

Agenda Item No: 9 **Report No: 51/13**

Report Title: Quality assurance checks applied to applications for Housing and Council Tax Benefit 2012/13

Report To: Audit Committee **Date: 18 March 2013**

Ward(s) Affected: All

Report By: Director of Finance

Contact Officer
Name: David Heath
Post Title: Head of Audit and Performance
E-mail: David.Heath@lewes.gov.uk
Tel no: 01273 484157

Purpose of Report:

- 1 To present to Councillors the results of a review of the quality assurance checks that are applied to benefit applications.**

Chair's Recommendation(s):

- 1 To receive and consider the report.
 - 2 To note the satisfactory response of the Head of Revenues and Benefits to the PKF recommendation of December 2011(see paragraphs 13 and 15).
 - 3 To note the current levels of quality checks in excess of the 10% target and the improvement in error rates (see paragraph 16 and Appendix 1).
-

Reasons for Recommendations

- 1 At its meeting on 28 January 2013, the Audit and Standards Committee considered two reports (19/13 and 23/13), by the Director of Finance and PKF respectively, that dealt with the results of the annual testing of the Housing Benefit Subsidy Claim by Internal Audit on behalf of PKF.
- 2 The discussion of the reports explored the controls that are applied to benefit applications, including the continuous programme of quality testing that is carried out within the Revenues and Benefits Team.
- 3 The Audit and Standards Committee requested that the Principal Audit Manager present a further report detailing the quality processes within the Revenues and Benefits Team, including the frequency and type of checks, error rates detected, and the progress in implementing PKF recommendations. This report summarises the results of a review of the quality assurance checks that are applied to benefit applications.

Background

- 4** The quality assurance checks on the processing of benefit applications were introduced in 2001. The checks were introduced as part of the government's initiatives to reduce the number of fraudulent benefit claims. Other elements included the Verification Framework (VF), a scheme that was designed to achieve more secure and accurate administration of benefits applications by defining minimum standards for the evidence needed in support of claims.
- 5** The quality checks were introduced to confirm the correct processing of the minimum evidence. The scope and content of the quality checks were set by the Benefit Fraud Inspectorate (BFI) with a target volume of checks at 10% of new and amended applications. The VF was abolished in 2006, but the minimum evidence standards and quality checks have been retained as controls over the processing of applications.
- 6** The results of the quality checks were reported back to the BFI and were included in the performance indicators for the Benefits service. These reporting arrangements continued until 2010, when the regime of Key Performance Indicators (KPIs) was simplified. The results of the checks are no longer published, but the collection of data on the conduct and results of the quality checks has been continued in order to provide management information on the service. This information forms the basis for the statistics contained elsewhere in this report.

Performance of the quality checks

- 7** The quality checks are carried out daily using a two part checklist; part one covers the checks on the assessment of new applications, and part two is used for checking the assessment of changes of circumstances. The first part contains 22 separate checks that require Yes/No answers to questions dealing with areas such as:
 - Inclusion of all members of the household.
 - Correct identification, analysis and input of all income and capital, and correct input of employment hours for people who are work.
 - Correct identification of tenancy type and scheme.
 - Confirmation of the correct Council Tax charge.
 - Evidence of a Rent Officer's decision being applied within the time allowed.
 - Evidence of previous benefit payments and any overpayments outstanding.
 - Start of benefit from the correct date, and correct calculation of benefit entitlement.
 - Proper use of correspondence to obtain/clarify key information.
 - Correct use of diary dates for future action.

The second part contains five checks that require Yes/No answers to questions dealing with areas such as:

- Correct action taken as a result of the change.
- Proper use of correspondence to advise the claimant of the outcome.

For both sections of the checklist, the recording of any No answer means that the inaccuracy issue must be recorded and the record returned to the original assessor for remedial action.

- 8** The quality checks are carried out by staff in the Revenues Support Group. Normally, two members of the Group undertake the checks but because of one member of the team is absent on adoption leave the checks are currently being carried out by one team member. The volume of checks varies according to circumstances (see 9 to 11 below) but there are currently fewer checks because of the temporary reduction in staff numbers.
- 9** From their introduction, the volume of the quality checks at LDC has exceeded the 10% target set by the BFI, often operating at between 15 – 20% of the new and amended claims received by the team. The work of experienced staff is subject to checks at the target level of 10%, but the work of new staff receives a higher level of check, with 100% of their work being checked for three months. Since June 2012, the Council has made use of a commercial company, Liberata, to provide a claims assessment service to help deal with a backlog of claims that had developed; in the first three months of the service 100% of the claims handled by Liberata were subject to quality checks.
- 10** If the checks note errors in an assessor's processing of applications, the assessor receives specific guidance on the particular issue, and the volume of checks on the assessor's work is increased. This support is in addition to the initial training programme for newly appointed assessors, and the periodic group training sessions for all assessors. The group training is often in response to changes in benefits legislation but also covers specific issues arising from the results of the quality checks.
- 11** Since April 2012, the volume of checks has ranged from 31.05% in May 2012 to 11% in November 2012, with generally fewer checks being carried out as the year has progressed (see Appendix 1). The variations in volume have been due to the increasing experience of LDC and Liberata assessors, the improvements in performance (ie fewer errors being noted) and the temporary vacancy in the Revenues Support Group. An additional factor has been the focusing of checks on the income aspects of claims in response to the recommendation made by PKF in 2011 (see 13 below).

