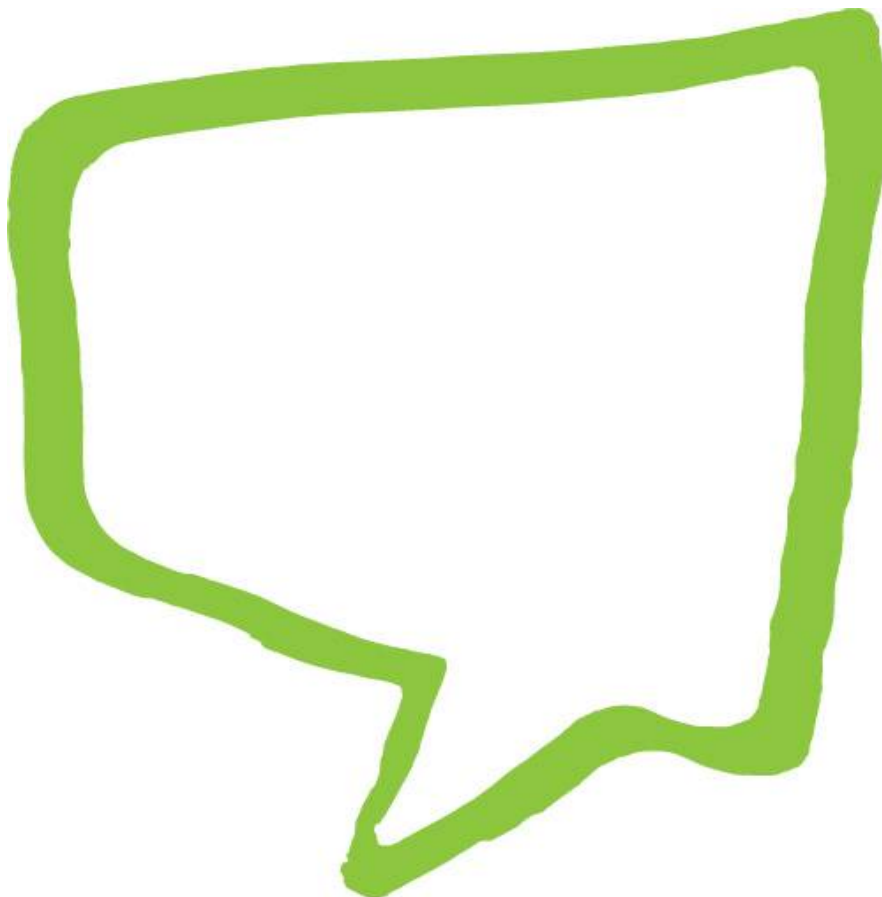


Housing and Council Tax Benefit

Tonbridge and Malling Borough Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 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.
- 2 Expenditure for non-HRA rent, rent rebates, rent allowances and council tax benefit is recorded on a return to the Department for Works and Pensions (DWP) by local authorities responsible for administering HB and CTB schemes who may claim subsidies from the DWP towards the cost of benefits. With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the rate of 100 per cent of expenditure. The authority had to complete the 2007/08 claim form by 30 May 2008, with the audit to be completed by the 30 November 2008.
- 3 Expenditure on housing benefits represents around 43 per cent of gross expenditure of the Council as a whole. For the year 2007/08 the subsidy claimed by the Council for Housing (HB) and Council Tax Benefit (CTB) totalled £25.9 million (£24.4 million in 2006/07). The following table analyses subsidy claimed.

