



Council Tax Support and Housing Benefits

City of York Council

Internal Audit Report 2017/18

Business Unit: Customer and Corporate Services
Responsible Officer: Director, Customer & Corporate Services
Service Manager: Head of Customer, Resident & Exchequer Services
Date Issued: 13/6/2018
Status: Final
Reference: 10320/013

	P1	P2	P3
Actions	0	0	4
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

York's Council Tax Support (CTS) scheme currently provides eligible working-age applicants with a discount up to 77.5% off their council tax bill, while pension-age applicants receive a 100% discount. Housing Benefit (HB) provides eligible applicants with a financial contribution towards payment of their rent. Currently, this is paid directly to the rent account of council tenants. Private or housing association tenants can receive it via BACS or have it paid directly to their landlords.

Residents who receive HB but still struggle to pay their rent may also apply for Discretionary Housing Payments (DHPs). The council has a total budget of £256K for DHPs. The 2016/17 audit reviewed management controls for DHPs, but did not carry out detailed analysis. Therefore, this audit will consider them in more detail.

The council aims to reduce fraud and error in CTS and HB applications and awards through a number of processes and mechanisms, such as real-time salary information from HM Revenue & Customs (HMRC). At the time of the 2016/17 audit, these were being brought in to replace the structured interventions strategy. This audit will also consider the effectiveness of these new measures.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Discretionary Housing Payments are prioritised and awarded using consistently applied criteria and with sufficient authorisation.
- The Discretionary Housing Payments budget is monitored effectively.
- Processes and mechanisms are in place to reduce fraud and error in council tax support and housing benefit claims.
- Sufficient information is available to management to assess the effectiveness of these fraud and error reduction processes and mechanisms.

Key Findings

DHPs

As a discretionary scheme, the council's policy and guidance for awarding DHPs need to be flexible and the criteria broad enough so as not to unreasonably restrict the decision making process. Nevertheless, there are certain criteria that applicants must meet to be eligible for financial assistance. It was found that DHPs had been awarded using the correct criteria as required by the Department for Work & Pensions (DWP) and by appropriate council officers. However, the council's policy and guidance document was last updated in September 2013. The DWP's DHP manual has been updated several times since then, with the most recent update in March 2018, Officers stated they are aware of the recent changes and are planning to review their policy and guidance.

There is currently no formal quality assurance process in place to ensure that applications and reviews are handled consistently and appropriately by officers. Implementing quality assurance would make the process more robust should there be a legal challenge or complaint to the council or Local Government Ombudsman. The DWP and the council require that disputed decisions on DHPs are reviewed by an independent officer. However, these cases are not identified in the monitoring information, and therefore it was not possible to confirm that the process was being followed.

Fraud and Error

A well established quality assurance process is in place to minimise processing error and the council employs a range of mechanisms which provide an effective means of identifying fraud and error in housing benefit and council tax support claims. As well as receiving and making use of real time data on earnings, pensions and benefit entitlement from the HMRC and from the DWP (i.e. RTI, ATLAS, HBMS, CIS and WURTI) a suite of operational reports is available, with reports being run on a daily, weekly and monthly basis to further assist in fraud and error reduction. Regular and comprehensive management information is produced for the purposes of monitoring customer contact, workload and claims processing but there is a lack of management information on the effectiveness of the fraud and error detection mechanisms currently in operation.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 DHP policy and guidance

Issue/Control Weakness	Risk
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The council's DHP policy and guidance document is out of date.

The council's policy and processes are not consistent with the DWP's guidance.

Findings

Although the council has a DHP policy and guidance document, it has not been reviewed since September 2013. Since then, the DWP has made several updates to its DHP manual to reflect welfare reforms and include guidance on best practice. The most recent update was completed in March 2018. Officers stated that they are aware of the latest update and are planning to conduct a review.

Agreed Action 1.1

The DHP policy and guidance will be reviewed and updated to ensure it is consistent with the DWP's DHP manual.

Priority	3
Responsible Officer	Housing Benefits Manager
Timescale	September 2018

2 Quality assurance and appeals processes

Issue/Control Weakness

There is no formal quality assurance process to ensure consistency in decision making and monitoring information does not allow the identification of review cases.

Risk

Decisions on DHPs are made inconsistently or not following the council's policy and guidance.

Findings

Discussion with officers found that there is no spot-checking or formal quality assurance (QA) process, although officers stated they will discuss applications with each other if they are unsure of how to proceed. Without a QA process, however, management cannot gain the necessary assurance that policy and procedures are being applied appropriately and consistently, and that decisions are being made correctly. A new online form for DHP applications, introduced in May 2018, will enable a QA process to be more easily conducted.

The DWP requires that disputed decisions are reviewed by an independent officer. The council's guidance and processes meet this requirement. However, the DHP Record maintained by the Technical Officers does not distinguish between review cases and standard applications, nor does it state the names of the officers involved. Therefore, it was not possible to confirm whether or not disputes were reviewed by an independent officer.

Agreed Action 2.1

A quality assurance process will be implemented for DHPs. This will include determining a set percentage of applications to review, checks to conduct, recording results and taking actions to address errors. It will be undertaken by an officer more senior than the Technical Officers who carry out the assessments.

Priority	3
Responsible Officer	Housing Benefits Manager
Timescale	September 2018

Agreed Action 2.2

The annual DHP Record maintained by the Technical Officers will be amended to distinguish between review cases and standard applications and to show who assessed the original application and who reviewed the decision.

Priority	3
Responsible Officer	Housing Benefits Manager
Timescale	September 2018

3 Management information on fraud and error reduction mechanisms

Issue/Control Weakness

There is limited management information on the effectiveness of the fraud and error reduction mechanisms in operation.

Risk

Ineffective use of resources or decisions made without reliable information.

Findings

The Benefits service employs a range mechanisms and makes use of available services (i.e. CIS and WURTI) to assist in the reduction of fraud and error in Housing Benefit and Council Tax Support claims. As well as routinely reviewing RTI and ATLAS notifications and assessing HBMS referrals, the service also produces a suite of operational reports which are designed to assist in the identification of errant and potentially fraudulent claims. In addition, online forms for customers to self-report changes in circumstances have been recently developed.

Some management information is already being produced on the outcome of RTI notifications, HBMS referrals and on the volume of self-reported changes in circumstances but this information is not recorded and reported in a consistent and coordinated way. In the case of operational reports, these are simply worked through by officers and no record exists on which to note the outcome of the assessment performed. This lack of consistent and consolidated management information means that there is no clear means by which to analyse how effectively resources are being deployed on these mechanisms.

Agreed Action 3.1

A report will be generated on a monthly basis from Northgate, based on change source values held on the system that records the number of claims reviewed and the outcome of these reviews. This data will be monitored by the Housing Benefits Manager. The report was implemented prior to finalisation of the audit.

Priority

3

Responsible Officer

Housing Benefits Manager

Timescale

Implemented

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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