PKF recommendations for change in checking procedures

- 12** PKF undertakes the review of the previous financial year's benefit subsidy claim in the latter half of the following year. PKF relies on the work of Internal Audit to carry out the main testing of the claim, carries out sample re-performance of the testing and then signs off the claim before its final submission to the Department of Work and Pensions (DWP) at the end of November.

- 13** PKF signed off the 2010/11 subsidy claim in November 2011 without qualification, but because of errors in the handling of claimant income information in some claims the PKF report (December 2011) included a recommendation for a review of the effectiveness of the quality assurance checks. The Council accepted and implemented the recommendation, and the result was an increased focus on claimant income in the last quarter of 2011/12 and subsequently.
- 14** PKF examined the 2011/12 subsidy claim in the autumn of 2012. The re-occurrence of errors in the handling of claimant income information, mainly in the period before the PKF report and recommendation on the 2010/11 claim, was judged to justify a qualification of 2011/12 subsidy claim. This qualification, and two further recommendations for the review of checking procedures, was presented to the Audit and Standards Committee in January 2013.
- 15** Internal Audit is of the opinion that the Head of Revenues and Benefits responded effectively to the PKF recommendation of December 2011 with a change to the quality checking procedures to enable a greater focus on claimant income. It is too soon for any further changes in procedures as a result of the January 2013 recommendation.

Results of quality assurance checks 2012/13

- 16** Internal Audit has obtained the results of the quality checks carried out in the period April 2012 to January 2013 (see Appendix 1). The key results to note are:
- Volume of quality checks always in excess of the 10% target originally set by the BFI.
 - High levels (in excess of 20%) of quality checks carried out April, May, July and September 2012 reflecting management assessments of risk.
 - Gradual improvement in error rates over the period, with errors consistently lower than 4% from October 2012.

Financial Implications

- 17** There are no additional financial implications from this report.

Sustainability Implications

- 18** I have not completed the Sustainability Implications Questionnaire as this report is exempt from that requirement because it is an internal monitoring report.

Equality Screening

- 19** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required. However, if Internal Audit note equalities issues during their work these will be raised with the Equality Officer to ensure that appropriate equality impact screening is carried out.

Risk Management Implications

- 20** The risk assessment shows that if the Audit Committee does not ensure the adequacy and effectiveness of the Council's systems of internal control there is a risk that key aspects of the Council's control environment, specifically the controls over the accuracy and completeness of the processing of Housing and Council Tax benefit applications, will not comply with best practice standards.

Background Papers

- 21** Report 19/13 to the Audit and Standards Committee on 28 January 2013: Interim Report on the Council's Systems of Internal Control 2012/13.

<http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=6018>

- 22** Report 23/13 to the Audit and Standards Committee on 28 January 2013: Grant Claims and Returns Certification – Year ended 31 March 2012.

<http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=6146>

Appendices

None.

Appendix 1

Results of quality assurance checks 2012/13

	Total cases checked	Number of cases correct	Number of cases incorrect	% of cases checked correct	% error rate	Total cases assessed	% of total cases checked
April	420	399	21	95.00	5.0	1,972	21.30
May	722	670	52	92.80	7.2	2,325	31.05
June	404	373	31	92.3	7.7	2,366	17.03
July	646	598	48	92.6	7.4	2,323	27.77
Aug	372	351	21	94.4	5.6	2,447	15.12
Sept	429	404	25	94.2	5.8	1,992	20.88
Oct	270	260	10	96.3	3.7	2,235	12.53
Nov	232	223	9	96.1	3.9	2,110	11.00
Dec	246	238	8	96.7	3.3	1,343	18.17
Jan	301	290	11	96.3	3.7	1,970	15.18

Totals	4042	3806	236	94.2	5.8	21,083	19.17
--------	------	------	-----	------	-----	--------	-------

Note:

'Cases' referred to above are the benefit assessments/decisions that are made as a result of the Revenues and Benefits Department receiving new applications, or information on changes of circumstances for existing claims (eg changes in income, accommodation, age of family members, rents, tax credits, household composition, benefit rates).