

# Internal Audit Report



Internal Audit Report  
Various, Corporate  
Welfare Reform  
Assignment No18-14  
March 2019

## Final Report

(Report No.19/163)

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
PH1 5PH

### Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

### Background and Introduction

This audit was carried out as part of the audit plan for 2018/19, which was presented to the Audit Committee on 27<sup>th</sup> June 2018.

The Welfare Reform Act 2012 introduced significant reforms to the UK welfare system in the last 60 years. According to the Department of Work and Pensions (DWP) the Act aims to “make the benefit system fairer and more affordable, to help reduce poverty, worklessness and welfare dependency and to reduce levels of fraud and error”.

The Welfare Reform Act included the following key provisions:

The phased introduction of Universal Credit, the abolition of Council Tax Benefit, the phased replacement of Disability Living Allowance (DLA) with Personal Independence Payment (PIP) for working-age adults, changes to housing benefit in relation to under-occupancy in the social housing sector (the bedroom tax), the introduction of a cap on the total amount of benefit that working-age people can receive (the Benefit Cap), a new requirement on lone parents whose youngest child has reached the age of five to look for work meaning they must claim Jobseekers Allowance instead of income Support and the introduction of a new Claimant Commitment that sets out the particular job-seeker activities that any claimant must undertake in order to receive benefits. Universal Credit Full Service was launched in Perth & Kinross on the 13<sup>th</sup> June 2018.

Universal credit has been the subject of two previous internal audit consultancy reports [Final Report 16/313](#) and [Update Report 17/53](#). There were no actions arising from either of these reports.

### Scope and Limitations

The audit included interviews with officers, and a review of documentation to ensure that there is awareness within the Council of the impact of Welfare Reform on Services. The audit was carried out over the period from June 2018 to March 2019.

### Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that the Council has an understanding of the impact of Welfare Reform on Services

Internal Audit Comments: Audit testing and review of documentation confirmed that officers within the Council have an understanding of the impact of Welfare Reform on Services. This is evidenced by the following:

The Joint Welfare Reform Steering Group, which is chaired by The Revenues, Benefits and Welfare Rights Service Manager, has Multi-Agency representation and is the main communication forum. The Revenues Benefits and Welfare Rights Service take a leading role in respect of welfare reform, ensuring that all changes are identified and effectively communicated to enable timeous and effective planning and implementation by relevant parties. This group includes representatives from relevant officers throughout the council and key partner organisations. It meets on a regular basis with updates from the Revenues Benefits and Welfare Rights Service also being sent to this group frequently. In addition quarterly meetings are held between Revenues Benefits and Welfare Rights Service and the Regional DWP to discuss Welfare Reform including Universal Credit and there are also Welfare Reform operational monthly meetings with local Job Centre Plus.

The Welfare Rights Team within Revenues & Benefits have designed, developed and delivered extensive training to frontline staff across the Council, to Councillors and to Partner organisations. The Service organised training events to highlight the implications of the launch in June 2018 of Universal Credit Full Service.

There are extensive online resources which can be found using a link from the main Perth & Kinross website page. This enables access to information regarding all aspects of the benefits system including Universal Credit. There is also a PKC Welfare Rights Team Facebook page and a recently created child poverty online survey to gather information on how Welfare Reform has impacted on families with children. In addition a Child Poverty Working Group has been established and a Child Poverty Lead Officer appointed. Welfare benefit advice and information is available to all residents/households. There is a Universal Credit Booklet which has been widely distributed and available online describing the new benefit process and how to claim. An Employee Wellbeing project, a collaborative approach between Welfare Rights, HR and Employment & Payroll teams, is being progressed to raise council employees' awareness of Welfare Reform.

The Welfare Rights Team also issued a Universal Credit Newsletter for Employers which highlights issues employees may experience due to Universal Credit. In addition a Housing Matters news bulletin for staff provided a reminder of information about Universal Credit.

It is noted that the Welfare Rights Team is the only agency in Perth & Kinross accredited to undertake benefits advice work and representation at the highest level as per the Scottish Government Standards with the accreditation being renewed in October 2018.

The Revenues, Benefits and Welfare Rights Service Manager provided a briefing on the Social Security Agency to the elected member who attended the CoSLA Health and Wellbeing Board in December 2018.

Welfare reform progress is monitored by Corporate IT and Revenues Management Team and Corporate & Democratic Services Management Team

The financial impact to the Council of Welfare Reform has been taken into account in the budget setting processes. It is acknowledged that uncertainty continues regarding the likely level of non-payment of rents arising from the introduction of Universal Credit. In the 2019 budget setting process an additional adjustment in the Housing Revenue Account bad and doubtful debt provision of 1.5% was agreed taking it to 5%. It further stated that this provision will be reviewed during 2019/20 once the impact of full live service has been established. A review of any future years' provisions and adjustments will be reflected in future budget setting exercises along with a programme of proactive measures to minimise potential increases in rent arrears and future write offs. These measures include rephrasing the review of Revenues and Benefits Team budgets from 2019/20 to 2020/21 to ensure that the team can provide support to individuals as the introduction of Universal Credit rolls out across Perth & Kinross.

It was also acknowledged that there remains a risk of reduced council tax collection levels due to increases in the level of the tax, and the ongoing impact of welfare reform.

A Welfare Reform and Universal Credit update was presented to Corporate Management Group in October 2018 which highlighted the anticipated impacts of UC including a greater difficulty to collect and receive debts owed to the Council and more complexity delivering advice and administration of benefits and concessions. A report submitted to EOT by the Chief Operating Officer in October 2018 provided an update which also considered the wider implications for the Council as a result of Universal Credit. A verbal briefing on Universal Credit key issues was provided to the Community Planning Partnership Board in December 2018.

Strength of Internal Controls:	Strong
--------------------------------	--------

## Management Action and Follow-Up

There are no actions arising from this audit. As such, no management action plan is required.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of L Brady, Service Manager, Revenue and Benefits and N Sutherland, Team Leader, Welfare Rights during this audit.

## Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

## Internal Audit Report

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive

A Taylor, Head of Corporate IT & Revenues

L Brady, Service Manager Revenue & Benefits

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

Committee Services

External Audit

### Authorisation

The auditor for this assignment was M Morrison. The supervising auditor was J Clark

This report is authorised for issue:

---

J Clark

Chief Internal Auditor

Date: 22 March 2019