

REDACTED



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

DISCRETIONARY HOUSING PAYMENTS

Issued to: Assistant Director, Exchequer Services
Revenues and Benefits Manager
Welfare Reform & Benefits Digital Transformation Manager
Director of Finance (final report only)
Director of Housing, Planning, Property and Regeneration (final report only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

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INTRODUCTION

1. This report sets out the results of our audit of Discretionary Housing Payments. The audit was carried out as part of the work specified in the 2022-23 Internal Audit Plan. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Council receives grant funding each year from the Department for Work and Pensions (DWP) to enable the Council to provide financial assistance as a 'one off' payment or a series of payments to help tenants meet their housing costs, where qualifying criteria are met. The amount received in 2021/22 was £790,000. This has been reduced to £500,000 for the 2022/23 financial year. If the Council makes payments exceeding this amount, the additional amount spent has to be met from the Council's existing budget and cannot be reclaimed from Central Government.
3. From April 2020 the administration of the Discretionary Housing Payments was included in the Exchequer contract. The contract specification required the Council's Exchequer Contractor's staff to be located within the Council's Housing Department with the day to day management being undertaken by a member of the Housing Team.
4. Unfortunately, the pandemic hindered this approach, and the co-location of staff was never adopted although the management function was transferred to Housing. A change to this arrangement was then made at the request of the Council's Housing Team and the Council's Exchequer Contractor was asked to provide a fully managed service with the governance and oversight being provided by the Council's Revenues and Benefits Team from April 2022.
5. The area of Discretionary Housing Payments has not previously been subject to Internal Audit review.
6. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued on 13 May 2022.
8. We identified the following key risks:

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- The eligibility criteria for discretionary housing payments are not consistently and robustly applied, leading to incorrect approval of applications and excess funding needing to be met from the Council's budget.
- Fraudulent or duplicate payments are made, leading to financial loss and reputational risk to the Council.
- Reconciliations of the discretionary housing grant are not carried out timely and accurately, leading to late reporting and the risk of sanctions against the Council by the Department for Work and Pensions (DWP).

AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	4	1

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SUMMARY OF FINDINGS

10. Our audit identified areas of good practice and sound controls as set out below:

- Governance and management arrangements for the DHP service are in place to provide sufficient oversight. The respective roles and responsibilities of the Council's Exchequer Contractor and Bromley Council's Exchequer Services Revenues and Benefits Team are clear.
- The potential financial impact on the Council of the reduction in the DHP grant allocated by Central Government for 2022/23 has been assessed, with plans put in place to reduce the risk. The total amount of the DHP grant spent during the current financial year is maintained and monitored by the Council's Exchequer Contractor and the Revenues and Benefits Team.
- Our sample testing for payments made in the six month period between 1 October 2021 and 31 March 2022 showed that payments had been made following receipt of a completed application form, with the eligibility criteria met and the payment amount calculated correctly. The monthly payments made to the claimant had ceased on the DHP end date with no overpayment occurring. No duplicate payments had been made.
- We tested a sample of cases where an application had been refused and then reconsidered on appeal, with either the original refusal decision upheld or a DHP award made. In each case we examined the documentation and case notes available and concluded that the correct decision had been made each time.
- Annual reconciliations of the DHP grant are carried out timely, accurately, and reported to the Department for Work and Pensions as required.

11. Our audit review has, however, identified the following areas which we would like to bring to management's attention:

- Whilst the Council has a comprehensive DHP Policy it does not have a designated owner, reviewed date and future review date. It refers to the Theft Act 1968 and therefore needs to be revised to include reference to the Fraud Act 2006.

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- The Council's DHP guidelines need to be reviewed and revised to include the need for documented evidence of the amount of rent arrears before an award is made involving rent arrears and other matters identified during our audit testing.
- In four cases from our sample there was no evidence of a bank statement provided by the claimant to confirm the bank account details for the award to be paid into; handwritten details had been provided instead. In one case there was no documentary evidence confirming the amount of rent arrears owed by a claimant. For this case a 'one off' DHP payment had been made instead of the regular practice of monthly amounts. In two appeal cases we could not see the DHP award letter which had been sent to the claimant after a successful appeal.
- In four cases from our sample the application had not been processed within 28 days as set out in the DHP service contract specification. In two appeal cases we noted lengthy delays (49 and 73 days respectively) taken to process an appeal once the required information had been received. In another case from our sample, there was an 84 day period between the appeal being made and the Council's Exchequer Contractor writing to the claimant, stating that not enough information had been provided and asking for any supporting evidence and bank account details.
- The wording in the standard DHP award letter sent to a claimant is not clear and concise. For claimants wishing to appeal against a decision not to award a DHP the letter gives a P.O. Box address but does not offer any other way to appeal in writing e.g., by email.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. 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, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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DETAILED FINDINGS AND ACTION PLAN**

