

Dacorum Borough Council



Internal Audit Report
Housing Benefit and Council Tax Support
November 2019

FINAL REPORT

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If you should wish to discuss any aspect of this report, please contact Sarah Knowles, Senior Manager, sarah.knowles@mazars.co.uk or Peter Cudlip, Partner, peter.cudlip@mazars.co.uk

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Housing Benefit and Council Tax Support. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

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.

We engaged with a number of staff members during the review and are grateful for their assistance during the course of the audit.

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.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A1, whilst further analysis of the control environment over Housing Benefit and Council Tax Support is shown in Appendix A2.

The report summarises the results of our internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

02 Background

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.



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.

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

03 Key Findings

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

Adequacy of System Design	Effectiveness of Operating Controls
 Good Assurance	 Good Assurance

Main Findings
<p>We did not raise any recommendations as a result of this audit.</p> <p>In our previous audit report, no recommendations were raised.</p>

Priority	Number of recommendations
1 (Fundamental)	0
2 (Significant)	0
3 (Housekeeping)	0
TOTAL	0

Examples of areas of strength
<ul style="list-style-type: none"> Up-to-date policies and procedures are available for all staff to access via the Council's intranet site. From our sample of Housing Benefits and Council Tax Support new claims, changes in circumstances, discretionary housing payments, and backdated benefits, all decisions were assessed in a fair and timely manner and only valid claims were processed. The parameters entered into Northgate for 2019/20 were subject to a secondary check to ensure completeness and validity in the information stored on the system. The Local Housing Allowance rates were correctly published on the Council website and entered onto Northgate in accordance with the published rates from Central Government. The Council completes a regular reconciliations of all benefit payments made through Agresso against the Northgate system.

Risk Management

The key organisational risks most relevant to Housing Benefit and Council Tax Support are as follows:

- The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need (*SR5, Strategic Risk Register December 2018*)
- The impact of Universal Credit roll out leading to increased arrears, debt and homelessness (*included in SR5, Strategic Risk Register December 2018*)

A suggested risk and control matrix for Housing Benefit and Council Tax Support is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage Housing Benefit and Council Tax Support and to illustrate where issues identified in the audit report will strengthen existing controls.

Value for Money

The Council is responsible for ensuring that value for money in the use of resources is achieved. The monitoring of assessment quality helps ensure consistency, accurate outcomes for customers, reputation and efficient processing.

It is our opinion that the controls in place which monitor quality control and enable segregation of duties are working effectively to encourage improvements in the effectiveness and efficiency of processing Housing Benefit and Council Tax Support.

04 Areas for Further Improvement and Action Plan

No recommendations were raised as a result of this audit.

A1 Audit Information

Audit Control Schedule	
Client contacts:	Matthew Kelly – Benefits Team Leader Stuart Potton – Revenues and Benefits Support Team Leader Chris Baker – Group Manager (Revenues, Benefits & Fraud) Nigel Howcutt – Assistant Director (Finance and Resources) James Deane – Corporate Director (Finance and Operations) (Final Report only) Sally Marshall – Chief Executive (Final Report only)
Internal Audit Team:	Peter Cudlip, Partner Sarah Knowles, Senior Audit Manager Mark Lunn, Audit Manager Carmela Alas, Auditor
Work commenced	17 th October 2019
Finish on Site \ Exit Meeting:	23 rd October 2019
Draft report issued:	14 th November 2019
Management responses received:	14 th November 2019
Final report issued:	14 th November 2019

Scope and Objectives
<p>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 below are adequate and are being consistently applied.</p> <p>Policies and Procedures: 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.</p> <p>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.</p> <p>Local Housing Allowance: Benefit payments to private tenants are made in a complete, accurate and timely manner in accordance with published rates.</p> <p>Reviews: Changes in claimant circumstances are identified in a timely manner and necessary action to address changes is undertaken in a timely manner.</p> <p>Backdated Benefits/Discretionary Payments: Only genuine claims based on well-established criteria of “good cause” are paid against.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Follow Up: To confirm the audit recommendations made during the previous audit visit have been implemented</p> <p>Universal Credit: To confirm that appropriate plans/procedures have been put in place for the introduction of universal credit.</p> <p>Testing was performed on a sample basis and, as a result, our work does not provide absolute assurance that material error, loss or fraud does not exist.</p>

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Good Assurance:	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial Assurance:	Whilst there is a basic sound system of internal control design, there are weaknesses in design, which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses, which put some of the system objectives at risk.
Limited Assurance:	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.
No Assurance	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.