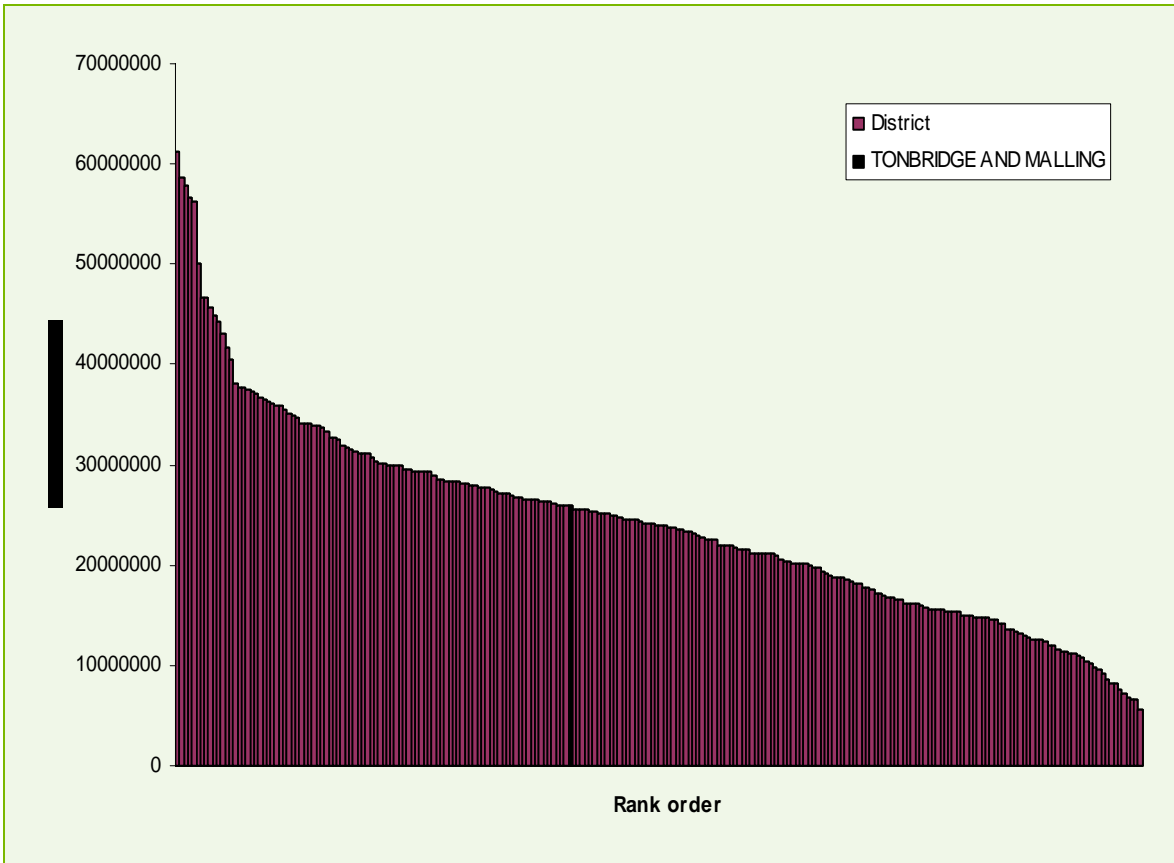
Table 1 Subsidy benefits claimed by category

Benefit category	2007/08 (£)	2006/07 (£)
Non HRA	29,657	22,938
Rent rebate	0	0
Rent Allowances	19,586,167	18,240,694
Council Tax	5,600,393	5,295,207
Administration Subsidy	709,756	793,253
Un-Cashed Cheques	(6,176)	(1,411)
Total Subsidy	25,919,797	24,350,681

Source: Housing and Council Tax final subsidy claims

- 4 Figure 1 shows how the amount of housing benefit subsidy claimed at Tonbridge & Malling BC compares with other English District Councils.

Figure 1 Comparison of subsidy claimed with other English Districts
Tonbridge and Malling is in the upper middle quartile



Source: Audit Commission Housing Benefit analytical review tool for 2007/08 using DWP data

Audit approach

- 5 The audit approach to the certification of the Housing Benefit claim is based on the Audit Commission's HB COUNT methodology. (Count Once Use Numerous Times). Under this approach we use the same sample of cases:
- to review the accuracy of housing benefit performance indicators as part of our work on data quality;
 - to support certification of the subsidy claim to the DWP; and
 - to provide assurance for our opinion work.

Main conclusions

- 6 We issued our certificate on the Council's housing benefit subsidy claim on 28 November 2008. Except for the matters raised in our qualification letter we concluded that the claim was:
- fairly stated; and
 - in accordance with the relevant terms and conditions.
- 7 We raised two issues in our qualification letter, relating to:
- insufficient evidence to support the amounts claimed for some non-HRA cases; and
 - lack of an audit trail to support share valuations when calculating entitlement to benefit.

Non HRA cases

- 8 In 2007/08 the information on rents and services provided to the Council for non-HRA cases was supplied by a Housing Association (Russet Homes), engaged as an outsourcing supplier to undertake work that would normally be undertaken by the Housing Department. Audit testing identified that for some cases the Housing Association was not the 'true' landlord, and that the information provided might not therefore represent the actual cost of rent and services. Further information from the true landlord is required to support the claim.
- 9 Current information suggests that a review of cases may lead to some increase in the Council's entitlement to subsidy. In our qualification letter we recommended that the Council obtain evidence of costs from the true landlord and review calculations for all 41 non-HRA cases. The Council have stated that they will review all non income support non-HRA cases to ensure that these are correctly calculated. However, the Council does not currently propose to review income support non-HRA cases.

Share valuations

- 10 Initial audit testing identified one case where there was no trail to support the valuation of shares used in the calculation of capital and, therefore entitlement to benefit. The Council subsequently identified that there were 90 cases where claimants held shares. Having reviewed a number of these cases the Council concluded that it was not able to support share valuations generally, as the majority of cases were very old, with no audit trail to support the initial calculations and no evidence of subsequent review.
- 11 Based on these findings it is likely that some amounts in respect of these 90 cases included on the claim forms for 2007/08 or earlier years are incorrectly stated.
- 12 The Council will undertake a risk assessment of all 90 cases. Officers will then review the higher risk cases as a matter of priority over the next year. However, it is likely that the overall impact on subsidy from any reassessments will be relatively small.

