

Agenda Item No:

Report to: Audit Committee

Date of Meeting: 21 January 2015

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

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the recent audit findings of the Housing Benefit and Council Tax Reduction, Debtors, Non-Domestic Rates and New Pensions Scheme audits.

Recommendation(s)

1. That the Audit Committee accepts the report

Reasons for Recommendations

To monitor levels of control within the organisation.

Audit Committee 21 January 2015

Housing Benefit and Council Tax Reduction summary report

Background Information

This review was undertaken as part of the 2014/2015 agreed audit plan. The Housing Benefit service processes over £53 million each year for rent allowances and a further £11 million for council tax reduction 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 2011. 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: A – Good.

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 for the period June – November 2014 was 90.2%. This is a complex area and the errors classified may not affect the final benefit that is made, for example, categorisation error.

External Audit concluded in their Audit of Housing Benefit Subsidy Claim – year ended 31 March 2014 that the draft claim amounted to over £53 million was amended to reduce the Council's entitlement to subsidy by only £270.

The service is currently up to date and within the performance target times for processing new claims.

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. If the overpayment is owed by a person no longer in receipt of housing benefit in Hastings an invoice will be raised. The value of these debts outstanding as at 19th August 2014 was £1,145,361. If the invoice is not paid the debt will be passed to the bailiffs and/or legal action taken. The audit found that overpayments where invoices are raised are being closely monitored and actively pursued.

If the claimant is still in receipt of Housing Benefit within the Borough the debt is classified as 'in benefit' and a weekly deduction in the amount of benefit paid is automatically taken to recover the debt outstanding. The total value of "in benefit"

overpayments as at 19th August 2014 included in the overpayments report was £1,038,463. The audit found the value of 'in benefit' on the report was not correct; the report included overpayment balances on old dormant accounts that had been cleared/written off many years ago. It is recommended that all the 'in benefit' overpayments cases are reviewed to ensure the correct balance is recorded and the overpayments are being appropriately monitored and recovered

In December 2013 the floor in Aquila House where Housing Benefit used to be located was flooded and the service was successfully transferred to offices in the Town Hall with no adverse effect to the general public. This has proven the Council has the capabilities to withstand major disruption. However, the Council has a total disaster recovery plan strategy that is required to be tested every 2 years. It is understood that this testing is a year overdue and is being delayed until server replacement for the NORTHGATE system is installed which should lead to better resilience.

Currently although data back-up is completed daily only a weekly back up of data is kept off site. This would mean in the event of a catastrophic disaster up to 5 days data may need to be re-input.

For the past 4 years the Government has indicated the intention to introduce Universal Credit which will be a single benefit payment to all claimants which will include the payment for housing accommodation (excluding Council Tax Reduction). Effectively the calculation and administration of the payment for housing costs (currently Housing Benefit) will revert back to the Department for Work and Pensions (DWP). The timing of the transfer over to Universal Credit has been repeatedly postponed and only recently there has been a decision that the DWP will take over new claims for single claimants in April 2015.

As part of the move towards Universal Credit administered by the government the DWP has decided to set up a Single Fraud Investigation Service (SFIS). All current fraud officers working in the Council were transferred over to the DWP on 1st November 2014. As indicated in the previous paragraph the processing of housing benefit will continue to be administered by this Council until Universal Credit is fully implemented. All housing benefit fraud investigations are now done by DWP staff. Arrangements have been agreed with Rother District Council to provide a single point of contact service for SFIS.

Where any potential fraud includes Housing Benefit, any Council Tax Reduction will also be pursued. However potential fraud which only relates to Council Tax Reduction (owner occupiers) is still investigated by this Council. Hastings Borough Council was part of a successful bid for an East Sussex wide 'Fraud Hub' and should be able to draw on that for investigation of Council Tax Reduction fraud cases.

Management Response

We agree with the recommendations and have an action plan in place to monitor implementation of the recommendations.

