



Dacorum Borough Council

Final Internal Audit Report

Housing Benefit & Council Tax Support

January 2018

This report has been prepared on the basis of the limitations set out on page 8.

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Distribution List:

Matthew Kelly – Benefits Processing Team Leader
Chris Baker – Group Manager (Revenues, Benefits & Fraud)
James Deane – Corporate Director (Finance and Operations)(Final Report only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: December 2017
Date of draft report: January 2018
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Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations	5
Appendix A - Reporting Definitions	6
Appendix B - Staff Interviewed.....	7
Statement of Responsibility.....	8

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of Housing Benefit and Council Tax Support.

Housing Benefit and Council Tax Support is available to those on a low income and need help paying their rent or council tax. The amount of benefit a claimant would be entitled to is dependent on a number of factors; including, but not limited to; if they have a spare room, the household income, and the amount of savings they have.

The Council maintains a mainly reactive approach with regards to Housing Benefit Reviews. This is because the Council is reliant on the claimant informing them where they have had a change of circumstance, which may affect their benefit entitlement. Late notification of a change of circumstance is the main cause of overpayments of Housing Benefit and Council Tax Support.

It was identified that there is a current running total of £4.4m of overpayments arising from Housing Benefits and Council Tax Support at the Council. This is an accumulation of all overpayments over the last few years. The total value of overpayments has increased by over £410,000 since the 2016/17 audit. Where an overpayment has been realised, the Council is taking a proactive approach to recover all amounts due. However, this recovery process is capped at a standard maximum recovery rate of £11.10 a week through Benefit entitlement. Where the Council has realised an overpayment, the Central Government will provide 40% of the overpayment, in the form of a reimbursement, as an incentive to recover the overpayment amount. If they can recover all of the overpayment, they will retain the payment from the Central Government and will therefore recover 140% of the money originally lost, which can then be used to help meet the cost of benefit administration.

If the Council makes an error exceeding a percentage target, they will not receive any monetary incentive from the Central Government. This is a complex moving target set as a percentage of total errors and total expenditure; the lower limit cap is 0.48% and the Council is currently below this threshold.

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 Benefit and Council Tax Support, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Administration and Assessment of New Claims, Local Housing Allowance, Reviews, Backdated Benefits and Discretionary Payments, Payments and Reconciliations, Cancellations, Overpayments and Recovery Action, and Fraud Management.

1.3. Summary Assessment

Our audit of the Council’s internal controls operating over Housing Benefit 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 Benefit and Council Tax Support is shown in Section 3.

1.4. Key Findings

We have raised one Priority 2 recommendation where we believe there is scope for improvement within the control environment. This is set out below:

- Risk Based Verification (RBV) Process (Priority 2).

A follow up of the recommendations raised in the 2016/17 Housing Benefit & Council Tax Support internal audit report was also completed and we found that all three recommendations have been implemented. The details of the follow up status are as follows:

Recommendation 1 – Alignment of Procedure Documents (Priority 3)

Implemented – The RBV Procedures have now been aligned with the Capital Verification procedures to ensure consistency in the process.

Recommendation 2 – Auto-Recovery Setting of Overpayments (Priority 3)

Implemented – The Council produces and reviews every three months a report of invoices without the auto-recovery flag set up to identify whether there are any instances where the flag should be set up and recovery via ongoing entitlement should begin.

Recommendation 3 – Review of Debts Older than Six Years with Sundry Debtors (Priority 3)

Implemented – The Council produces and reviews every three months a report of debts where no recovery action was taken for 6 years or more. These will be reviewed and where appropriate they will be considered for write off.

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.

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 to 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:

Policies, Procedures and Legislation

Policies and procedures are available to staff which are reviewed on an annual basis. Tasks within the service are allocated to appropriate teams and there is segregation of duties.

Administration and Assessment of New Claims

Claims for Housing Benefits and Council Tax Support are accurately assessed in a fair and timely manner and only valid claims are processed. The Risk Based Verification process has been correctly implemented and appropriate verification action has been taken for the allocated risk score.

Local Housing Allowance

Benefit payments to private tenants are made in a complete, accurate and timely manner in accordance with published rates.

Reviews

Changes in claimant circumstances are identified in a timely manner and necessary action to address changes is undertaken in a timely manner.

Backdated Benefits/Discretionary Payments

Only genuine claims based on well-established criteria of “good cause” are paid against.

Payments and Reconciliations

Only valid, appropriate and accurate payments are made in a timely manner, and balances on the Housing Benefit/Council Tax Support system are regularly reconciled to the Housing Rents and Council Tax systems.

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. Only appropriately justified write-offs are made.

















Fraud Management

Adequate and effective processes are in place to detect, prevent, and deal with fraudulent activity in order to ensure the impact of such activity is minimised.

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
Policies Procedures and Legislation			
Administration and Assessment of New Claims			Recommendation 1
Local Housing Allowance			
Reviews			
Backdated Benefits / Discretionary Payments			
Payments and Reconciliations			
Cancellations, Overpayments and Recovery Action			
Fraud Management			

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

Please see Part 2.

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:

- Matthew Kelly Benefits Processing Team Leader
- Stuart Potton Team Leader – Revenues and Benefits
- Chris Baker Group Manager – Revenues, Benefits & Fraud
- Yamini Krishnan Assistant Accountant
- Lyn Smith Sundry Debtors Finance Officer

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

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

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