APPENDIX A

1. DHP policy	
<p><u>Finding</u></p> <p>The DHP policy is available for residents to view on the Council’s website. Examination of the policy shows that it clearly states the objectives of the policy, what DHP will and will not cover, where priority will be given in areas such as Benefit Cap and Social Rented Sector Size. It also covers how to claim DHP, the assessment process and payment arrangements.</p> <p>The paragraph on fraud refers to the Theft Act 1968, which has now been superseded by the Fraud Act 2006.</p> <p>The policy does not have a published date, review date or ownership assigned.</p> <p><u>Risk</u></p> <p>Without a reviewed and updated policy, it may not comply with current laws and regulations and lead to inconsistent and ineffective practices.</p>	
<p><u>Recommendation</u></p> <p>Review and revise the Council’s DHP policy to include reference to the Fraud Act 2006, and with a designated owner, reviewed date and future review date assigned.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #ffc107; padding: 5px; display: inline-block; margin: 10px auto;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>The policy will be reviewed and revised, with a designated owner, reviewed date and future review date assigned.</p>	<p><u>Agreed timescale</u> 1 November 2022</p> <p><u>Accountable Manager</u> Revenues and Benefits Manager</p>

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2. DHP guidelines**Finding**

There is a 'Bromley DHP guidelines' document which was drawn up by the Council's Exchequer Contractor in conjunction with the Council's Revenues and Benefits Team in April 2022.

It documents the processes to be followed when DHP applications are received, the criteria which should be applied and supporting information required. It was updated during our audit to include one of our audit findings; the need for a bank statement to be provided by the claimant to confirm the bank details for the DHP award payment to be paid in to.

We identified other areas from our audit testing which require inclusion or clarification in the guidelines, in particular the process to be followed and timescales for appeals received from claimants who have been refused a DHP award.

The Contract Specification with the Council's Exchequer Contractor for the DHP Service states that 'The Service Provider shall ensure that an independent employee not involved in the original decision making undertakes a review on receipt of a request from the Claimant'. The DHP Guidelines state, however, that 'The initial review to be considered by the Council's Exchequer Contractor team leader, and any revision in customers favour will be passed to DHP for action.'

In seven out of eight appeal cases tested we could not see evidence that the team leader had been involved in the decision. In six out of those seven cases we could see that another team member had been involved in considering the appeal; in the other case the same officer assessed the case on both occasions, presumably because the claimant was not in receipt of Universal Credit or Housing Benefit on either occasion and therefore the circumstances hadn't changed. The responsibility for deciding appeal cases needs to be clarified in the DHP Guidelines. We would expect that any appeal should be dealt with by someone who did not decide the outcome of the original application.

The guidelines contain several actions which have yet to be completed, including agreeing the process and timescale with the Council's Money Advice Team where a claimant has a shortfall in Housing Benefit or Universal Credit due to the Benefit Cap.

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<p><u>Risk</u></p> <p>Without updated comprehensive procedures, current and new employees may not fully understand their responsibilities concerning the DHP service, leading to errors in operational processes and actions not being carried out.</p>	
<p><u>Recommendation</u></p> <p>Review the ‘Bromley DHP guidelines’ document to include the need for documented evidence of the amount of rent arrears before an award is made, the referral processes and timescale for any claimant with a shortfall due to the Benefit Cap or any claimant where the proposed DHP award exceeds £100 per week, and the appeals procedure.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>The guidelines started to be reviewed during the audit as and when audit findings were raised, and through monitoring carried out by ourselves in Exchequer Services. The review will now be completed.</p>	<p><u>Agreed timescale</u> 1 November 2022</p> <p><u>Accountable Manager</u> Revenues and Benefits Manager</p>

