



INTERNAL AUDIT

FINAL REPORT

Title: Housing Benefits

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of Housing Benefits was undertaken as part of the approved internal audit periodic plan for 2010/11. The objective of the audit was to ensure that benefits are processed accurately and on a timely basis, leading to accurate payments to claimants.

The Council uses the Civica system for the processing and management of all housing benefits claims received. The Council processes approximately 6,000 new claims, 25,000 changes of circumstances and 10,000 unreported changes of circumstances per financial year.

At the time of the audit, the Council had processed 3,955 new claims, 22,346 changes of circumstances and 5,633 unreported changes in circumstances. A new quality assurance process was introduced in July 2010 for the checking of assessed claims by a Team Leader. This is done within the Civica system, where the system selects a random 4% (or every 1 in 25) of all assessed claims. This is done on a daily basis and claims are checked by the designated Quality Assurance Team Leader. For first payment claims, 4% is also selected for the quality assurance process.

The Council reports its performance against one national indicator N181 - time taken for processing of HB/CTB new claims and changes - on a quarterly basis. The target for the year is 11 days. The Council achieved this for both quarter one and quarter two with the average time taking nine and eight days respectively.

There were four recommendations made in the previous audit report. Two of these have been implemented and two have not yet been fully implemented. Those that have not yet been fully implemented relate to write-offs and declarations of interests.

Principal Findings

	High	Medium	Low
Number of recommendations	0	1	5

The detailed findings and associated recommendations are provided in the second part of this report. There was one medium risk recommendation made.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

The key areas within this system are:

- Policies and procedures;
- Benefit form processing;
- Evidence retained;
- Payments;
- System administration;
- Fraud;
- Statutory returns; and
- Management reporting.

The following limitations to the scope of the audit were agreed when planning the audit:

