

The Highland Council
Resources Committee – 26 November 2014

Agenda Item	12
Report No	RES/66 /14

Internal Audit Report - Finance Service: Housing Benefit Payments 2013/14

Report by Director of Finance

Summary

This report provides the outcomes of the Internal Audit's work on Housing Benefit Payments in 2013/14.

1. Background

- 1.1 The Finance Service in The Highland Council administers the Housing Benefit scheme for Highland residents.
- 1.2 On behalf of Audit Scotland, Internal Audit undertakes an annual review of the award and payment of such Housing Benefits.

2. Report Findings

- 2.1 The Internal Audit Report can be found at Appendix 1 and was presented to the Audit & Scrutiny Committee on 24 September 2014 (item 4).
- 2.2 The Audit opinion concluded for this annual review was *Substantial Assurance*.

3. Audit recommendations

- 3.1 The Action Plan contains the 3 recommendations, graded at *Medium Priority*, all of which were agreed by Management. *Medium Priority* is considered important issues that managers should address and will benefit the organisation if implemented.
- 3.2 Recommendations due to be completed by the date of this report (2), have been completed.

4. Implications

- 4.1 There are no Legal, Equalities, Climate Change/Carbon Clever, Risk, Rural or Gaelic implications arising from this report.

Recommendations:

Members are asked to note the findings of the Internal Audit Report on Housing Benefit Payments 2013/14 presented to Audit & Scrutiny Committee on 24 September 2014, and the actions being taken to implement its findings.

Designation: Director of Finance

Author: Allan Gunn, Head of Revenues and Business Support

Date: 5 November 2014

AUDIT REPORT SUMMARY**Report Title**

Finance Service - Housing Benefit Payments 2013/14

Report No.	Type of Audit	Issue Date	
HDB03/001	Systems	Draft Report	01/08/12
		Final Report	27/08/12

1. Introduction

- 1.1 The review of the award and payment of Housing Benefits is undertaken on an annual basis on behalf of Audit Scotland. The review uses their worksheet called HB COUNT (count once, use numerous times) to test the awards calculation and classification. This process was designed by the Accounts Commission and has a specific module developed for use by auditors in Scotland.
- 1.2 At the request of Audit Scotland, who will look to place reliance on the findings of this review, the audit work also included a review of uprating of the Revs & Bens system parameters for 2014/15.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Benefits are awarded to valid applicants only, claims are accurately assessed and benefit is calculated and classified in accordance with the relevant Regulations and Department for Work and Pensions (DWP) rates.
- 2.2 The system parameters in relation to Housing Benefits for 2014/15 have been correctly uprated in accordance with DWP HB Circular A24/2013 (Revised).
- 2.3 The agreed actions arising from the previous audit report on Housing Benefit and Council Tax Benefit 2012/13 (HK12/011) issued on 17/03/14 were satisfactorily actioned by management.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was substantially achieved as 16 out of 20 claims examined had been accurately assessed and calculated in accordance with the Regulations and DWP rates. Also, all claims were supported by a benefit application form signed by the claimant.
- However, there were 4 claims where errors had been made:
- Three cases resulted in small underpayments of benefits to the claimants. Two of these were caused by input errors; in one case the Housing Association rent had been input as 90p less than the actual rent being charged, (£1.11 underpaid) and in the other case, the **claimant's payslip was misread** as £85 instead of £65 (£5.84 underpaid). In the third case the conversion of rent and ineligible insurance costs from calendar month to weekly had not been applied consistently (£39.19 underpaid). All of these have been corrected.
- In the fourth case, the information was also input incorrectly into the Revs & Bens system. The benefit entitlement calculation was correct but as this was a de-regulated tenancy, **rent has to be classified as above or below the Rent Officer's Determination of a reasonable rent**, in this case £110. This was wrongly entered as £100, resulting in a loss of £48 of subsidy income. This has been corrected on the Revs & Bens system and will be claimed

as part of the 2014/15 subsidy.

All claims reviewed as part of this audit were supported by a signed benefits claim form held on the Civica Electronic Content Document Management (ECDM) system. However, the retention of paper file claims for those last reviewed before the introduction of the ECDM system is in contradiction with the Council's **Retention policy**.

It is believed that the Verification Framework (VF) checklists (forms MC1 & CL2) are being completed more often than they are actually required.

3.2 This objective was fully achieved as a review of all parameters within the Benefits system showed all had been increased by the amounts or percentages set out in the DWP Up-rating **Circular. The Policy and Development Team's evidence trail was comprehensive and clear** in demonstrating that the annual up-rating had been fully and correctly applied.

3.3 This objective was fully achieved as all the agreed actions arising from the previous audit report on Housing Benefit and Council Tax Benefit 2012/13 (HK12/011) issued on 17/03/14 were satisfactorily actioned by management.

4. Conclusion

4.1 The Benefits team is faced with diverse and onerous challenges as a result of the need to make complex benefit determinations on a daily basis and deal with constantly evolving legislation. Case testing revealed that whilst all details are verified and evidence retained, input errors and an inconsistent calculation led to 3 small underpayments of benefits and 1 where subsidy entitlement was lost. The errors have been corrected, with underpayments being paid and the subsidy correction to be reclaimed in 2014/15.

4.2 There are a total of 3 recommendations in this report all at medium priority grade. All recommendations are to be implemented by 31/8/15. This is due to the timeframe it will take to approve, procure, test and implement any new risk based verification software, which must be compatible with the Revs & Bens system and meet DWP criteria.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** in that while there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Housing Benefit Payments 2013/14	HDB03/001
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The Action Plan contains **3** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	3
Low	0
Total recommendations	3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	Errors were detected in 4 out of the 20 cases reviewed. In 2 cases verified rent and income details were input incorrectly into the benefit entitlement calculation. In another case a monthly rent had not been converted on a consistent basis to an equivalent weekly rent. In these 3 cases the errors made resulted in claimants being under-paid. In the other case the classification of rent was incorrect – this had a subsidy impact for the Council but no effect on the claimant.	Processing clerks should be reminded that only verified values should be used in the benefit entitlement calculation and that they should double check figures input as all the errors identified were as a result of input errors. Where there is doubt as to the correct treatment for any element of the entitlement calculation; reference should be made to guidance and regulations.	Staff reminded by email 20/8/14.	Assistant Operations Manager	20/08/14
3.1.2	Medium	As it cannot be determined whether every live claim is supported by a signed claim form on Civica, paper files are being retained, in excess of the period set out in the Finance Service's retention schedule.	The Policy & Development Team should liaise with the Department of Works & Pensions to determine their requirements regarding the retention of Housing Benefit claims processing documents and to clarify	It has now been accepted at the Information Management Governance Board that the Retention Schedule will have to change to remove any	Senior Policy & Development Officer	30/09/14

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			the requirements to review claims, as compliance with the Highland Council's retention schedule could result in pre-Civica claims being unsupported by a signed claim form.	risk to subsidy etc.		
3.1.3	Medium	Verification Framework checklists are being completed more often than they are required.	The Policy & Development Team should review whether to make the Verification Framework (VF) checklists optional within the Civica maps. The risk that checklists are not completed should they be made optional should also be considered.	There are 9 Civica maps containing the VF checklist. In order to minimise the risk of non-completion of VF checklists changes to Civica will be considered when we are researching then option to introduce Risk Based Verification (RBV).	Senior Policy & Development Officer	31/08/15