

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES - FINANCE DEPARTMENT

REVIEW OF HOUSING BENEFIT AUDIT FOR 2015-16

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REVIEW OF HOUSING BENEFIT AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Housing Benefit for 2015-16. The audit was carried out in quarter four as part of the programmed work specified in the 2015-16 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 11 January 2016. The period covered by this report is from 01/01/15 to 31/12/15.
4. The total number of cases for Housing Benefits and Council Tax Support for the year ending 31st March 2016 was 35,124. Of this Housing Benefits was 18,059 and Council Tax Support was 17,065.

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:
 - Reviews and assessments following change of circumstances are carried out
 - Council tax support/reduction over payments
 - Reconciliations are regularly carried out
 - Performance management
8. Of the eight recommendations made within the previous Internal Audit review of Housing Benefits and Council Tax Support (CTS) for 2014/15, issues relating to one of the recommendations still exist. Re-recommendations have been made within this report to address the following issue:
 - Appeals are not effectively monitored to ensure a response is given within 28 days and three months where a case has been referred to tribunal.
9. We would also like to draw to the Manager's attention:
 - Testing of a sample of 20 benefit applications, including five CTS payments, identified three instances where the applications were not processed within the 13 day target. Furthermore, examination of the benefit monthly monitoring reports identified that although the average target time 13 days to process new applications was achieved at the year end, during November 2015 to January 2016, the actual time taken to process new applications was higher than the target, 14.5 days (monthly average).
 - Testing of a sample of five DHPs found two instances where it took 159 and 78 days respectively to assess the claims. The reason given for the delay was the increased volumes of DHP applications. Priority was given to those applications from disabled customers in RSL occupation.
 - Year end target of 83% for benefit overpayment recovery had not been achieved.

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SIGNIFICANT FINDINGS (PRIORITY 1)

10. No significant findings were identified

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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

12. 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>Appeals Management</p> <p>It was identified that prompt consideration was often not being given to the appeals received. Initial response should be provided by LBB appeal officers within 28 days and where appeals are referred to the tribunal response should be provided within three months from the date of appeal. According to the appeal records, from April 2015 to March 2016, 73% of 28 day targets were not met and 30% of three months targets were not met.</p> <p>Testing of a sample of ten appeals identified that in six instances 28 days target to respond had not been met. In addition, another claim the response was provided after 105 days, meaning both the 28 day and three month response targets were missed.</p>	<p>Where appeals are not processed within the target deadline, there is a risk that claimants are suffering unnecessary financial hardship where an incorrect decision has been awarded. This could also lead to reputational damage to the Council.</p>	<p>Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 28 day and the three month targets, as per the SLA.</p> <p>[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
2	<p>Overpayments</p> <p>Examination of the monthly overpayment monitoring report identified that the year end target for recovering overpayments had not been met.</p> <p>The recovery target for 2015/16 financial was 83%, however, the year end actual recovery figure was 75.69%.</p> <p>Discussions with the Benefit Operational Manager identified that the effect of Real Time Information (RTI) was unknown when the target was set.</p> <p>DWP initiated RTI data matching exercise against data held on the Local Authorities benefits system in October 2014, to identify cases where claimants have either failed to declare or have under-declared earnings.</p> <p>Result of the first set of data matching affected Council's overpayment rate during 2015/16 financial year, 43 RTI overpayments were created, totalling £133,154.77.</p>	<p>The objective of maximising recovery may not be achieved.</p>	<p>In achieving the key objective of maximising recovery the annual target needs to be set carefully, bearing in mind the effects of RTI.</p> <p>[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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 28 day and the three month targets as per the SLA.	2*	Every effort is taken to ensure appeals are conducted in the specified periods. However, appeals are often concentrated in certain periods of the year, thereby causing operational difficulties. This is exacerbated by urgent cases requiring immediate review being received and cases awaiting prosecution.	Revenues & Benefits Manager Head of Revenues & Benefits	Ongoing
2	In achieving the key objective of maximising recovery the annual target needed to be set carefully, bearing in mind the effects of RTI.	2	The replacement of the original target with a measure that monitors action undertaken rather than the recovery level has been agreed by the Executive. The effects of RTI and "optional RTI" will be measured on an ongoing basis.	Head of Revenues and Benefits	Ongoing

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

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 are 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 is 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.