



Council Tax Support and Housing Benefits

City of York Council

Internal Audit Report 2018/19

Business Unit: Customer and Corporate Services Directorate
Responsible Officer: Director, Customer & Corporate Services
Service Manager: Head of Customer, Resident & Exchequer Services
Date Issued: 10th June 2019
Status: Final
Reference: 10320/014

| | P1 | P2 | P3 |
|------------------------------|----------------|----------|----------|
| Actions | 0 | 0 | 1 |
| Overall Audit Opinion | High Assurance | | |

Summary and Overall Conclusions

Introduction

York's local Council Tax Support (CTS) scheme currently provides up to a 77.5% discount for council tax for eligible applicants of working age. As required by central government, the scheme ensures that eligible applicants of pensionable age are entitled to up to a 100% discount.

The Housing Benefit service provides eligible applicants with a financial contribution towards payment of their rent. Currently, this is paid directly to the rent account of council tenants and via BACS to the landlords of private tenants. The service administers benefit payments to a total of around 11,000 claimants.

The roll out of 'live' Universal Credit (UC) from February 2015 and 'full service' UC in September 2017 in York has resulted in all new Housing Benefit (HB) claimants, and current HB claimants reporting a change in circumstances, being directed to apply for UC, provided they are eligible. Furthermore, local authorities are expected to provide additional transitional support to current HB claimants and establish new procedures for calculating CTS entitlement for UC claimants.

Objectives and Scope of the Audit

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

- CTS applications and changes of circumstance are assessed accurately, calculated correctly and processed within a reasonable timeframe;
- Requests to reconsider CTS and HB awards are processed according to procedure and within a reasonable timeframe;
- Overpayments are correctly calculated and processed within a reasonable timeframe;
- The recovery of debt from HB and CTS customers is processed according to procedure and obtains appropriate authorisation before write off;
- All new liabilities and transitional arrangements originating from the rolling out of UC are identified, implemented and monitored accordingly.

Key Findings

Overall, a sound control environment was found to be in place, with a number and variety of controls in operation to ensure that CTS and HB applications are calculated, reviewed and recovered according to internal procedure.

A thorough system of quality assurance reviews are in place to ensure that CTS and HB claims are calculated correctly, accurately and within a reasonable timeframe. Each month the service reviews 4% of all assessments made, with selection skewed towards cases that present a higher

risk of incorrect calculation. Overpayments or underpayments with high adjustments are particularly targeted within the quality assurance procedures to ensure they are calculated correctly. As a result of how customer records are maintained on SX3, it was not possible to assess the timeliness of the processing of overpayments. Nevertheless, the quality assurance process includes monitoring of the timeliness of reassessments and is likely to identify any overpayments that have not been reviewed promptly. The Technical Team has also recently developed a number of reports to further improve the quality assurance processes in place, including the development of reports able to identify duplicate applications for CTS or HB, among other functions.

The vast majority of awards sampled were processed according to procedure and within a reasonable timeframe. The council records the processing of CTS and HB appeals made to the Valuation Tribunal Service and the First-Tier Tribunal service, respectively, in an appeals record. Very few appeals are processed each year (16 in 2018-19 at the time of testing) but review of the appeals record during the audit confirmed it is now being consistently updated, recording progress and outcomes for individual cases. Most customers querying their CTS or HB calculation raise an informal request for the council to review the decision. These requests are only recorded on the claimant's case history, though the service is currently in the process of developing a report to consolidate and monitor the requests.

From the work undertaken for this audit, the recovery of overpayments and adjustments from HB and CTS customers was found to be processed according to procedure. Though monitoring reports for CTS and HB debt recovery across each stage of the recovery procedure are no longer maintained, all cases sampled continue to be completed in line with expected timescales. All additional costs incurred by the council in attempting recovery action were also found to have been correctly added to the overall outstanding amount. Write-offs tested as part of this audit were also found to have been completed in line with delegated authority.

Most new liabilities and transitional arrangements originating from the roll out of UC were found to have been identified by the service and addressed where appropriate. To assist in the identification of claimants not registered with the Department for Work & Pensions' Customer Information System the service has developed a new annual reporting process. Nevertheless, the manual processing of transitional payments and issuing of HB stop notifications is not currently formally included with the quality assurance procedures in place within the service. Although ad-hoc, informal reviews reduce the risk of a manual processing error resulting in a transitional payment not being issued to a claimant, inclusion within the other quality assurance checks would provide further assurance.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

1 Transitioning to Universal Credit

Issue/Control Weakness

There is no quality assurance procedure in place to sample a percentage of claimants receiving Universal Credit and claiming only Council Tax Support from the council.

Risk

Council Tax Support reductions made to claimants receiving are not processed accurately or within a reasonable timescale.

Findings

The majority of new claimants applying for housing cost welfare support will claim Universal Credit (UC) directly from the Department for Work and Pensions (DWP) rather than Housing Benefit (HB) from the council. When an existing HB claimant experiences a change of circumstances that means they are no longer eligible to receive HB from the council they will be migrated to UC – a procedure called natural migration. Council Tax Support (CTS) for those on low incomes remains administered by the council and, as a result, a number of claimants who previously would have claimed CTS and HB together now receive UC from the DWP and CTS from the council.

There is a thorough quality assurance programme to review claimants transitioning to UC from HB or reporting a change of circumstances that may cause them to ‘naturally migrate’ to UC. However, there is no formalised review procedure to ensure a claimant’s CTS entitlement is adjusted correctly or in a timely manner in response to a change in UC entitlement. An informal review process is currently carried out by the Housing Benefit and Council Tax Support Manager but it is important that these calculations are monitored as part of the existing quality assurance programme until the system becomes fully automated by 2020.

Agreed Action 1.1

The ability of the current system to produce reports confirming UC claimants’ CTS entitlement has been updated following a change in UC entitlement will be investigated with the software developers. Current quality assurance programmes will be updated to include sampling of a percentage of UC claimants whose CTS entitlement has changed during the month.

Priority

3

Responsible Officer

Senior Revenue and Benefits Technical Officer

Timescale

30th June 2019

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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