Definitions of Recommendations	
Priority	Description
Priority 1 (Fundamental)	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
Priority 2 (Significant)	Recommendations, which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3 (Housekeeping)	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

A2 Risk & Control Matrix

Area: Policies, Procedures & Legislation

						R01.01	
						Ineffective, inefficient and / or outdated working practices	
						Linked Issues	
				Significance		H	
				Current Exposure		A	
				Future Exposure		A	
A01	Policies, Procedures & Legislation						
Existing Controls							
C01.01	Up-to-date policies and procedures in place		Key	E		M	
C01.02	Policy documents available to staff		Key	E		M	

Area: Administration and Assessment of New Claims

				Invalid/incorrect claims accepted	R02.01	Claims not processed in a timely manner	R02.02	Linked Issues
		Significance		H	H			
		Current Exposure		A	A			
		Future Exposure		A	A			
A02	Administration and Assessment of New Claims							
Existing Controls								
C02.01	Automatic calculation of entitlement in a timely manner		Key	E	M	M		
C02.02	Supporting Documentation is Retained		Key	E	M	M		
C02.03	Risk Based Verification for documentation requirement		Key	E	M	M		
C02.04	Parameters are Checked by a Second Officer for Accuracy		Key	E	M			
C02.05	Quality Check on all Officers		Key	E	M	M		

Area: Local Housing Allowance

						Incorrect rates are paid R03.01	Linked Issues
				Significance		H	
				Current Exposure		A	
				Future Exposure		A	
A03	Local Housing Allowance						
<i>Existing Controls</i>							
C03.01	Checks to confirm LHA rates are in accordance with Central Government limits		Key	E	M		
C03.02	Checks to confirm LHA Rates correctly entered into Northgate Parameters		Key	E	M		

Area: Reviews

							R04.01 Inaccurate changes to claimant benefits	R04.02 Claimant not informed of changes to their entitlement	R04.03 Changes in circumstances are not identified	Linked Issues
				Significance			H	H	H	
				Current Exposure			A	A	A	
				Future Exposure			A	A	A	
A04	Reviews									
Existing Controls										
C04.01	Changes made accurately and in a timely manner based on information from claimant		Key	E		M				
C04.02	Change of Circumstance Results Letter sent to claimant		Key	E				H		
C04.03	VEP alerts service is used by the Council		Key	E		M				M
C04.04	Single Housing Extract Benefit is reported to DWP		Key	E						M

Area: Backdated Benefits / Discretionary Payments

					Invalid benefits back dated R05.01	Inconsistency in discretionary payments R05.02	Payments promised but not made R05.03	Linked Issues
		Significance	H	H	H			
		Current Exposure	A	A	A			
		Future Exposure	A	A	A			
A05	Backdated Benefits / Discretionary Payments							
Existing Controls								
C05.01	Requests for DHP are submitted in writing by claimants	DOM	Key	V-TAE			M	
C05.02	Segregation of Duties from Referral to Decision of DHP	DOM	Key	V-TAE		M		
C05.03	Claimants Informed of DHP Decision in Writing	DOM	Key	V-TAE			M	
C05.04	Failed DHPs that are appealed are reviewed by an independent panel	DOM	Key	V-TAE		M		
C05.05	Backdated Decision Sheet with reasoning on decision	DOM	Key	V-TAE	M			
C05.06	Backdate Decision Letter sent to claimants	POM	Key	V-TAE	M			

Area: Payments and Reconciliations

				Claimants do not receive payments (private tenants) R06.01	Invalid payments are made (private tenants) R06.02	HB & CTS amounts not accurately reflected in the Council's rents R06.03	Linked Issues
		Significance		H	H	H	
		Current Exposure		A	A	A	
		Future Exposure		A	A	A	
A06	Payments and Reconciliations						
Existing Controls							
C06.01	Payment run is processed based on the payment schedule profiled on Northgate	Key	E	H		M	
C06.02	Regular reconciliation of payments from Northgate to BACS	Key	E		M		
C06.04	Monthly control checklist in place for key HB tasks	Key	E		M	M	
C06.05	Reconciliation of Northgate and Orchard	Key	E		M	M	

Area: Cancellations, Overpayments & Recovery Action

				Overpayments not recovered / identified	Outstanding debts are inappropriately written off	Linked Issues
				R07.01	R07.02	
		Significance		H	H	
		Current Exposure		A	A	
		Future Exposure		A	A	
A07	Cancellations, Overpayments & Recovery Action					
Existing Controls						
C07.01	Overpayments recovered through ongoing entitlement		Key	E	M	
C07.02	Overpayments recovered through invoice via Sundry Debtors		Key	E	M	
C07.03	Write off is supported by adequate documentation and accurately added onto Northgate		Key	E	M	M
C07.04	Write offs are appropriately authorised		Key	E	M	M
C07.05	Monitoring of overpayments on a monthly basis		Key	E	M	

Area: Fraud Management

				Untimely identification of fraudulent activity R08.01	
				Linked Issues	
				Significance	H
				Current Exposure	A
				Future Exposure	A
A08	Fraud Management				
Existing Controls					
C08.01	Fraud Awareness Training is carried out		Key	E	M
C08.02	All Fraud Suspicions forwarded to DWP to investigate		Key	E	M

Area: Universal Credit

								Inadequate preparation for the introduction of Universal Credit R09.01		Linked Issues	
								Significance			H
								Current Exposure			A
								Future Exposure			A
A9	Universal Credit										
Existing Controls											
C09.01	Universal Credit Guidance is available to staff and public						Key	E	H		

Key to Codes

Significance

H	High
L	Low
M	Medium

Exposure

A	Acceptable
L	Limited
U	Unacceptable

Effectiveness

E	Effective
I	Ineffective
P	Partly Effective

A3 Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

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