- We will not substantively re perform assessments of housing benefit claims;
- Testing will be completed on a sample basis from transactions within the current financial year; and
- Our work does not provide absolute assurance that material error, loss or fraud does not exist.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the Authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
Recommendation 1 - Housing Benefit Payments Level of Risk - Low			
<p>We looked at a sample of 15 claimants in receipt of housing benefits for who payments are made by BACS. As part of our testing, we compared the bank details provided by each claimant to the bank details on the system. For one of the claimants whose payments are made direct to the landlord, we noted that the bank details per the system did not agree to the bank details that were supplied by the landlord.</p> <p>The landlord had sent a letter dated 21/09/2010 stating that their bank details were changing but this had not been updated on the system. Payments are still being made to the old bank account.</p>	<p>There is a risk of increased complaints from the public.</p>	<p>The staff should ensure any changes in details are promptly updated on the system and any outstanding paperwork to process is regularly checked.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Bank details are now checked as part of the Quality Assurance testing which should minimise instances of this occurring, but may not eradicate completely.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Housing Benefits Overpayments Level of Risk - Low			
<p>Three system reports are produced and reviewed each fortnight:</p> <ul style="list-style-type: none"> • No ongoing benefit for recovery; details those cases where claimants are not in receipt of benefit; • Ongoing recovery action; details those cases where claimants are still on benefits through which overpayments are being recovered; • No recovery action; details those cases where overpayments are not being recovered. <p>We looked at a sample of 17 weeks to ensure the reports had been run and reviewed.</p> <p>We noted that between April and May reports had not been produced for over a month. We also noted that on six separate occasions reports had not been run.</p>	<p>There is a risk that overpayments are not being identified and confirmed on a regular basis.</p>	<p>Staff should be reminded that the overpayments reports should be run on at least a fortnightly basis in order to keep on top of the work load.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Extra staffing resource has been allocated to ensure reports are run on a regular basis.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 3 - Housing Benefit Write-offs Level of Risk - Medium			
<p>We looked at a sample of 20 write-offs. For all the cases tested, the write-offs were authorised appropriately. However:</p> <ul style="list-style-type: none"> For two write-offs, there was no write-off review decision forms completed to authorise the write-off; For one write-off, there was information available as to why and when the write-off had occurred; In three instances, there was no segregation of duties between who had authorised the write-off and who had performed the write-off in the system. 	<p>There may be a risk of inappropriate write-offs.</p>	<p>a) A Review Decisions Form should be completed and authorised for all write-offs.</p> <p>b) Relevant documentation relating to write-offs should be retained on the Civica system.</p> <p>c) The person authorising a write-off should be different to the person writing off on the system.</p> <p>d) There should be a periodic independent reconciliation of the write-offs from the system to the amounts authorised on paper.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment:</p> <p>a) Agreed.</p> <p>b) Agreed.</p> <p>c) Not Agreed.</p> <p>d) Agreed.</p> <p>Planned Corrective Action:</p> <p>a) A decision form will be completed for all write offs.</p> <p>b) All relevant documentation will be stored in workflow.</p> <p>c) The decision review form will have been reviewed by two staff therefore the control is at that point rather than at the point of write off. Resource levels also make this impractical to apply.</p> <p>d) A quarterly reconciliation will be undertaken by the HB Support Officer and signed off by the Revenues Services Manager.</p> <p>Timescale:</p> <p>By 31st March 2011.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 4 - Quality Assurance Level of Risk - Low			
<p>Currently one in 25 (or 4%) of all applications is selected randomly to be reviewed by the designated Quality Assurance Team Leader. The application is subject to numerous standard checks and is either passed or referred back to the officer who assessed the claim if more work needs to be done on it.</p> <p>In addition to this, one in 25 of all first payments to claimants is reviewed.</p> <p>All claims or changes of circumstances processed by new staff are subject to quality assurance when they first start and this decreases as they become more experienced.</p> <p>We reviewed the amount of cases that have been subject to the quality assurance process since July and noted that 219 had passed and 254 had been referred back to the officer to amend details/ do more work. This shows there is a high number of cases failing the quality control process.</p>	<p>This may lead to a back log of cases.</p>	<p>The Council should consider increasing the amount of applications that are subject to the quality assurance process.</p> <p>It is also suggested that a team performance indicator is introduced for the number of cases that pass the quality assurance process as currently only 46% of cases are passing.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment:</p> <p>We have assessed the data from quality checking and view that it is more appropriate, given the resource available, to reflect on the priority case for checking rather than the volume. The changes made to checks are as follows:-</p> <ul style="list-style-type: none"> a) 1 in 40 on base number b) 1 in 1 over £750 payment c) 1 in 4 on first payment d) Training – 1 in 2 after release followed by 1 in 4 <p>Consideration will be given to setting a quality target.</p> <p>Planned Corrective Action:</p> <p>See above.</p> <p>Timescale:</p> <p>By 31st March 2011.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 5 - Declarations of Interests Level of Risk - Low			
<p>Revenues staff members now complete a declaration for the register of interests on an annual basis.</p> <p>We reviewed the declarations and noted that one of the staff members, an appeals officer, had not yet completed the form.</p>	<p>There is a risk of inappropriate access to some housing benefits accounts.</p>	<p>To ensure that all staff members have completed and sent back their signed declaration of interests.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Revenues Services Manager will ensure all forms completed.</p> <p>Timescale: 31st March 2011</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 6 - Housing Benefits Reconciliations Level of Risk - Low			
<p>A reconciliation of the feed between the Civica system to the Agresso system (Financial Management System) is undertaken on a monthly basis by the System Administrator.</p> <p>Reports are produced from the Civica system for the HB payments made in a period and compared to the payments per the Agresso system. Our testing confirmed the reconciliation had taken place for the period August to October 2010. We noted however that the reconciliations are held electronically and are not subject to an independent review.</p>	<p>There is a risk the reconciliation may not be done or done timely and errors are not identified.</p>	<p>The monthly reconciliation between the Civica and Agresso systems should be independently reviewed and signed by the person undertaking the reconciliation and the person reviewing it.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: All reconciliations will be signed by manager.</p> <p>Timescale: Immediate.</p>

ANNEX A

Risk & Assurance – Standard Definitions

Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risk arising from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk