to prevent errors at assessor level.

The Department for Work and Pensions (DWP) seek annual assurance that the Council has correctly calculated and paid Housing Benefit customers. The Council's external auditors are therefore required to undertake prescriptive work on a sample of benefit claims. Based on their findings, the external auditors then certify that the total benefit paid out by the Council is correct. Once certified, DWP will review the external auditors' report and calculate subsidy payment for the next financial year.

For the two previous subsidy years (2014/15 & 2015/16), there has been a considerable amount of re-testing which has significantly delayed the signing-off of the Housing Benefit Subsidy claim by external auditors. In May 2017, Housing Benefit subsidy specialists Branch & Lee were employed to undertake the detailed sample testing and data cleansing in order to minimise delays to the 2016/17 subsidy claim. This has proved to be a very cost effective contract.

The value of outstanding Housing Benefit overpayments has reduced since 2015/16, from £2,728,769 to £2,566,004 as at 31st March 2017. Overpayments are recovered either by raising an invoice for claimants who are no longer in receipt of Housing Benefit, or via deductions from ongoing benefit entitlement.

The audit found that overpayments where invoices have been raised are being monitored and actively pursued.

The audit also found that the value of "in benefit" debt reported was incorrect as the figures included overpayments that had already been cleared.

Since the previous audit in 2014, there have been significant improvements to the disaster recovery procedures for Housing Benefit processing data. Housing Benefit servers are now backed-up every week-day night, to both disk and tape in multiple locations and Audit are satisfied that a resilient recovery strategy is now in place.

In 2012, the handling of Housing Benefit enquiries and telephone calls was passed from Revenues Service to the Contact Centre staff. Following this transfer, the Community Contact Centre (CCC) has seen a gradual reduction in the number of calls and visits received from Housing Benefit claimants. The reduction in Housing Benefit related queries is reflected in the decreasing caseload caused by the introduction of Universal Credit.

In November 2014, the Single Fraud Investigation Service (SFIS) was established by the DWP to investigate and prosecute instances of Housing Benefit fraud. Prior to April 2017, the DWP prosecution threshold was applied to overpayments with a combined LA and DWP value in excess of £3,000. Any combined overpayment between £2,000 and £3,000 were subject to an Administrative Penalty (Adpen), based on 50% of the overpayment value. Overpayments with a value less than £2,000 were referred to the DWP Compliance team.

A service level agreement was established for all instances of potential Housing Benefit fraud to be referred to the DWP via a local Single Point of Contact (SPOC), based at Rother District Council.

The audit has found that the number of potential fraud referrals being passed to DWP has decreased since the start of SFIS. In 2014/15, a total of 85 referrals were sent to DWP. In 2016/17, the number of referrals had reduced to 42. The reason for this reduction can be attributed to the decreasing Housing Benefit caseload and the fact that the SPOC sifts out cases where it is not likely to result in a “fraud” sanction.

Management Response

We agree the findings and are actioning the recommended actions.

Summary report to Audit Committee

Council Tax Reduction

Background Information

This review was undertaken as part of the 2017/2018 agreed audit plan.

In April 2013, Council Tax Benefit awarded on behalf of the Department for Work and Pensions (DWP) was replaced by a locally administered Council Tax Reduction (CTR) scheme. From this date, CTR was no longer supported by DWP subsidy but instead financed via a combination of the Revenue Support Grant and Council funding.

The Council Tax Reduction service awards over £10 million each year in Council Tax reductions to over 10,000 claimants in the Borough. The administration of Council Tax Reduction plays a vital role in the economy of the Borough and it is therefore imperative that the service is carried out effectively, efficiently and economically.

This aspect of the Council's activities was last audited in 2014. 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 and commend management for the progress that has been made.

Audit Conclusion

Overall Audit Assessment: B – Satisfactory

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

Key Findings

The audit found that the Council Tax Reduction service is carried out effectively and efficiently, achieving its performance targets for processing both new claims and change in circumstances applications during the period 2016/17.

The Council established its own CTR schemes for Working Age and Pensionable Age claimants in April 2013. The scheme has seen a continual reduction in recipients since it was introduced – decreasing by 15% from 11,985 in March 2014 to 10,150 in October 2017. This downward trend can partly be explained by the introduction of a minimum entitlement threshold of £5.00 in 2013 and also the commencement of Universal Credit (UC) full service in December 2016.

The total value of the CTR scheme has reduced since it commenced, decreasing from £11,004,926 in 2013/14 to £10,239,437 in 2016/17. Consequently, the cost to Hastings Borough Council has also reduced from £1,607,820 in 2013/14 to £1,449,904 in 2016/17. In turn, the Council's percentage contribution of the overall cost has reduced from 14.61% in 2013/14 to 14.16% in 2016/17.

The introduction of Universal Credit has impacted significantly upon the number of change in circumstance calculations for UC cases. As at 31/10/17, 1099 CTR recipients were in receipt of UC. During the period 01/04/17 to 31/10/17, a total of 3,914 change in circumstances calculations were undertaken for these cases alone – approximately 560 per month. This equates to around 4 changes per claim over a 7 month period. To accommodate the increase of work in this area, the Revenues and Benefits section have significantly reduced the number of interventions undertaken from 2,128 in 2016/17 to 207 between 01/04/17 and 31/10/17.

The Northgate Revenues and Benefits system was originally designed to record Council Tax Benefit overpayments. It is not equipped for displaying CTR excess reduction amounts or periods for an individual claim. Additionally, there are no reports currently available detailing the annual value of CTR excess reductions.

Management Response

We agree the findings and have an action plan to address the recommended actions.

Wards 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	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

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