

Audit Summary Report

January 2006



# **Housing Benefits Audit**

**Tonbridge & Malling Borough Council**

**Audit 2004-2005**

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## Introduction

- 1 For the year 2004/05, the Council's gross expenditure for housing benefit ('HB') and council tax benefit ('CTB') totalled a little over £21 million. By way of comparison, this level of expenditure represents around 48 per cent of gross expenditure of the Council as a whole. The following table analyses gross expenditure across the main categories of expenditure.

**Table 1 Total gross expenditure by category**

Gross expenditure	2004/05	2003/04
Rent allowance	£15,695,238	£15,318,756
Council tax	£5,358,215	£4,809,373
Non-HRA rebate	£14,384	£22,455

## Background

- 2 Expenditure for non-HRA rent, rent allowances and council tax benefit is recorded on a return to the Department for Work and Pensions ('DWP') (MPF720a), which is a summary for local authorities responsible for administering HB and CTB schemes who may claim subsidies from the DWP towards the cost of benefits. Provision for subsidies is made in sections 140A to 140G of the Social Security Administration Act 1992 and in the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. For 2004/05, with the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy was paid at the rate of 100 per cent (2003/04 - 95 per cent) of expenditure.
- 3 The claim form MPF720A is divided into sections covering non-HRA rent rebates, rent allowances, council tax benefits, subsidy additions and deductions such as uncashed cheques, verification framework funding and the fraud incentive scheme.
- 4 The benefits paid to claimants is based upon either direct application to the Council or by applying simultaneously for Income Support (IS)/Jobseekers allowance (JSA)/Pension credits (PCs) and HB/CTB to the DWP. Eligibility for, and the amount of, housing or council tax benefit is determined in all cases solely by the authority.

## Scope

- 5 The Social Security Contributions and Benefits Act 1992 and Social Security Administration Act 1992 (as amended) provide for statutory benefit schemes of rent rebates for tenants of a local authority, rent allowances for private tenants and council tax benefit. As the Council does not have its own housing stock, only the last two of these are applicable to this Council.

## Audit approach

- 6 For 2004/05, the audit of the non-HRA rent rebates, rent allowances and council tax benefits is governed by a Certification Instruction (CI) BEN01 (04-05) (7-05), which instructs the auditors of an authority to undertake a programme of pre-designed tests which was agreed centrally between the Audit Commission and the DWP. For this year's audit, there are 55 pre-designed tests which cover all 117 data cells on the MPF720a claim. In the case of this Council, 17 of the tests required us to undertake sample testing on expenditure relating to individual claimants.
- 7 We do have scope to limit our sample testing on individual cases based upon our risk assessment at the planning stage of the audit, plus whether other work was undertaken during the year (for example, testing performed by Internal Audit) upon which we can place some reliance. In the case of this Council, we were not able to limit our sample testing in a number of areas due to issues arising from our 2003/04 audit. These issues were detailed in our 2003/04 report dated February 2005, which was subsequently presented to the General Purposes Committee on 11 April 2005.

## Main conclusions

- 8 The claim presented for audit at the end of June 2005 was amended on 23 December 2005, resulting in an increase of £75,755 in the amount owed to the Council by the DWP. This is subject to two minor qualification matters which are not expected to result in any further significant amendments.
- 9 A high-level summary of the adjustments made to the claim presented for audit is set out in Appendix 1. Where appropriate, further details are provided below.

### Certification of the claim

- 10 All subsidy claims must be certified by the authority's Section 151 officer (referred to as Responsible Finance Officer ('RFO')). In certifying the claim, the RFO makes a number of explicit assertions to the best of that officer's knowledge and belief, including, for example, that entries in the claim are accurate and that expenditure has been properly incurred in accordance with applicable benefit regulations.

- 11 During our audit, we noted that the supporting documentary evidence to assist the RFO's review in support of the certification assertions was somewhat limited. It would be best practice for the review to also incorporate a checklist of the following items:
- comfort obtained from any Internal Audit work performed in the year;
  - whether HB system upgrades are up-to-date and that closing subsidy routines have been properly processed;
  - whether any differences on closing subsidy reconciliations have been addressed;
  - whether the subsidy claimed is in line with earlier estimates;
  - general review of the claim for anomalies, perhaps aided by a comparison with previous year's audited claim;
  - results of relevant BVPIs and any internal quality performance checks;
  - DWP qualification control checks (STATS reporting); and
  - follow-up of our findings/recommendations from previous years.
- 12 Incorporating the above areas into the review would not only give the RFO more comfort in certifying the claim, but could also assist (if the review is supported by documented evidence) in reducing our overall risk assessment of the claim, which could potentially reduce the level of testing we perform. The Council has agreed that a checklist of the points listed above, signed by the Principal Benefits Officer and countersigned by the RFO to indicate that the matters have been addressed in compiling the claim, would be a useful addition to the overall review.

