

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF BROMLEY WELFARE FUND [TRANSACTIONS] FOR 2013-14**

**Issued to:** John Nightingale, Head of Revenues and Benefits

**Cc:** Colin Smith, Welfare Reform Manager  
Peter Turner, Director of Finance

**Prepared by:** Principal Auditor

**Date of Issue:** 5<sup>th</sup> February 2014

**Report No.:** CX/053/02/2013

## REVIEW OF SOCIAL FUND AUDIT [TRANSACTIONS] FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Social Fund Audit [Transactions] for 2013-14. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on the 12/11/13. The period covered by this report is from 01/04/13 to 01/12/13. An Internal Audit was undertaken in quarter 1 of 2013/14. This focused mainly on the initial procedures that had been put in place and only tested a small sample of applications.
4. The total budget for the Welfare Fund for 2013/14 is £993,000. Of this £820,000 has been set aside for payments to be made for applications and £72,000 for the contract with Northgate for the administration of the fund. The welfare fund is intended to provide Bromley residents on low incomes and who are in difficult circumstances, with items required for day to day living. At the 2<sup>nd</sup> of December 2013, £330,563.90 of the fund had been spent.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that Substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

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### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
  - Procedures are in place to make sure payments are only made to those people that require money.
  - Controls are sufficient to recover overpayments that occur.
  - Monitoring of funds available takes place to ensure sufficient funds are available as required.
  - Documents are adequate to prevent or prosecute fraud that has taken place.
  
8. However we would like to bring to Managements attention, the following issues:
  - Controls are insufficient to check all aspects of applications
  - Changes to eligibility criteria have not been signed off by senior Management
  - Processing times for applications are not being met in two of the cases sampled.
  - Bromley only receives a sample of ten percent of invoices, for the total amount of payments made in a month. They are thus unable to fully determine money that has been passed to applicants, but which has been unspent by them.
  - One case of fraud was found to have occurred between the first and current audits, where items were claimed for which weren't actually required and the money then being spent on items not claimed for. The overpayment is being recovered through an invoice being raised and sent to the claimant.

It was also found that within the Northgate system used to administer the fund, a specific record is not kept of what checks have been undertaken of applications when they are reviewed. The only details recorded are of when a check has been carried out on the Benefits system.

### SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no significant findings identified during the review.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

## REVIEW OF SOCIAL FUND AUDIT [TRANSACTIONS] FOR 2013-14

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 1   | <p>Testing of a sample of 40 successful applications found that for all but two a prompt decision had been made. In these two cases, both decisions had taken 14 days from the completed application to the decision being made and sent out. There appears to be no valid reason for the delay. The allowed time for decision making as per the contract is 5 working days.</p> <p>The average time to process claims was 2.49 days.</p>  | <p>Applicants who are recognised as needing income are not paid promptly.</p>                          | <p><b>The contractor should be reminded of the requirement to process applications promptly, in line with timescales set out in the SLA.</b><br/>[Priority 3]</p> |
| 2   | <p>Applicants fill in the application form, either online or on the phone. There is a set of criteria people will be assessed against to determine if they qualify. The contractor who administers claims is able to verifying applicant's position in terms of Benefits, provided a name and national insurance number is provided. Most types of disability can be determined from this, along with housing situation.</p> <p>However no evidence is provided for people who are fleeing domestic violence, have a disability, are leaving prison or who are pregnant. Contractor and Bromley staff don't have access to the care system to check for disability. Other criteria such as if under exceptional pressure, lost or stolen money and other situations can also not be checked.</p> | <p>Applicants who lie about their situation may be assessed as successful and wrongly given money.</p> | <p><b>Additional procedures should be put in place to check applicants who claim circumstances that cannot be verified by benefits.</b><br/>[Priority 2]</p>      |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 3   | <p>As per the previous audit a scoring system has been created to allocate payments on a fair and balanced way. A number of questions will be asked of all applicants, each of which will have a score attached. In order to qualify applicants must obtain a sufficiently high score. Applicants are compared against two criteria. An eligibility and application score.</p> <p>Depending on how many funds have already been spent, applicants will be allocated to those in low, medium or high category. (Scores of 275, 350 and 500). Applicants with a score of less than 275; will not be eligible for a payment.</p> <p>Furthermore each item requested by an applicant will be assessed as to if it is required and there are guidelines about what can be paid out depending on people's circumstances, e.g. single people will not be able to get a washing machine and travelling expenses will not be paid.</p> <p>It was discussed with the Welfare Reform Manager and identified that the eligibility criteria had changed between the first audit and the present. It was found that two of the scores, those for fleeing violence increased by 50 points and that for</p> | <p>Applicants who are not eligible for the Welfare Fund may receive money.</p> | <p><b>Any changes to the eligibility criteria for the applications should be signed off by Portfolio Holder or Director [Priority 2]</b></p> |

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DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation |
|-----|---|------|----------------|
|     | being housed after being homeless by 100. These changes were authorised by The Head of Revenues and Benefits, but no higher. Some applications were identified in testing which were granted and which previously would not have been and vice versa. |      |                |

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MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale |
|-------------|--|------------------------------------|---|---|------------------|
| 1           | The contractor should be reminded of the requirement to process applications promptly, in line with timescales set out in the SLA. | 3                                  | The performance of the contractor has been very good; however there are times for various reasons where the set timescales are not met. This can be a result of delays with the contractor or resultant of a review request from the Bromley monitoring officer. Performance levels will be included in next service review and where possible claims annotated with the reason(s) for any delay. | Head of Revenues and Benefits<br><br>Welfare Reform Manager | March 2014       |
| 2           | Additional procedures should be put in place to check applicants who claim circumstances that cannot be verified by benefits.      | 2                                  | Difficult to cover all eventualities; however we will continue to make full use of stakeholders and trusted third-parties who have knowledge of the individual.   | Head of Revenues and Benefits<br><br>Welfare Reform Manager | Ongoing          |
| 3           | Any changes to the eligibility criteria for the applications should  | 2                                  | Report forwarded to January 2014 reviewing current scheme. Minor  | Head of Revenues and Benefits                               | January 2015     |

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MANAGEMENT ACTION PLAN

| Finding No. | Recommendation                                | Priority *Raised in Previous Audit | Management Comment  | Responsibility | Agreed Timescale |
|-------------|---|------------------------------------|---|----------------|------------------|
|             | be signed off by Portfolio Holder or Director |                                    | amendments/clarifications may be made by Senior Officers. However report will need to go to Members for decision as to what provision (if any) will be made once funding withdrawn from April 2015. |                |                  |

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## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.