

Dacorum Borough Council - Internal Audit Final Report

Benefits

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Key dates:

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This report has been prepared on the basis of the limitations set out in Appendix C.

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1. Executive summary

1.1. Background

As part of the Internal Audit programme for 2011/12, approved by the Audit Committee in February 2011, we have undertaken an audit of the Council's systems of internal control in respect of Benefits.

Housing Benefit, Local Housing Allowance and Council Tax Benefit are means tested benefits paid to claimants on low or no income in respect of all or part of their housing rent and council tax costs. The local authority is responsible for administering the housing benefit, local housing allowance and council tax benefit systems. Although benefit payments are subsidised by central government, there are direct financial consequences for the authority's budget should the system not be effectively managed in accordance with legislation and regulations.

The appropriate allocation of benefits is a responsibility which falls under the remit of Finance and Governance within the Authority. The Group Manager (Revenues, Benefits and Fraud) is responsible for the effective management of the Benefits team overall. Nicola Ellis was appointed Group Manager (Revenues, Benefits and Fraud) in November 2011.

1.2. Objectives and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over benefits, and provide guidance on how to improve current the controls going forward.

In summary, the scope covered the following areas; Administration and Assessment of claims, Reviews, Market rent determinations, Backdated Benefits, Discretionary payments, Payments, Cheque Management, Cancellations, Overpayments and Recovery action, Quality control, Fraud management, System Reconciliations, Performance reviews and follow up on previous audit recommendations. Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary assessment

Our audit of DBC's internal controls operating over benefits found that there is a sound system of internal control designed to achieve the system objectives. However, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below.

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Government Internal Audit Standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment for Benefits is shown in Section 3.

1.4. Key findings

We have raised three priority three recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Backdated Benefits Procedure notes updated;
- DHP Procedure notes updated; and
- Overpayments procedure notes updated.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner, and these have been included in the main body of the report.

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of assignment

2.1 Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Benefits, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

2.2 Approach and methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

2.3 Areas covered



























The audit was carried out to evaluate and test controls over the following areas:

- **Administration and Assessment of Claims**
Benefits are accurately assessed in a fair and timely manner and only valid claims are processed.
- **Reviews**
Changes in applicant circumstances are identified in a timely manner and the necessary action to address any changes is undertaken in a timely manner.
- **Market Rent Determinations**
Benefit payments to Private Tenants are made in accordance with HB & CTB legislation in order to prevent Private Landlords from obtaining rents in excess of market conditions at the expense of the Council.
- **Backdated Benefits**
Only genuine backdated claims based on well established criteria of 'good cause' are paid.
- **Discretionary Payments**
Only genuine / appropriate discretionary payments are made and these payments are made in a timely manner.
- **Payments**
Only valid / appropriate and accurate payments are made and these are made in a timely manner.

- **Cheque Management**
Cheques are held and maintained in a secure environment and can only be accessed and approved by authorised signatories in order to avoid the fraudulent use of cheques.
- **Cancellations, Overpayments and Recovery Action**
All cancellations are effected in a timely manner and any overpayments are accurately and completely identified for subsequent recovery action. The Council recovers all monies owed and only appropriate justified write-offs are made.
- **Quality Control**
Accurate, complete data and evidence is collected and maintained on files to allow claims to be processed accurately, completely and in a timely manner.
- **Fraud Management**
There are adequate and effective processes in place to detect, prevent and deal with fraudulent activity in order to ensure that such activity and its impact is minimised
- **System Reconciliations**
The integrity of the Council's accounting system is maintained by identifying incomplete and inaccurate transactions, data recording, processing, and transmission and correcting these in a timely manner, i.e. that balances and relevant data on the Housing Benefits and Council Tax Benefits system agree to the Housing Rents system and the Council Tax system.
- **Performance Reviews;**
Benefits service delivery is carried out in accordance with specified levels of performance and that performance targets are met.
- **Follow Up Previous Audit Recommendations**
Recommendations raised in the previous audit report have been implemented.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

Control Objectives Assessed	Design Controls of	Operation Controls of	Recommendations Raised
<i>Administration and Assessment of Claims</i>			
<i>Reviews</i>			
<i>Market Rent Determinations</i>			
<i>Backdated Benefits</i>			Recommendation 1
<i>Discretionary Payments</i>			Recommendation 2
<i>Payments</i>			
<i>Cheque Management</i>			
<i>Cancellations, Overpayments and Recovery Action</i>			Recommendation 3
<i>Quality Control</i>			
<i>Fraud Management</i>			
<i>System Reconciliations</i>			
<i>Performance Reviews</i>			
<i>Follow up of previous audit recommendations</i>			Recommendations 1 and 2

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Backdating procedure notes to be updated (Priority 3)

Recommendation

Comprehensive procedure notes for backdated benefits claims should be completed and made available to all relevant staff. Procedures should include specific guidance such as how to backdate claims and the circumstances in which backdating would be appropriate.

Observation

Documented procedure notes should be in place for the backdating of Benefits claims. They should be held on a shared drive which is accessible by all Benefits Staff.

Audit located some guidance for backdated benefits and found them to be brief, consisting of only one page, and was last updated in September 2007. Key consideration should be given to developing the document to ensure that it reflects current legislation and for it to outline possible examples of detailed criteria which can indicate good cause.

Where comprehensive procedure notes for backdated benefits claims are not available, there may be inconsistencies amongst benefits staff when making decisions regarding backdating. This may lead to the backdating of ineligible claims, having adverse implications for the Council, including reputational damage and direct financial loss.

Responsibility

Chris Baker, Benefits Support Team Leader

Management response / deadline

Agreed. To be completed by April 2012.

Recommendation 2: DHP Procedure notes to be updated (Priority 3)

Recommendation

Procedure notes for Discretionary Housing Payments should be updated to reflect DWP best practice, DHP guidance and recent legislative reforms.

Observation

Documented procedure notes should be in place for the backdating of Benefits claims. They should be held on a shared drive which is accessible by all Benefits Staff

Audit obtained a copy of the Benefits Service policy for awarding DHPs and DHP procedure notes. Both documents were last updated in September 2008. Audit also noted that the DWP best practice guidance for DHPs is also available, which is dated March 2008.

Audit confirmed that DWP best practice DHP guidance has undergone reforms in recent years, thus rendering the documents available out of date. The Council's own guidance details references to a variety of legislation which has also been reviewed by the DWP recently.

Where procedure notes for Discretionary Housing Payments do not reflect DWP best practice and recent legislative reforms, there is a risk that ineligible payments may be made resulting in direct financial loss to the Council.

Responsibility

Michele Button, Benefits Lead Officer

Management response / deadline

Agreed. To be updated before April 2012.

Recommendation 3: Overpayments Procedure notes to be updated (Priority 3)

Recommendation

Benefit procedure notes include detailed guidance for overpayments should be up to date and available to all relevant benefits staff via ROBO, the Revenues and Benefits document management system housing policies and procedures.

Observation

Benefit procedure notes, including detailed guidance for overpayments, are available to all benefits staff via ROBO.

Audit obtained a copy of the Chiltern and Dacorum Training Partnership Guide to Overpayments from ROBO. It was last updated in September 2010 and does not reflect recent legislative updates circulated by the DWP and should therefore be updated.

Where procedure notes for Overpayments do not reflect DWP best practice and recent legislative reforms, there is a risk that ineligible payment may be made resulting in direct financial loss to the Council.

Responsibility

Michele Button, Benefits Lead Officer





Management response / deadline

Agreed. To be updated before May 2012.

Appendix A – Reporting definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B – Staff interviewed

The following personnel were consulted:

Nicola Ellis	-	Group Manager, Revenues, Benefits and Fraud
Chris Baker	-	Benefits Support Team Leader
Stuart Potton	-	Benefits Lead Officer
Matt Kelly	-	Benefits Processing Team Leader
Amanda Smith	-	Benefits Lead Officer QA & Scanning/Indexing
Elaine Bowman	-	Finance assistant
Elaine Hopkins	-	Corporate Anti Fraud Team Leader
Lana Linden	-	Corporate Training Co-ordinator

We would like to thank the staff involved for their co-operation during the audit.

Appendix C - Statement of responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

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