

Housing and Council Tax Benefit

Tonbridge and Malling Borough Council

Audit 2006-2007

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Introduction

- 1 For the year 2006/07, the Council's gross expenditure for Housing (HB) and Council Tax Benefit (CTB) totalled £24.4 million. By way of comparison, this level of expenditure represents around 50 per cent of gross expenditure of the Council as a whole. The following table analyses benefits expenditure across the three main categories.

Table 1 Subsidy benefits claimed by category

Benefit category	2006/07 (£)	2005/06 (£)
Rent Allowances	18,251,967	16,603,541
Council Tax	5,295,171	4,946,217
Non-HRA rebate	22,818	23,934

Source: 2006/07 and 2005/06 Housing and Council Tax subsidy claims.

Background

- 2 Expenditure for non-HRA rent, rent allowances and council tax benefit is recorded on a return to the Department for Works 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. 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 of expenditure.
- 3 The claim form MPF720A is divided up into sections covering non-HRA rent rebates, rent allowances, council tax benefits, subsidy additions and deductions such as un-cashed cheques, verification framework funding and the fraud incentive scheme.
- 4 The benefits paid to claimants are 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 2006/07, the audit of the grant claim is governed by a Certification Instruction (CI) BEN01 (06-07) (5-07), which instructs the auditors of an authority to undertake a programme of pre-designed tests agreed centrally between the Audit Commission and the DWP. For the 2006/07 audit, there were 41 pre-designed tests that cover around 50 data cells on the claim, excluding the summary cells. In the case of this Council, the tests required us to undertake sample of 120 cases cover all areas of expenditure.
- 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, the sample figure in paragraph 6 is the reduced level after taking account of the work undertaken by Internal Audit.

Main conclusions

- 8 The claim presented to audit at the end of May 2007 was amended. A meeting with officers 11 November 2007 agreed the amendments that reduced the balance owed by the DWP from £356,218 to £346,116. The claim to the DWP was also qualified a result of identifying 807 cases where single person discount appears not to have been awarded. The full review of these cases will be completed during the 2007/08 financial year and consequently the impact on subsidy will be reflected in the 2007/08 year claim to the DWP.
- 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.

Qualification issues

- 10 The following matters are required under the CI BEN01 to be brought to the attention of the DWP in the form of a qualification letter. The letter is replicated in Appendix 1.

Missing files

- 11 In our 2005/06 qualification letter to the DWP we reported that a total of 13 files couldn't be found after the centralisation of the HB offices. At the date of this report, six files remained missing, despite extensive searches by the officers.
- 12 A visiting officer was sent to the claimants to verify their status and update local documentation; no matters were identified from this work. We have referred to this in our qualification letter to the DWP and now consider the matter closed with no subsidy implications.

Single person discount

- 13 Following an auditor's question in a previous certification round, DWP's advice was sought as to the council tax liability to be used for benefit purposes where a person is entitled to the single person discount on their council tax liability but has not claimed the discount. DWP advised that a person is not liable for the full council tax liability just because they choose not to apply for the discount or are unaware of its availability; the person is entitled to the discount and this should be taken into account in determining the council tax benefit payable. It follows that where a benefit claim is received against a full council tax liability and on the face of it a single person discount (SPD) could apply, the authority should take follow up action and either apply the discount where appropriate or otherwise be able to justify not having done so. We were requested to consider whether authorities have taken reasonable steps to identify and apply single person discounts to appropriate cases: where there is any uncertainty, facts should be set out in a qualification letter.
- 14 At TMBC, no action had been taken during 2006/07 but in October 2007, officers have reviewed their database and established that 807 potential single claimants had not been granted SPD. The full subsidy impact as yet is not known, as each case will need to be reviewed and discount applied depending upon the circumstances found. This work is currently on going. Officers agreed that as a priority, those cases where actual refunds may be due would be reviewed first. It was also agreed that a regular monthly review of mismatches between HB and CT would be conducted to prevent any future problems arising.

Other findings

Responsible finance officer (RFO) certification

- 15 The claim to DWP for reimbursement of Housing and Council Tax Benefit represents the single largest claim made by the authority at £28 million. 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. Procedures now include a review of the CFO supporting statement which details the various items of evidence, including:
- 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; and
 - results of relevant BVPIs and any internal quality performance checks.
- 16 However, review of the IA assertions found some inconsistency between the conclusion of the report and that portrayed on the CFO statement, IA gave limited assurance from their system review whilst the statement recorded substantial. In discussing this issue with the CFO this would not have stopped the CFO from signing the return but may have generated additional courses of action to address the shortcomings identified in the report.

Recommendation

R1 The RFO should ensure that appropriate timely arrangements are in place to review supporting evidence before signing the HB claim form.

Review of Internal Audit

- 17 Review of Internal Audit documentation and standard of work compared to CIPFA standards found the work to be of a sufficient standard to enable us to reduce the level of testing in our review of the HB grant claim this year. Although for the report that gave limited assurance key areas of weakness (missing files and ID missing) should have been highlighted in the executive summary. Overall, this is an improvement on last year's where no reliance could be placed due to a number of matters. The key underlying theme being one of training and understanding on our requirements.

- 18 There is still scope for the work of IA to have a greater impact in reducing the burden of our input in review of the year end grant claim. However this would necessitate more regular review of the HB system, at least on regular quarterly basis and with the same requirement of the HB team to follow up any errors identified in the review to the level required by the certification instruction ie a minimum of 40 for each failing attribute in order to ascertain the impact on the population.

Recommendations

R2 RFO should re-examine the current approach of gaining assurances of the output from the HB system that would optimise Internal Audit effort and minimise external audit's thus reducing the financial burden of strategic regulation. Such arrangements could be formalised through an HB audit protocol.