Main conclusions

Other issues

13 Our work also identified:

- one error in respect of rent allowances where the rent payable had changed but the information on the benefit system had not been updated; and
- one error in awarding council tax benefit where the Council had underpaid one weeks benefit.

In both cases there was no impact on the 2007/08 subsidy claim.

Next steps

14 Further details from our audit work are provided in the detailed report below. An action plan incorporating agreed recommendations is included at Appendix 1.

Detailed findings

- 15 We have now completed our work on the Council's 2007/08 housing benefit and council tax benefit claim form. Details of the work performed and audit findings are set out below, following the modular approach set out in the Audit Commission's HB COUNT methodology.

Module 1

- 16 This module sets out the work required under our audit approach. We also consider any specific risk issues that need to be addressed based on our cumulative knowledge from previous audits.
- 17 In 2006/07 we issued a qualification letter detailing the failure to apply single person discount correctly. We noted that Housing Benefit officers undertook appropriate corrective action on this issue during the year. No further testing was therefore required in 2007/08.

Module 2

- 18 The aim of this module is to ensure that system parameters have been properly updated and applied to the calculation of benefit entitlement. This provides assurance that the subsidy system uses the correct amounts and allowances in benefit calculations.
- 19 We found no errors in the up rating of the system parameters for 2007/08.

Module 3

- 20 This module covers our work on two performance indicators:
- BVPI 78a (time taken to process new claims); and
 - BVPI78b (change of circumstances).
- 21 The findings from this module are detailed in our data quality report.

Module 4

- 22 This module requires us to perform an analytical review, obtaining explanations for variances with previous year figures or other authorities.
- 23 Adequate explanations were obtained for all relevant variances.

Module 5

- 24 In this module, our system diagnostic tool enables us to ensure the Council has used the correct software version, audit trails and reconciliation methods when completing the 2007/08 claim form. We confirmed that the correct software release and claim preparation procedures had been used.

Detailed findings

Module 6

- 25 Under this module we undertake and record our detailed findings in accordance with the Audit Commission certification instruction CI BEN01 (2007/08) which sets out the work programme and testing approach agreed by the Audit Commission with DWP. Details of the main findings arising out of this work are given below.

Audit testing

- 26 Table 2 summarises the findings from our testing of Housing Benefit and Council Tax Benefit claims.

Table 2 Summary results of audit testing

Payment Category	Testing of new claims	Testing of change of circumstances
Non HRA	4 fails from 4	6 fails from 6
Rent allowances	No fails from 10	1 fail from 10
Council Tax	1 fail from 10	No fails from 10
Total	5 fails from 24	7 fails from 26

Source: AC testing workbooks

Non-HRA Cases

- 27 The information provided to the Council was supplied by a Housing Association, which was engaged as an outsourcing supplier to undertake the work that would normally be undertaken by the Housing Department. The information provided to support the claims gave no indication that the true landlord was other than the Housing Association, but testing of non-HRA cases as at Table 2 indicated the Housing Association was not the true landlord. As there was no written evidence from the true landlord detailing the gross rent, services provided and net rent, further information from the true landlord was required to support the claim.
- 28 The Council confirmed that testing of the remaining non-HRA cases (total population = 41) would show the same results as for the initial cases tested i.e. the need to obtain further evidence to support the claim. The Council therefore chose not to undertake additional testing.
- 29 Without evidence of the true costs it is not possible to re-assess all 41 cases for 2007/08 claim purposes. However, the Council has reviewed the gross rents advised by the Housing Association for 2007/08 and have confirmed that in all cases the gross rent, which appears to be a notional rent, is both lower than the actual cost to the Council and lower than the relevant cell threshold for 2007/08. Therefore the outcome from a review of cases is likely to be that no further benefit is paid out, but that the Council's entitlement to subsidy for 2007/08 is increased.

- 30** The Council pays the landlord directly for the use of the accommodation (through the Housing Department), and retains the benefit awarded to offset the cost of housing the homeless. It is therefore important that benefit records are based on actual costs of rent and services. In our qualification letter we recommended that the Council obtain evidence of costs from the true landlord and review calculations for all 41 non-HRA cases. The Council have stated that for 2007/08 they will review all non income support non-HRA cases to ensure that these are correctly calculated. Revised subsidy values will appear in the 2008/09 claim. However, the Council does not currently propose to review income support non-HRA cases.
- 31** Since March 2008 the Council have brought the outsourced housing department back in-house. It is understood that all non-HRA cases in 2008/09 will also be reviewed to ensure that they are correctly calculated.