***Recommendation***

*R1 Scope of the RFO's review in support of the various claim certification assertions be extended.*

## Compilation of the claim

- 13 The nature of the claim is complicated and requires significant internal resources and expertise to pull the claim together. The Council's internal resources and expertise continues to be concentrated with one individual, the Principal Benefits Officer. We observed that, due to other numerous responsibilities, the Principal Benefits Officer only has limited time to devote to subsidy matters. This increases the risk of:
- errors in the claim being overlooked; and
  - delays in the claim certification process.
- 14 In our 2003/04 report, we recommended that two officers (with one acting as a knowledgeable reviewer) are involved in the compilation process. Although senior officers agreed with our recommendation, their response was that due to limited resources there was no immediate solution. In our view, the internal resources devoted to subsidy matters at the Council are already significantly less than that at other local authorities, especially in relation to pre-audit checks, and we have made a similar recommendation again this year. Since our audit work commenced, we note that the Council has recognised our concerns that it would be poor contingency and succession planning in relation to the Council's largest grant claim if no progress were made with this recommendation. At the time of writing, we understand that work is underway to involve the Benefits Development Officer further in this important work. We support this move towards a greater 'spread' of expertise, because the progress of our audit was, to some extent, hindered again this year as we were dependent upon one individual to address most of our audit queries.
- 15 In our 2003/04 report, we also recommended that:
- full and clear working papers be prepared in support of future claims; and
  - comprehensive claim preparation notes should be prepared.
- 16 Both of the above recommendations have yet to be fully implemented. Although improvement has been made to the quality of working papers, there is still a general lack of cross-references, explanations and dates of preparation. To date, no progress has been made in writing comprehensive preparation notes.

<b><i>Recommendations</i></b>
<i>R2 Two officers (with one acting as a knowledgeable reviewer) are involved in the compilation process, with additional resources made available for both this and pre-audit checks on high risk cells.</i>
<i>R3 Full and clear working papers be prepared in support of future claims.</i>
<i>R4 Comprehensive claim preparation notes be written.</i>

## Extended payments

- 17 Extended payments of benefits are made to certain claimants who have started work or increased their hours or wages. One of the criteria for granting the extended payment is that the claimant must have been in continuous receipt of IS/JSA for the previous 26 weeks.
- 18 Additional testing undertaken by the Council subsequent to compilation of the claim presented for audit, highlighted a few instances where extended payments were granted, but where there had been a break in IS/JSA entitlement in the previous 26 weeks.

### **Recommendation**

*R5 Prior to granting extended payments, confirmation of continuous IS/JSA entitlement in previous 26 weeks be obtained from DWP.*

## Backdated expenditure

- 19 Benefit is normally payable from the Monday following receipt of the claimant's application form. However, subject to meeting certain criteria, entitlement may be backdated prior to this date, up to a maximum of 52 weeks. The key criteria for granting backdated payments is that the claimant must demonstrate 'good cause'.
- 20 The following issues arose from our sample testing of the cell entry for backdated expenditure.
  - In a number of cases it was difficult, based on the case file, for us to establish whether and why, the benefit officer considered the claimant's claim as demonstrating 'good cause'.
  - In 20 per cent of the cases we sample-tested, the expenditure recorded as backdated expenditure was in fact normal entitlement, and hence should not have been included within the cell. Based upon this error rate, an adjustment to the cell was agreed with senior officers.

### **Recommendations**

*R6 Evidence in support of decision to grant backdated expenditure be fully documented on case files.*

*R7 Additional training is given to the Council's benefit officers to ensure normal expenditure is not incorrectly recorded as backdated expenditure.*



## Uncashed cheques

- 21 A cell entry in the subsidy claim claws back subsidy claimed in previous years on benefit cheques which have been written back in the current year.
- 22 As found last year, when we compared the list of prior year cheques written back according to the Accountancy Section with those cheques in this cell, the latter was found to be incomplete. Senior officers have been unable to identify the reason for the incompleteness but, as with last year, have made a correcting adjustment to the claim.

