

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 February 2008

Report of the Director of Finance

Part 1- Public

Matters for Information

1 REPORT OF BENEFITS SUBSIDY AUDIT 2006/07

A report informing regarding the outcome of the Audit Commission's audit of the Council's benefits subsidy claim for the year 2006/07

1.1 Background and Introduction

- 1.1.1 For the year 2006/07, the Council's gross expenditure for Housing and Council Tax Benefit totalled £24.4 million. By way of comparison, this level of expenditure represents around 50% of the gross expenditure of the Council as a whole.
- 1.1.2 There are in excess of 100,000 complex financial transactions that are involved in the payment processes during the year. Most of these are generated by the Northgate benefits processing software.
- 1.1.3 The majority of this expenditure is met by monthly instalments paid to the Council by the Department for Work and Pensions (DWP), based on initial and mid-year estimates provided by the Council.
- 1.1.4 A final claim is made to the DWP at the end of the financial year, including a balancing sum. The claim is subject to audit by the end of the following November, carried out by an auditor appointed by the DWP; in our case, the District Auditor.
- 1.1.5 The balancing sum, usually owed to the Council, was adjusted and agreed based on the findings of the audit. Any significant weaknesses or errors identified during the inspection are drawn to the attention of the DWP in a letter from the auditor. The term 'qualification' is used for an issue drawn to the attention of the DWP.
- 1.1.6 The DWP will decide, based on qualifications made in the letter, whether any action is necessary in respect of the final claim. Such action could be 'directions' to the Council and/or withholding of instalments or reduction in payments.
- 1.1.7 This report sets out the findings of the audit report arising from the audit undertaken during September/October 2007 in respect of the 2006/07 financial

year. This report subsumes issues arising from the 2005/06 audit, for which there will be no separate report from the District Auditor.

1.1.8 The report, action plan and letter to the DWP are attached as **[Annex 1]**.

1.2 Findings

1.2.1 The balance owed to the Council by the DWP was £346,116. This represents 1.42% of the total payment made to the Council by the DWP for the year.

1.2.2 Two issues were raised as qualification points:

- 1) The first was a follow-up to the work done in locating missing case files following the centralisation of the staff of the Benefits Section. The problem of missing files was identified during the 2005/06 audit. As a result, officers have worked assiduously throughout the year to locate those files. Members were advised, at the meeting of the Committee on 23 October 2007 that this matter had now been resolved. The actions taken are identified, in the report, as a positive conclusion to this matter.
- 2) The second issue appears to be one that affects most councils across the country. It concerns claimants who are the sole adult residents of their properties and who receive full council tax benefit but do not have a 'single person' discount on their council tax accounts. The Council Tax Section has previously granted 'single person' discounts only following an application for a discount.

1.2.3 Recent guidance from the DWP states that, where a council holds information that enables it to determine that a 'single person' discount should be applied to a council tax account, then it should apply such discount. This means that, when a single person applies for council tax benefit, and the staff of the Benefits Section are satisfied that the claimant is, indeed, the sole adult resident of their property, a single person discount should be applied to the council tax account without any further application being required. The result of this is that council tax benefit, if granted in full, equates to only 75% of the gross council tax charge because the amount of council tax theoretically payable, and against which benefit is calculated, will have been reduced by 25% because of the 'single person' discount.

1.2.4 Whilst this has no effect on the subsidy budget within the General Fund it does impact on the Collection Fund for which the Council receives a proportion of the overall subsidy or deficit. It has been estimated that the net cost to TMBC will be in the region of £25,000.

1.2.5 Officers are currently awaiting further national guidance or directions from the Department for Work & Pensions as to how to progress this issue.

1.3 Legal Implications

1.3.1 The completion of the audit has met the Council's legal obligations in this matter.

1.4 Financial and Value for Money Considerations

1.4.1 Expenditure on council tax benefit and housing benefit accounts for a very significant part of the Council's gross expenditure. It is therefore of the utmost importance that the correct amount of subsidy is claimed and that the claim is made in a timely manner.

1.4.2 The 2006/07 audit ran in a particularly smooth way. This was due to the increased resources available from the Benefits Section and the organisation and planning between the lead auditor, his team and the staff in the Section. This is reflected in the duration and cost of the audit.

1.4.3 Further ways to improve the efficiency of the audit will be investigated, as agreed in R2 of the HB and CTB Report Action Plan.

1.5 Risk Assessment

1.5.1 A wide range of controls is in place to minimise the risk of loss through fraud and error within the systems of the Benefit Section. These are regularly monitored and reviewed, by the Benefit Section, Accountancy Section and Internal Audit, throughout each year.

1.5.2 However, should the Audit Commission's recommendations (if any) not be implemented, there is a risk that future subsidy claims submitted by the Council will not be certified by the Audit Commission or that the Audit Commission will qualify the subsidy claim. Should this happen, the Department for Work and Pensions, which pays the subsidy to the Council, will withhold further payments of subsidy. Such withholding of subsidy could have significant impact on the Council's cash-flow.

Background papers:

Nil

contact: Andrew Rosevear,
Principal Benefit Officer

Sharon Shelton
Director of Finance