Recommendations

- R1** The Council should obtain evidence of costs via certificate from the true landlord and review calculations for all non-HRA cases.
- R2** Any amendments to housing benefit records should be backdated to 2007/08 to preserve the audit trail and ensure any under or overpayments are identified on the housing benefit system. Any adjustments to subsidy should be incorporated in the 2008/09 claim.

Rent Allowance Cases - Changes in Circumstances

- 32** Audit testing identified one case where the rent used in calculations throughout 2007/8 was incorrect. The rent was last amended on 4 April 2005 despite the RSL (Russet Homes) revising rents each year. The Council agreed that this was a fail and, under the agreed audit methodology for benefits testing, an additional 40 cases were tested in respect of Russet Homes RSL cases.
- 33** No further errors were found in the additional testing. We therefore concluded that the original error was an isolated case. The original error identified had no subsidy impact as the increase in rent was not applied and therefore neither was it claimed in subsidy. Therefore no adjustment was required to the 2007/08 claim.

Council Tax Benefit - New Cases

- 34** Testing of new Council Tax Benefit claims identified one claimant on income support who had moved from outside the area to a new property with effect from 27 January 2008. As the claim was made within 1 month and the claimant was on income support the date of the claim should have been 28 January 2008 instead of 4 February 2008. As such the Council have underpaid one weeks benefit to the individual. As they had also under-claimed subsidy this error had no subsidy impact on the claim.

Detailed findings

Council Tax Benefit - Share Valuations

- 35** Testing of ten new Council Tax Benefit cases identified one case where there was no audit trail to support the share valuations that had been used in the calculation of capital.
- 36** The valuation used could not be dated precisely but it was possible to identify a range of dates within which it had taken place. We re-calculated the valuation using the appropriate guidance and identified a significant variation with the valuation in the Council's records.
- 37** The Council identified a total of 90 cases where claimants held shares. The Council confirmed, having reviewed several cases, that they were unable to support the valuations used in any of the claims. The majority of cases were very old and there was a lack of audit trail to support the calculations.
- 38** The Council subsequently undertook further work to review the capital values for these cases. Officers concluded that:
- a) There are 47 cases where the capital is below the £6,000 threshold and where the share component in terms of the value assessed is very small. It is therefore likely that even if the share valuation is significantly incorrect for these cases the impact on housing benefit entitlement and subsidy will be negligible; and
- b) Of the remaining 43 cases the capital values range from £6,000 to £15,400 excluding the £6,000 exemption. A review of these cases identified the possibility that nine of the higher value cases might exceed the £16,000 capital threshold and therefore that the 'tariff income' will be incorrect as a result of the share valuations being incorrect. If this is the case then benefit would not be payable in these cases and this would impact across a range of cells on the subsidy claim.
- 39** Based on these findings it is likely that housing benefit/council tax benefit entitlement and subsidy could be incorrectly stated in 2007/08 and earlier years for some of the 90 cases.
- 40** The Council has indicated it will undertake a risk assessment of all 90 cases. However, the nine higher risk cases as at (b) above will be reassessed as a priority over the next year.
- 41** At present it is not possible to quantify any errors in benefit entitlement and subsidy as this will require each of the cases to be reassessed individually. However, given the recent fall in world stock market values any impact on benefit entitlement and subsidy is likely to be relatively small.

Recommendations

- R3** As a minimum the Council should review valuations in all cases where the capital value ranges from £6,000 to £15,400 excluding the £6,000 exemption. Any assessment should consider the impact on both 2007/08 and earlier subsidy claims.
- R4** The Council should review share valuations on a periodic basis, particularly where overall capital values are close to the £16,000 capital threshold.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R1 The Council should obtain evidence of costs via certificate from the true landlord and review calculations for all non-HRA cases.	3	Chief Housing Officer/ Principal Benefit Officer	Yes	Procedures now in place.	In place
10	R2 Any amendments to housing benefit records should be backdated to 2007/08 to preserve the audit trail and ensure any under or overpayments are identified on the housing benefit system. Any adjustments to subsidy should be incorporated in the 2008/09 claim.	3	Principal Benefit Officer	Yes	Due to the work required to achieve this and the co-ordination between the two Departments (Finance & EH&H) it has not been possible to make these amendments to reflect the outcome in the 2008/09 claim. These will be incorporated in the 2009/10 claim.	31 July 2009
11	R3 As a minimum the Council should review valuations in all cases where the capital value ranges from £6,000 to £15,400 excluding the £6,000 exemption. Any assessment should consider the impact on both 2007/08 and earlier subsidy claims.	2	Principal Benefit Officer	Yes		31 August 2009
11	R4 The Council should review share valuations on a periodic basis, particularly where overall capital values are close to the £16,000 capital threshold.	2	Principal Benefit Officer	Yes		Ongoing

The Audit Commission

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk