

Item: 6.2

Monitoring and Audit Committee: 10 June 2021.

Internal Audit Report: Housing Benefit and Council Tax Reduction.

Report by Chief Internal Auditor.

1. Purpose of Report

To present internal audit report on procedures and controls relating to Housing Benefit and Council Tax Reduction.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit of the procedures and controls in place within the Council relating to Housing Benefit and Council Tax Reduction.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls in place within the Council relating to Housing Benefit and Council Tax Reduction.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

Housing Benefit is a means tested social security benefit intended to help meet housing costs for rented accommodation. Council Tax Reduction is also means tested and intended to help meet the cost of Council Tax.

3.2.

The Council administers the processing of housing benefits and council tax reduction. At the time of the review, there were over 700 housing benefit and 1,250 council tax claimants respectively.

4. Audit Findings

4.1.

The audit provides substantial assurance that the processes and procedures relating to housing benefit and council tax reduction are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, includes one medium priority and two low priority recommendations within the action plan. There are no high level recommendations made as a result of this audit.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, email andrew.paterson@orkney.gov.uk.

Peter Thomas, Internal Auditor, email peter.thomas@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Housing Benefit and Council Tax Reduction.



Internal Audit

Audit report

Housing Benefit and Council Tax Reduction

Draft issue date: 22 April 2021

Final issue date: 13 May 2021

Distribution List:	Revenues Manager Manager (Strategic Finance) Head of Finance
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The Council administers the processing of housing benefits and council tax reduction, at the time of our review there were over 700 and 1,250 claimants respectively.

Our audit confirmed that the procedures in place for the administration of housing benefits and council tax reduction were sound, and testing carried out found that controls are in place and working well, with several areas of good practice evident. For example:

- The section has adapted well to the challenges of COVID-19. During COVID-19 restrictions, housing benefits and council tax reduction applications could, alternatively be made by e-mail or phone, all new documentation is filed electronically. Where possible, staff have worked from home.
- Applications for housing benefits and council tax reductions are scrutinised comprehensively using a set process. Details provided by the applicant are verified where required to do so.
- Regular comprehensive reconciliations to housing benefit payments and credits reports, and receipts from the Department for Works and Pensions are carried out.
- Applications and change of circumstances forms, for both housing benefit and council tax reductions, are processed timeously. Housing benefits and credits have continued to be made regularly.
- Applicants for housing benefit and council tax reduction are provided with a professional level of support.
- Applications for council tax reduction can now be made online, through the My Orkney web portal.

The report includes three recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Pentana risk.

Total	High	Medium	Low
3	0	1	2

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

Housing Benefit (HB) is a means tested social security benefit intended to help meet housing costs for rented accommodation. The primary legislation which sets out the general entitlement to Housing Benefit is the Social Security Contributions and Benefits Act 1992. The Housing Benefit Regulations 2006; Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006, and subsequent amendments describe entitlement further.

Local authorities reclaim most of the Housing Benefit they have paid to claimants from the Department for Works and Pensions (DWP) by submitting subsidy claims certified by each authority's appointed external auditor. Benefit subsidy is restricted where local authorities are deemed to have most scope to monitor and control costs. For example, eligible overpayments attract a reduced subsidy rate of 40% to encourage local authorities to minimise and recover overpaid benefits. Should the Council recover the full overpayment, the DWP Housing Benefit overpayments guidance states that the Council can retain the subsidy paid, and any overpayment recovered.

Housing benefit is one of six "legacy benefits" being replaced by Universal Credit. Usually, a new claim cannot be made for any of the legacy benefits. Claimants of legacy benefits may be required to move to Universal Credit should their circumstances change in certain ways. Other claimants, with the exception of pensioners, will have to move onto Universal Credit by 2024.

Council Tax Reduction (CTR) is means tested and intended to help meet the cost of Council Tax. CTR replaced Council Tax Benefit from April 2013 and the legislative responsibility passed from DWP to the Scottish Government. CTR is governed by the Council Tax Reduction (Scotland) Regulations 2012, the Council Tax Reduction (Pension Credit) (Scotland) Regulations 2012, and subsequent amendment regulations which are issued on an annual basis.

Each Local Authority receives funding for the CTR scheme as part of the Revenue Support Grant. This funding is not ring fenced and is not dependent on the CTR awarded. Should CTR awarded exceed funding received then any shortfall must be met by the local authority.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit Scope

The audit scope included a review of:

- Current policy and procedures covering HB and CTR being used by the Council.
- Records management of HB and CTR claims within the Council.
- Controls for the processing and calculation of entitlements and that these are based on the applicant's income and personal circumstance.
- Controls for the verification carried out on the details provided by applicants.
- Controls for the accuracy, completeness and timeous recording of HB and CTR subsidy claims.
- Controls for the accurate and timely processing of change of circumstances of claimants.
- Controls for minimising overpayments and that these are actively pursued and recovered over a suitable period.

- That rent allowances and rebates and Council Tax reductions are reconciled to both the Council's rent and Council Tax collection systems.
- That interventions, such as active participation in the DWP's Housing Benefit Matching Service (HBMS), Audit Scotland's National Fraud Initiative (NFI) and the DWP's Real Time Information (RTI) data matching services, are performed.

Audit Findings

1.0 Electronic records

- 1.1 Electronic records relating to Housing Benefit and Council Tax are held in a folder entitled "Benefits" which is a subfolder of a "Revenues" folder on the Council's network.
- 1.2 A search found that there were almost 150,000 electronic documents, within over 6,000 further subfolders to the Benefits folder.
- 1.3 Although many of these documents do not contain personal details there are several documents being held which are outwith the time period for retention within the Council's Retention and Disposal Schedule which forms part of the Council's Records Management Plan (RMP) which has been agreed with the Keeper of Records of Scotland. Examples of these are: letters relating to debt recovery dating back to 2006, Christmas grant lists dating back to 2008, meeting notes dating back to 2005 and reconciliations dating back to 2010.
- 1.4 The Public Records (Scotland) Act 2011 places an obligation on the Council to adhere to its RMP.
- 1.5 The Data Protection Act 2018 is the UK's implementation of the General Data Protection Regulation (GDPR). The Act requires strict "data protection principles" to be followed when holding personal details. These include, inter alia, that personal details are kept for no longer than necessary.
- 1.6 The Benefits folder should be reviewed, and documents being held outwith the Council's Retention and Disposal Schedule, disposed of.

Recommendation 1

2.0 Website

- 2.1 The Council's website pages relating to Housing Benefit and Council Tax Reduction are considered to be informative. Generally, the data has been kept up to date.
- 2.2 There is however some information on the website that is now considered dated. For example, Benefit customer surveys are the results for 2011/12 and 2013/14 without more recent comparisons. Benefit fraud information refers to investigations between 2008 and 2015, The Business Plan is entitled 2018/19.
- 2.3 The website pages relating to housing benefits should be reviewed so that only information that is still relevant is retained.

Recommendation 2

3.0 Customer Survey

- 3.1 A full customer survey of Housing Benefit and Council Tax Reduction has not been carried out within the last five years.
- 3.2 Carrying out a customer survey for Housing Benefit support, after the current pandemic should be considered.

Recommendation 3

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1) Electronic documents held outwith the Council's Retention and Disposal Schedule should be deleted.	Medium	Agreed. The agreed completion date would depend on us having budget for significant additional staff resources, and once additional resources are in place the completion of these recommendations would depend on the completion of several other outstanding projects first which are of critical priority to the service.	Revenues Manager	31.03.23
2) The website pages relating to housing benefits should be reviewed.	Low	Agreed. The agreed completion date is also dependent on the factors referred to at 1).	Revenues Manager	31.03.23
3) Carrying out a customer survey to Housing Benefit support should be considered.	Low	Having considered the recommendation, we don't intend to carry out a customer survey due to the number of HB claimants dwindling and all, but pensioners will have transitioned to Universal Credit by 2024.	N/A	N/A

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.