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3.Supporting documentation	
<p><u>Finding</u></p> <p>In four cases from our sample testing of applications and appeals there was no bank statement provided to confirm the bank account details for the award to be paid into.</p> <p>In one case we noted that an award had been paid as a 'one off' instead of a monthly amount and there was no supporting evidence to verify the amount of rent arrears stated by the applicant.</p> <p>The DHP Guidelines were amended during our audit to include the need to obtain a bank account statement. We have recommended separately (recommendation 2 refers) that those Guidelines also include the need to obtain documentary evidence of any rent arrears.</p> <p><u>Risk</u></p> <p>If supporting documentation to confirm bank account details or evidence of rent arrears has not been obtained from a claimant, there is a risk of fraudulent payments being made.</p>	
<p><u>Recommendation</u></p> <p>Remind the Council's Exchequer Contractor's staff of the rules for making 'one off' payments to claimants and the need to obtain and check documentary evidence such as bank statements and confirmation of rent arrears.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 10px auto;"> Priority 2 </div>
<p><u>Management Response and Accountable Manager</u></p> <p>These findings were raised with the Council's Exchequer Contractor at DHP liaison meetings held with them during the audit.</p>	<p><u>Agreed timescale</u></p> <p>Implemented</p> <p><u>Accountable Manager</u></p> <p>Revenues and Benefits Manager</p>

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4. Processing timescales for applications and appeals**Finding**

The Contract Specification with the Council's Exchequer Contractor for DHPs states (Ref: LEG002) that 'Decisions to be made within 28 days of receipt of application'. It also states (Ref: LEG003) that 'The Service Provider shall ensure that an independent employee not involved in the original decision making undertakes a review on receipt of a request from the Claimant' and 'Within 10 working days'. We presume that this means the appeal process.

The Council's DHP guidelines do not state a timescale for DHP appeals to be decided. The Council's Exchequer Contractor maintains a spreadsheet of cases, and this includes their record of the number of days taken to decide the outcome of an application, once all the required information has been obtained from the claimant.

In four cases from our sample of 18 non-appeal cases tested, the application had not been processed within 28 days as set out in the DHP service contract specification. In two cases from our sample of eight appeal cases tested, we noted significant delays (49 and 73 days) in the processing of an appeal once the required information had been received. In another case from our sample, there was an 84 day period between the appeal being made and the Council's Exchequer Contractor writing to the claimant, stating that not enough information had been provided and asking for any supporting evidence and bank account details.

One other case from our appeals' sample, showed that there was a delay of nearly a month responding to an appeal made by a voluntary organisation on behalf of a claimant. The Council's Exchequer Contractor stated in an email to the voluntary organisation that they had not received an appeal, although we could see that the appeal letter with supporting documents had been date stamped by the Council's Exchequer Contractor and recorded on the Images system.

In the Council's Corporate Strategy, the approach to achieving best value from our resources includes 'providing efficient customer facing finance services'.

Risk

Where there is a significant delay in processing an appeal, the claimant may fall into greater debt. There is also a reputational risk to the Council resulting from poor customer experience.

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<p><u>Recommendation</u></p> <p>Ensure that the Council's Exchequer Contractor puts measures in place to process DHP applications and appeals within the timescales set out in the Council's Exchequer Contractor's contract specification. For any cases processed outside of the specified timescales, record these as a contract default.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>We are liaising with the Council's Exchequer Contractor because the timescale set out in the contract specification saying 'Decisions to be made within 28 days of receipt of application' is not realistic or achievable for several reasons, including the fact that claimants do not always respond promptly to requests for clarification of information provided on their application or supporting information not originally supplied. Once the process and timescales are agreed, a formal amendment to the specification will be made.</p>	<p><u>Agreed timescale</u> 31 December 2022</p> <p><u>Accountable Manager</u> Revenues and Benefits Manager</p>

<p>5. DHP award letter wording and content</p>
<p><u>Finding</u></p> <p>A DHP award letter is sent to the applicant once the award decision has been made, informing them that their claim has been successful, the amount of their DHP award and the period for which it will be paid. The wording in the DHP award letter is not, however, clear and concise and it contains information about the Council's 'permitted total' of DHP award grant, which does not necessarily need to be included.</p> <p>The letter also says that if an applicant does not agree with the decision they should 'write to the Benefit office within one calendar month of the date on this letter.' It gives a P.O. Box address but does not offer any other way to appeal e.g., by email with an email address to send an appeal to.</p>

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<p><u>Risk</u></p> <p>Applicants may be confused by unnecessary information and may be deterred from appealing a decision if the only way to appeal is by sending a letter.</p>	
<p><u>Recommendation</u></p> <p>Review and revise the content and wording of the DHP template letters sent to applicants and include a mailbox address for applicants to appeal a DHP award decision by email.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 3</p>
<p><u>Management Response and Accountable Manager</u></p> <p>The wording of the DHP template letters has been reviewed and the template has been amended. An email address for appeals has been included.</p>	<p><u>Agreed timescale</u></p> <p>Implemented</p> <p><u>Accountable Manager</u></p> <p>Revenues and Benefits Manager</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.