



# Dacorum Borough Council

## Final Internal Audit Report

### Housing Benefit & Council Tax Support

April 2016

This report has been prepared on the basis of the limitations set out on page 10.

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**Key Dates:**

Date of fieldwork: March/April 2016  
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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2015/16, 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 Local Authority maintains a reactive approach in regards to Housing Benefit Reviews. This is because the authority is reliant on the claimant informing them where they have had a change of circumstance which may affect their benefit entitlement. If this process is delayed, overpayments are realised. These overpayments should be recovered by the Local Authority in a timely manner.

It was identified that there is a current running total in excess of £4m of overpayments being made within Housing Benefits and Council Tax Support at Dacorum Borough Council. This is an accumulation of all overpayments over the last few years. The increase during 2015/16 has been £740,000. Where an overpayment has been realised, the Local Authority is taking a proactive approach to recover all monetary amounts. However, this recovery process is capped by regulations at a standard maximum recovery rate of £11.10 a week through Benefit entitlement. The regulations also allow for additional recovery of 50% of any earnings disregard within the benefit calculation, and the Local Authority makes use of this power. Where the Local Authority 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 return with 140% of the money originally lost, which can then be used to pay future Housing Benefit claims.

There is a cap of Local Authority error through overpayment; if the Local Authority makes an error exceeding a percentage target, they will not receive any monetary incentive from the Government. This is a complex moving target set as a percentage of total errors and total expenditure; currently, the Local Authority is below the lower limit by approximately £13,000.

## 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 two Priority 2 recommendations, and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Local Authority should ensure that all awarded Discretionary Payments are paid to Claimants. (Priority 2).
- The Backdate Decision Recommendation form should be consistently, accurately and fully completed; including an explicit decision as to authorise, or not authorise, the payment (Priority 3).
- Structured Fraud Awareness Training Notes / Slides should be developed (Priority 2).

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 between crediting of invoices/write-offs and the debiting/setting up of accounts.

#### **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 accordance with published rates in order to prevent private landlords from obtaining rents in excess of market conditions at the expense of the Council.

#### **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			
Local Housing Allowance			
Reviews			
Backdated Benefits / Discretionary Payments			Recommendation 1 Recommendation 2
Payments and Reconciliations			
Cancellations, Overpayments and Recovery Action			
Fraud Management			Recommendation 3

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: Confirmation of Awarded Discretionary Payments being Paid (Priority 2)

<p><b>Recommendation</b></p> <p>Management should confirm that all agreed Discretionary Housing Payments made to claimants have been paid in line with the confirmation letter sent to those claimants.</p>
<p><b>Observation</b></p> <p>In order to ensure that only appropriate Discretionary Housing Payments are made, all awarded discretionary payments should be paid in line with the awarding letter issued to claimants.</p> <p>For a sample of 20 Discretionary Housing Payments selected for testing that are made weekly to claimants, it was identified in one case that the payment was never processed, and therefore not paid to the claimant. It was confirmed that the payment had been approved by two officers and a letter had been sent to the claimant confirming the payment of £16.88 per week was to be paid from the 10th April 2015 to 26th April 2015 to support the short fall between Housing Benefit and rental amount for their property. No payment had been made, and there was no evidence to confirm that this had been followed up by the Claimant.</p> <p>It was identified that the payment was missed due to human error inputting the payment dates, the payment period start and end date were entered on the same day, therefore no payment was calculated or paid when the information was extracted from Northgate. This was identified at the time of the audit, and the Team Leader was unaware of the non-payment prior to testing.</p> <p>Where claimants are awarded Discretionary Housing Payments but are not paid there is an increased risk of financial hardship to the applicant and reputational loss to the Council.</p>
<p><b>Responsibility</b></p> <p>Benefits Processing Team Leader</p>
<p><b>Management response / deadline</b></p> <p>This was a one-off human error where the start and end date of the award had been entered as the same date. This meant that the Northgate processing system did not issue a payment as it asks for confirmation of DHP payments for one day – this actually prevented the system from paying an incorrect amount.</p> <p>To prevent this occurring again, the Benefit Processing Team Leader will carry out a monthly check of DHP payments to ensure that no awards have the status of “NEW” indicating that the payment has not been made.</p> <p>Deadline: already in place</p>

**Recommendation 2: Completion of the Backdate Decision Recommendation Form (Priority 3)**

<p><b>Recommendation</b></p> <p>The Local Authority should ensure that the Backdate Decision Recommendation forms are completed fully and comprehensively. This should include the explicit details of the decision that was made when completing and submitting the form.</p>
<p><b>Observation</b></p> <p>In order to ensure that only appropriate claims for the backdating of a Housing benefit claim are made, the Backdate Decision Recommendation form should be completed in full to confirm that a formal decision has been made and to enable management to review such decisions more effectively.</p> <p>A sample of 15 claims for backdated Housing benefits payments were chosen at random throughout 2015/16. It was identified that in four cases the deciding officer had not explicitly given details as to why the decision to ward or not award the backdating of the claim had made on the submission form. This may be inferred in the reasoning paragraph completed by the assessment officer, however it was not fully completed on the decision form to confirm clearly that a decision had been made as to award, or not award, the backdating benefit.</p> <p>Where the Decision Recommendation form is not fully completed there no clear audit trail as to the explicit decision made by the assessment officer and increases the time taken by management to review the decision made should a challenge be made.</p>
<p><b>Responsibility</b></p> <p>Benefits Processing Team Leader</p>
<p><b>Management response / deadline</b></p> <p>It is accepted that the administration of this area was not to the standard expected. This has already been addressed through a reminder issued to assessment staff on their weekly team briefing dated 6 April 2016. The issue has also been discussed in the weekly Lead Officers meeting dated 5 April 2016 where it was agreed that an increased sample size will be quality checked each week until confidence in the comprehensive administration of backdating decision sheets has been restored.</p> <p>Deadline: already in place</p>

**Recommendation 3: Fraud Awareness Training Guidance / Slides (Priority 2)**

<p><b>Recommendation</b></p> <p>There should be structured training and guidance in place to ensure that consistent training is delivered to all staff through the mandatory fraud awareness training that is delivered on site.</p>
<p><b>Observation</b></p> <p>In order to ensure that members of staff within the Benefits team are aware of their roles and responsibilities regarding fraud issues and the prevention of fraud, Fraud Awareness Training should be delivered following the development of structured guidance notes. This will also help ensure that consistent training is delivered to all staff in the mandatory fraud awareness training sessions.</p> <p>In discussion with the Benefits Processing Team Leader, Group Manager (Revenues, Benefits &amp; Fraud), and the Corporate Anti-Fraud Team Leader; it was identified that there is currently no formal structured notes or presentation in place for the Anti-Fraud Team Leader to work from when delivering the training.</p> <p>Where there is no formal guidance or training slides regarding Fraud Awareness to work from when delivering training, there is an increased risk of inconsistent training being delivered to staff.</p>
<p><b>Responsibility</b></p> <p>Corporate Anti-Fraud Team Leader</p>
<p><b>Management response / deadline</b></p> <p>Slides have not been used by the Anti-Fraud Team Leader for several years, as she found that she received greater engagement during training sessions without them. However, we recognise that the lack of structured notes generates a significant risk to delivery of this course in the absence of the Anti-Fraud Team Leader. A set of structured notes covering the topics required and relevant examples will therefore be prepared, before the next scheduled training session.</p> <p>Deadline: end of June 2016</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
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		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.
<b>Limited</b>		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.
<b>Nil</b>		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
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	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
- Elaine Hopkins Corporate Anti-Fraud Team Leader

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**

#### **April 2016**

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