Non-HRA

Start dates

- 19 Review of Non-HRA cases identified a common error in inputting the start dates where a number had not taken account of the new regulations. Review of the remaining population identified an underpayment totalling £335. This matter was not significant enough to be brought to the DWP's attention. It was agreed with officers that corrections would be made during 2007/08 but a manual adjustment would be made on this years claim.

Manual Adjustments

- 20 Manual adjustments made to the 2005/06 claim totalling £68 were not reversed in this year's claim. The claim has now been amended.

Rent allowances

Deregulated tenancies

- 21 Error was identified in entering the wrong rent figure for a new claim made on the 5 June 2006. At that time Sanctuary Housing informed the Authority of its new rent figures which where effective from 3 July 2006. Unfortunately, the increased rent figure was applied to the earlier start date. Review of the remaining population found no further error. The error generated a £7 overpayment only - a manual adjustment has been made to the claim.

Backdating

General backdating

- 22 The Authority's operation of the Northgate HB system has required over the years a manual adjustment to be made to the year-end backdating figure. The adjustment strips out artificially generated backdate figures arising from delayed processing. This year the system-generated figure totalled £85k of backdated claims, £42k was stripped to reduce the cell value to £43k. Testing of the remaining population found error where two periods of backdating were identified in the same claim period - the initial internal review missing the second period. We requested a specific report to be produced that identified cases with two backdating adjustments in 2006/07. The results from this exercise identified a number of other cases where backdating periods were incorrectly included. The result was to reduce the back date cell (117) from £43,537 to £42,015.

Backdated adjustments within overpayments

- 23 Internal review of backdating adjustments did not consider from which cell of the claim these were being stripped from i.e. the general subsidy cells or the overpayment cells. Northgate software will eliminate any associated backdate from the overpayment cells in line with DWP guidelines. However if the associated backdate was incorrectly generated as identified in paragraph 22 above it means that the overpayment cell has been artificially reduced resulting in a loss of subsidy for the Authority. The Authority contacted the software supplier that indicated that they would be prepared to write a bespoke software fix at a cost to the authority. It was considered by officers that the cost of the fix would outweigh the likely benefit to be gained. So the manual review of other backdating cases mentioned in paragraph 22 above also consider the impact on overpayments. No further examples were identified. Officers will now consider this matter via the supplier user-group meetings.

Appendix 1 – Qualification letter

Our reference THOO107G/BEN01

27 November 2007

Department for Works and Pension
Housing Benefits Unit
Room 512
Norcross
Blackpool

Dear Sir/Madam

Tonbridge and Malling Borough Council Housing Benefit and Council Tax Benefit claim for the year ended 31 March 2007 (Form MPF720A) Qualification Letter referred to in Auditor's Certificate dated 30 September 2007.

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

Steve Golding
Audit Manager

Cross cutting qualification issues

Absence of prime documents

In 2005/06, we reported to you that the authority had lost or misplaced case files due to centralising three former housing benefit offices or through a scanning exercise that occurred at the same time. We also reported that the Authority was continuing its search for the missing files.

The Authority has now concluded that work and six case files remain missing. We have identified the subsidy associated with these cases since 2003 totalling £58,620.

The Authority has taken steps to ensure the validity of the payments by looking at the payment histories and the payment patterns and are content that they reflect actual claimants details. This was further supported by the Authority sending out a visiting officer to confirm identities and to confirm claimant histories. The result of this work enables us to conclude that subsidy expenditure has been properly incurred. This issue is now resolved.

Qualifications on individual cells

Cell 142 – Total Council Tax Expenditure

Cell total: £6,086,684

Cell population: 7,452

Single person discount (SPD)

In 2005/06 we reported that the council failed to apply single person discount in three out of the 20 cases tested. Based on this we could not conclude in 2005/06 whether the Authority had taken all reasonable steps to identify and apply single person discounts to the appropriate cases. Certification Instruction BEN01 paragraph 61 asked auditors to consider whether authorities have taken reasonable steps to identify and apply single person discounts to appropriate cases. The Authority has now undertaken some work during 2007 and has recently produced a report that identifies 807 (230 live) cases where single person discount is appropriate.

At the time of writing this letter, work had just been started to review the cases and thus we cannot ascertain the financial impact on the 2006/07 HB and CTB return. Officers have indicated that they should be able to complete the exercise so that the 2007/08 HB and CTB return will bear the full financial impact of the changes made relating to single person discount.

The Authority has also introduced appropriate monthly controls to help avoid future reoccurrence of this problem.

Appendix 2 – Claim adjustments summary

Table 2

Cell reference	Original £	Revised £
003 Rent rebates	22,818	22,938
004 Rent Allowance	18,251,967	18,240,696
005 Council Tax	5,295,171	5,295,207
007 Uncashed cheques	2,425	1,411
008 Total claimed	24,360,783	24,350,681
010 Amount due	356,218	346,116

Appendix 3 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 The RFO should ensure that appropriate timely arrangements are in place to review supporting evidence before signing the HB claim form.		PBO	Yes	Principal Benefit Officer (PBO) to make RFO aware of any issues, areas of weakness or adverse risk during initial final claim compilation period and provide draft checklist to RFO within sufficient time to allow RFO to carry out necessary review.	April 2008
8	R2 RFO should re-examine the current approach of gaining assurances of the output from the HB system that would optimise Internal Audit effort and minimise external audit's thus reducing the financial burden of strategic regulation. Such arrangements could be formalised through an HB protocol.		CIA	Yes	The suggested approach is that IA should carry out quarterly testing of HB. This would impact on the Audit Plan and needs to be discussed with the Director of Finance and reported to Audit Committee if this approach was to be adopted.	April 2008