



Dacorum Borough Council

Final Internal Audit Report

Housing Benefits and Council Tax Support

February 2014

This report has been prepared on the basis of the limitations set out on page 11.

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1. Executive Summary

1.1. Background

As part of the Internal Audit programme for 2013/14, we have undertaken an audit of the Council’s systems of internal control in respect of Housing Benefits and Council Tax Support.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Housing Benefits and Council Tax Support, 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; Local Housing Allowance; Backdated Benefits; Discretionary Payments/Council Tax Support; Payments; Cheque Management; Cancellations, Overpayments and Recovery Action; Quality Control; Fraud Management; System Reconciliations; Performance Reviews and Follow up of 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 Housing Benefits and Council Tax Support 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 Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance 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.

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 over Housing Benefits and Council Tax Support is shown in Section 3.

1.4. Key Findings

We have raised two priority 2 and one priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Supporting documentation should be received and retained for all new claims. (Priority 3)
- Procedure notes should be reviewed and updated to help ensure that staff follow correct working practices. (Priority 3)
- Write offs should be processed in accordance with the Financial Regulations. (Priority 2)

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

1.5. **Management Response**

Management responses have been included under the Observations and Recommendation section.

1.6. **Acknowledgement**

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 Housing Benefits and Council Tax Support, 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 that only valid claims are processed. Appeals are processed in a timely manner and the outcome of appeals monitored.
- *Reviews;*
Changes in applicant circumstances are identified in a timely manner and that the necessary action to address any changes is undertaken in a timely manner.
- *Local Housing Allowance;*
Benefit payments to Private Tenants are made in accordance with Housing Benefit & Council Tax Benefit 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 against.
- *Discretionary Payments / Council Tax Support;*
Only genuine/appropriate discretionary payments are made and that these payments are made in a timely manner. Only genuine/appropriate council tax support awards are made and these payments are made in a timely manner.
- *Payments;*
Only valid/appropriate and accurate payments are made and that 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 that any overpayments are accurately and completely identified for subsequent recovery action. To ensure that the Council recovers all monies owed to it and that 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;*
Adequate and effective processes are in place to detect, prevent and deal with fraudulent activity in order to ensure that such activity and its impact is minimised.
- *System Reconciliations;*
To confirm the integrity of the Council's accounting system 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.

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Administration and Assessment of Claims			Recommendation 1
Reviews			Recommendation 2
Local Housing Allowance			
Backdated Benefits			
Discretionary Payments/ Council Tax Support			
Payments			
Cheque Management			
Cancellations, Overpayments and Recovery Action			Recommendation 3
Quality Control			
Fraud Management			
System Reconciliations			
Performance Reviews			
Follow up Previous audit recommendations			Recommendation 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: Supporting Documentation (Priority 3)

<p>Recommendation</p> <p>Staff should be formally reminded that supporting documentation should be received and retained for all new claims.</p>
<p>Observation</p> <p>Applications for Housing Benefit and Council Tax support require supporting information and documentation to be attached. This enables the Council to verify the eligibility of the applicant and provide support to only those in need.</p> <p>Examination of a sample of 25 applications received since April 2013 identified the following:</p> <ul style="list-style-type: none"> • In one instance, claim 130343, proof of identification and income had not been received. It was further identified that although this was a hostel case, this evidence should still have been obtained. • In one instance, claim 129701, pay slips had been received but official proof of identification had not been received and verified. <p>Where appropriate supporting evidence is not received with applications, there is a risk that ineligible claims are processed which may result in financial loss and reputational damage to the Council.</p>
<p>Responsibility</p> <p>Benefits Processing Team Leader</p>
<p>Management response / deadline</p> <p>These policies will be reviewed and updated. Evidence of reviews for other procedures will be recorded within the Sharepoint system.</p> <p>End of June 2014</p>

Recommendation 2: Procedure Notes (Priority 3)

<p>Recommendation</p> <p>Procedure notes should be reviewed and updated on a regular basis. Evidence of reviews should be recorded on the procedure documents.</p>
<p>Observation</p> <p>In order to help ensure that staff follow correct working practices, procedure notes and guidance documents should be reviewed on a regular basis and updated where necessary.</p> <p>It was identified that procedural guidance is available to staff outlining the correct working practices to follow with regard to Housing Benefits and Council Tax Support operations. Examination of these procedures identified two instances where recent reviews had not been undertaken; namely the Visiting procedure (last reviewed in 2007) and the ‘Statement of Policy on the publication of criminal convictions’ (last reviewed 23rd February 2011 – the policy states that it will be reviewed every two years). It was also identified that a change in process had not been updated in the Visiting procedure, specifically there is no longer an Admin Assistant so visiting officers now have to arrange their own visits. A similar recommendation was raised in 2012/13.</p> <p>Where up to date procedure notes are not available to staff, there is a risk that staff do not follow correct working practices. This may result in inconsistencies in decision making, leading to errors and damage to the reputation of the Council.</p>
<p>Responsibility</p> <p>Group Manager, Revenues, Benefits and Fraud</p>
<p>Management response / deadline</p> <p>I acknowledge that updating the visiting procedures was an audit recommendation from last year.</p> <p>End of June 2014</p>





Recommendation 3: Write offs (Priority 2)

<p>Recommendation</p> <p>Write off schedules should be processed in accordance with the Financial Regulations.</p>
<p>Observation</p> <p>The Dacorum Borough Financial Regulations state, “Where there are multiple write-off requests, the requests shall be compiled into a schedule for each month. The write-off request must be supported by appropriate working papers that support the reason for writing off the debt. The individual request or schedule of requests must be approved by the relevant Group Manager and the Section 151 Officer.”</p> <p>It was identified that two write off schedules had been processed as at February 2014; one in April 2013 totalling £9,553.41 and one in November 2013 totalling £56,585.63.</p> <p>It should be noted that a recommendation has been raised in a prior audit to review the Financial Regulations, in particular the appropriateness of the monthly requirement for write off schedules.</p> <p>Where write offs schedules are not approved and processed in a timely manner, there is a risk that the financial accounts do not provide an accurate reflection of the financial position and the assets of the authority.</p>
<p>Responsibility</p> <p>Benefits Processing Team Leader</p>
<p>Management response / deadline</p> <p>In order to ensure that future work takes place as scheduled, a record of key controls will be created and reviewed monthly, which will enable early identification and intervention in the event of any slippage.</p> <p>End of March 2014.</p>

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:

- Chris Baker - Group Manager Benefits, Revenues and Fraud
- Stuart Potton - Revenues and Benefits Support Team Leader
- Matthew Kelly – Benefits Processing Team Leader
- Elaine Hopkins - Corporate Anti Fraud Team Leader
- Yamini Krishnan - Assistant Accountant (Regulatory and Financial Accounting)
- Mandy Smith - Benefits Lead Officer
- Sarah Allen - Central Administration Lead Officer
- Elaine Bowman - Finance Assistant
- Clare Dempsey - Sundry Debtors Lead Officer

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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

February 2014

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