Debtors summary report to Audit Committee

Audit Conclusion

Overall Audit Assessment: A – Good

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

Key Findings

The Debtors system is administered effectively and efficiently.

The recommendations from the previous audit were addressed by management.

All debt is reviewed on a monthly basis by the Revenues and Benefits Service Manager and on a quarterly basis by the Director of Corporate Resources, the Head of Finance and a Senior Lawyer. This provides further assurance that the system is operating efficiently and effectively

There were areas identified where efficiency could be increased by implementing automatic processes within AGRESSO.

Management Response

We agree with the report.

Non-Domestic Rates summary report

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.

The processes in the valuation, billing and collection of business rates has not changed, however, from 1st April 2013 the government introduced the business rate retention scheme. This new funding regime that has been introduced meant local authorities effectively will retain a proportion of any additional business rate income or conversely experience a reduction in income if the business rate base falls. The implications of the new funding basis have been fully recognised and revised provisions were included in the Council's accounts for 2013/2014.

The Council has also invested in an analytical tool to estimate the impact of outstanding proposals and monitor changes to relevant valuation schemes and address the impact on hereditaments in the area. In addition the Council has recently agreed to enter into a pooling arrangement with all the Councils in East Sussex to ensure a maximum of the business rate receipts are retained within East Sussex.

These 2 new initiatives will ensure that the Council can effectively manage the collection of business rates and remain the maximum amount within East Sussex.

Key Findings

The Non-Domestic Rating system is administered effectively and efficiently.

The Council has fully recognised the implications of the new Business rate retention scheme. The Council, in conjunction with all the other local authorities in East Sussex, has purchased a software system developed to assist in preparing a sound and prudent estimate of business rate income. It is considered work needs to be done to fully understand this forecasting tool to provide a detailed picture of the potential impact of valuation changes in the borough.

In 2012 the handling of Non Domestic Rate enquiries and telephone calls was passed from the Revenues Service to the new Community Contact Centre.

Hereditaments with both domestic and non-domestic elements within the same premises are included in both the Council Tax and Non Domestic Rate databases. These properties are known as composite hereditaments (also commonly known as 'composite properties'). A reconciliation of the composite hereditaments contained in the two databases should be completed to confirm Council Tax/Non Domestic Rate payers are correctly charged.

Management Response

We agree the findings and have put in place an action plan to address the recommendations made.

Local Government Pension Scheme (LGPS) 2014 summary report

Background Information

The Local Government Pension Scheme (LGPS) has been reformed with key changes taking effect from 1 April 2014. 435 staff and 40 members (32 elected representative and 8 co-opted) are paid through the Midland iTrent Payroll.

Details of all of the changes can be found at the LGPS website: <http://lgps2014.org/>.

One of the key changes has been that new elected members and co-opted members can no longer join the LGPS and that membership for those who were already members on 1 April 2014, ceases on the date of their next re-election.

In respect of staff, the main changes can be summarised as:

50/50 option: To ease the financial burden, staff may elect to pay just 50% of their normal pension contribution and will receive 50% of their pension benefit. Death in service and permanent ill health benefit remains the same as if they were paying a full contribution.

Overtime and additional hours are now pensionable.

An audit was carried out to ascertain the adequacy of internal controls for ensuring that the council pays the correct pension contribution and to evaluate the additional costs of the new LGPS Scheme 2014.

Auto-enrolment has been deferred until 2017.

Audit Conclusion

Overall Audit Assessment: A – Good.

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

Key Findings

Hastings Borough Council pays Midland iTrent for a premium level service that ensures the payroll system accurately processes payments in accordance with legislative changes.

The Members and staff pension deductions following the introduction of the new scheme were found to be accurate.

The increased pension costs to the council as a result of additional hours and overtime is £10,198. The level of employer contribution for 2014/2015 is 1.2% less than requested in 2013/2014.

Management Response

We agree with the report.

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

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