### **Recommendation**

*R8 Senior officers continue to investigate the incompleteness of uncashed cheques reported by the HB system with assistance from its provider, Northgate.*

## Weekly Incorrect Benefit Subsidy ('WIBS')

- 23 Under the Security Against Fraud and Error Scheme, the DWP rewards authorities with fixed additional subsidy payments (referred to as WIBS), in relation to all overpayments of benefit of over £5 per week where they have been identified by the authorities' own initiative.
- 24 Our sample testing, together with additional testing by the Council, highlighted instances where benefit officers had incorrectly coded overpayments which do not attract a DWP reward to overpayment classifications which do. As a result, additional subsidy payments had been claimed which were not due to the Council. Based upon a 10 per cent error rate in the testing undertaken, the total amount of additional subsidy payments was consequently reduced from £46,700 to £42,065.

### **Recommendations**

*R9 Additional training on the classification of overpayments for WIBS purposes is given to the Council's benefit officers.*

*R10 Prior to compilation of the 2005/06 subsidy claim, instances of misclassification of overpayments for WIBS purposes are identified and corrected.*

## The way forward

- 25 We are grateful for the assistance and courtesy shown to us during the audit. To ensure improvement continues to be made in the compilation of future claims, the above recommendations should be implemented. Senior officers' responses to the recommendations are set out in the action plan in Appendix 2 to this report.

## Appendix 1 - Claim adjustments

**Table 2 Adjustments between original and final claim**

Cell title	Cell no.	Per original claim dated 30/6/05	Adjustments	Per final claim dated 23/12/2005
		£	£	£
Total amount claimed - Non-HRA Rent Rebates (RR)	003	15,177	-1,721	13,456
Total amount claimed - Rent Allowances (RA)	004	15,489,805	10,897	15,500,702
Total amount claimed - Council Tax Benefit (CTB)	005	4,580,440	3,958	4,584,398
Total amount claimed for Security Against Fraud and Error scheme	006	62,000	66,465	128,465
Total administration subsidy	007	520,895	-	520,895
Total verification framework ongoing cost funding	008	108,681	-	108,681
Total reduction for prior uncashed cheques	009	-	3,844	3,844
Total amount claimed for HB and CTB	010	20,776,998	75,755	20,852,753
Less: Interim Benefit Subsidy	011	20,076,520	-	20,076,520
Balance now owed to or by (-) authority	012	700,478	75,755	776,233

## Appendix 2 - Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Scope of the RFO's review in support of the various claim certification assertions be extended.	2	Director of Finance	Yes	Checklist to be compiled incorporating suggestions from external auditor.	End of April 2006.
7	R2 Two officers (with one acting as a knowledgeable reviewer) are involved in the compilation process with additional resources made available for both this and pre-audit checks on high risk cells.	3	Director of Finance/ Principal Benefits Manager	Yes	General point is accepted. However, the duties of the 'knowledgeable reviewer' may have to be spread between several members of staff.	During period of compilation for 2005/06 claim and those for subsequent years.
7	R3 Full and clear working papers be prepared in support of future claims.	3	Principal Benefits Officer	Yes		End of May 2006.

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Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R4 Comprehensive claim preparation notes be written.	2	Principal Benefits Officer	Yes		During 2006.
8	R5 Prior to granting extended payments, confirmation of continuous IS/JSA entitlement in previous 26 weeks be obtained from DWP.	2	Area Benefit Officers	Yes	Procedure now in place to obtain details of IS/JSA entitlement from DWP via RAT.	Not applicable.
8	R6 Evidence in support of decision to grant backdated expenditure be fully documented on case files.	2	Area Benefit Officers	Yes	New procedure for documenting and authorising backdated expenditure is now in place.	Not applicable.
8	R7 Additional training is given to the Council's benefit officers to ensure normal expenditure is not incorrectly recorded as backdated expenditure.	2	Principal Benefits Officer	Yes	Training took place at the start of December 2005.	Not applicable.

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R8 Senior officers continue to investigate the incompleteness of uncashed cheques reported by the HB system with assistance from its provider, Northgate.	2	Principal Benefits Officer	Yes		End of February 2006.
9	R9 Additional training on the classification of overpayments for WIBS purposes is given to the Council's benefit officers.	2	Principal Benefits Officer	Yes	Additional clarification has now been issued to benefit officers.	Not applicable.
9	R10 Prior to compilation of the 2005/06 subsidy claim, instances of misclassification of overpayments for WIBS purposes are identified and corrected.	2	Principal Benefits Officer	Yes		End May 2006.