

Auditing Social Welfare Benefits

Bydgoszcz
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Clive Portman
District Auditor
Audit Commission



To Cover

1. Social Welfare Benefits in UK
2. Central/Local Responsibilities
3. Housing Benefits
4. Audit Issues



Social Welfare Benefits

Many schemes...

Low Income
x16

Dependent
Children
x12

Illness or
Disability
x17

Carers
x7

Older People
x12

Bereaved
x2

Pregnant Mothers
x3

Central/Local Government Split

- Most schemes administered by Central Government, except:
- Housing Benefits – administered by local authorities



Housing Benefit

Benefits services make a vital contribution to the social and economic wellbeing of localities. As a result, benefits services can make a significant contribution to local authorities strategies to address poverty, deprivation and homelessness.

Housing Benefit – Two Elements

1. Housing Benefit

- To help people pay rent



2. Council Tax

- To help people pay property tax

Both benefits require a financial needs assessment

Big Money

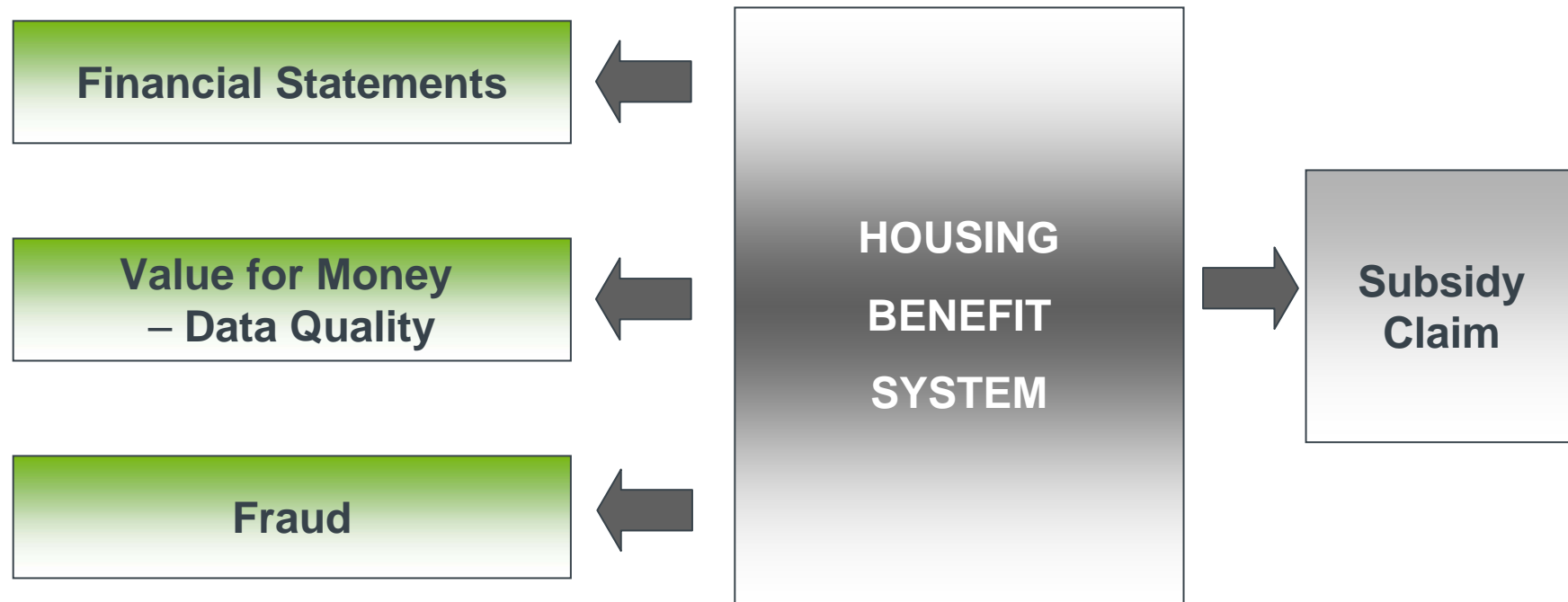
- £16.8 billion worth of benefit expenditure in 2007/08
- Very complex and changing regulations
 - 14,000 regulations relating to benefit payment affecting decisions about entitlement and overpayments
- Councils submit a claim to the government to obtain their grant
 - This claim is certified by auditors
 - Fees £9 million
 - 11,000 days



The National Picture

- Complex Scheme
- On average it takes 25 days to deal with a claim for HB/CTB
- It takes between 10 and 12 days (average) to deal with a change of circumstance
- £1.9 billion benefit error (doubled)
- In 2007/08, 31 councils 'lost' £11 million in subsidy payments
 - Because they did not stop incorrect payments quickly enough
- Around 65% of subsidy claims are 'qualified' by auditors
- £770 million in benefit fraud 2007/08
- Impact of the financial crisis

Audit Focus



Systems Audit & Testing

Aims

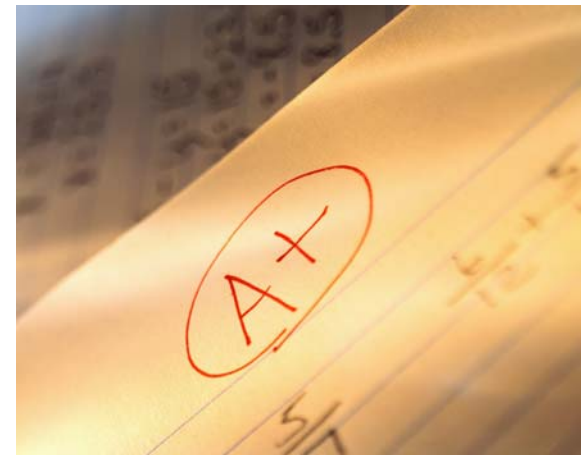
- Is the system operating as documented?
- Is there a risk of material mis-statement?



VFM & Data Quality

Auditors must test 80 cases and also review arrangements for managing data in relation to speed of processing:

1. 40 new cases
2. 40 changes of circumstances



Fraud – National Fraud Initiative

- Annual initiative
- Matches personal data records held by public sector bodies
- Fraud identified since 1998 = £450m

<http://www.audit-commission.gov.uk/nfi/>



Case Study 1 – Dual Identity

Data match showed:

One address, but two names

- One in employment
- One claiming benefit

- Partner also with two identities
- False documents



Total Fraud = £130,000

Case Study 2 – Failure to Declare

Data match showed:

- Benefit claimant
- Undeclared pension
- Undeclared child support



Total Fraud = £7,500

Case Study 3 – Two identities

Data match showed:

- Person with two national insurance numbers
- Claiming benefit with one reference
- Employed with the other – 2 jobs
- Full time student – student grant

Fraud = £35,000



Summary

1. Wide range of benefits
2. Housing Benefits are very complex
3. Key area of audit
 - Integrated approach
4. Fraud cases

