

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF HOUSING BENEFIT AUDIT FOR 2016-17

Issued to: John Nightingale, Head of Revenues and Benefits

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REVIEW OF HOUSING BENEFIT AUDIT FOR 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of Housing Benefit Audit for 2016-17. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2016-017 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 22/11/16. The period covered by this report is from 1st January 2016 to 31st December 2016.
4. The total HB subsidy claim for 2015/16 was £125,714,668.

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.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
 - Internal Controls and Security are adequate
 - Applications are promptly identified and properly processed

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- Benefits cap and Bedroom tax deductions are correctly applied
- Key management reports are prepared promptly, reviewed by an appropriate member of staff and followed.
- Changes in clients circumstances are reflected in changes to their claims

8. However we would like to bring to Managers attention the following issues:

- Insufficient recovery action is being taken on a number of Overpayments and Admin Penalties sampled
- A process is not in place to regularly review self-employed or part time claims.
- Claimed processing times for new claims and changes in circumstances are not accurate
- A target is not in place for the recovery of Overpayments by the contractor
- Appeals are not being considered in a timely manner

It was also identified that one bedroom tax recipient has been incorrectly assessed given the size of the property. One claim has a completed claim form which has not been signed by the claimant and one where proof was not received that the claimant was receiving child benefit.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. No significant findings were identified during the review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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.

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Testing of a sample of 25 claims found 4 claims where the time taken to process the claim was different to the time stated by the contractor. (Sample numbers 1, 3, 17, 19).</p> <p>It was also found that 10 claims took longer than 14 days to process. Given the Indicator is an average of 14 days and that for 2016/17 the average time to process has been 10.13 days this is probably acceptable.</p>	<p>Performance targets as per the contract might not be met.</p>	<p>The contract monitoring team should ensure stated processing times are accurate. [Priority 2]</p>
2	<p>Testing of a sample of 25 overpayments found that for the 21 overpayments, that were actual overpayments an invoice has been raised and recovery action commenced. (The other 4 were overpayments which occurred from reassessing claims and were deducted from ongoing benefit).</p> <p>It was deemed that of these 21, sufficient recovery action has been taken for 17 of them. Of these other 4 cases, 3 have been sent to the Solicitors as part of the recovery process, however they have been returned and no further action has been taken. The other case looks as though no recovery action has taken place for 6 months.</p> <p>Additionally a sample of 10 Admin Penalties was tested to</p>	<p>Sufficient recovery action is not taken on overpayments which are owed back to the authority</p>	<p>The contractor should make sure action is taken on debts that are returned from the solicitor and where no action is taken after a month on hold.</p> <p>All recovery action taken on debts should be recorded on Academy. [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
	confirm that recovery action for these is robust. It was found that for 2, arrangements have been made, but payments were not forthcoming and after a month no action has been taken.		
3	<p>A sample of 25 claims of which for 12 of the claims, the claimants do not receive a passport benefit. It was identified that there is not a process in place to review claims where the claimant is self-employed or part time working (or those with variable hours) and that some claimants provide proof of income and are not requested to provide further proof for over 12months (sample numbers 5, 12, 12005282, 12004320 and 19- this one has not been reviewed for 4 years).</p> <p>In one claim, the claimant was receiving Maternity pay. She was not contacted until over a year after she had been receiving this and as a result started receiving IS and an overpayment was created (sample number 1).</p>	Claimants may no longer be eligible for Housing benefit due to increase earnings.	<p>A process should be put in place to ensure part time and self-employed claims are reviewed on a regular basis. [Priority 2]</p>
4	The 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. As a result the previous contractual target for the contractor to recover a percentage of	The objective of maximising recovery may not be achieved.	<p>In achieving the key objective of maximising recovery the annual target needs to be set carefully, bearing in mind the</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	overpayments raised has been removed.		effects of RTI. [Priority 2*]
5	Examination of the Appeals spreadsheet held by the Housing Benefits team found that the average time to respond to claims between April and September 2016 was 86 days and after October 2016 96 days. The target time to respond to Appeals is 3 months.	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.	Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 3 month target suggested by the DWP. [Priority 3*]

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Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The contract monitoring team should ensure stated processing times are accurate.	2	Checking accuracy of processing times forms part of the function of random sampling of HB assessments.	Benefits Operations Manager	On-going
2	The contractor should make sure action is taken on debts that are returned from the solicitor and where no action is taken after a month on hold. All recovery action taken on debts should be recorded on Academy.	2	Agreed. Staff will be remind of the importance of recording recovery action on Academy	Benefits Operations Manager	April 2017
3	A process should be put in place to ensure part time and self-employed claims are reviewed on a regular basis.	2	Agreed. A process will be adopt in 2017/18 to ensure that all part-time self-employed claims are reviewed regularly	Benefits Operations Manager	June 2017
4	In achieving the key objective of maximising recovery the annual	2*	The impending changes by HMRC/DWP need to be evaluated	Head of Revenues and Benefits	On-going

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	target needs to be set carefully, bearing in mind the effects of RTI.		before considering the effectiveness of setting a target		
5	Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 3 month target suggested by the DWP	3*	Agreed	Benefits Operations Manager	On-going

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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.