



GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT - FINAL

HOUSING BENEFITS
AUGUST 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial

IDEAS | PEOPLE | TRUST



EXECUTIVE SUMMARY	2
OBSERVATIONS	6
STAFF INTERVIEWED	9
APPENDIX I - DEFINITIONS.....	10
APPENDIX II - TERMS OF REFERENCE	11

DISTRIBUTION

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Joelle Davies	Head of Regeneration and Welfare
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REPORT STATUS LIST

Auditors:	Alex Russell
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EXECUTIVE SUMMARY**LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)**

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	0
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 1**CRR/BAF REFERENCE:**

Risk 2: Failure to maintain financial integrity.

BACKGROUND:

Housing benefit is a regular council payment to support payment of rent where someone is unemployed, on a low income or claiming benefits. The amount an individual receives will depend on their income and circumstances.

The Council is committed to the prevention and detection of Housing and Council Tax Benefit overpayments in order to reduce the loss to public funds and in order for the council to maximise the subsidy income received from Government. An overpayment is any amount of benefit paid to or in respect of a customer to which he/she is not or was not entitled. Overpayments can be caused by a failure to report a change in circumstances, late notification of a change in circumstances, delays in processing a change in circumstances, incorrect information being supplied, errors made by the local authority or errors made by the Department for Works and Pensions. Where overpayments do occur, Gedling Borough Council is committed to recovering debt in a timely manner, taking into account the circumstances of those from whom recovery is sought.

Housing Benefit is being replaced by Universal Credit. New claims for Housing Benefit can only be made if either of the following applies:

- The individual has reached State Pension age
- The individual is in supported, sheltered, or temporary housing.

During the Covid-19 pandemic, in 2020/21, the Council received an 82% increase in claims (420) from the same period last year. The Council also received a 36% increase (2,800) in changes in circumstances compared to the same period in 2019.

This review assessed the Council's procedures for the processing of Housing Benefits claims and evaluated if they were operating as designed.

GOOD PRACTICE:

- Housing Benefits Key Performance Indicators (KPIs) are collated, reported and tracked. The detail of the 20 KPIs are collated by the Policy and Development Officer on a monthly basis, reviewed by the Housing and Welfare Support Manager and then reported monthly through the Senior Leadership Team (SLT) and quarterly through Overview and Scrutiny Committee. In addition the Council is also subject to scrutiny from the Department for Work and Pensions (DWP).
- We assessed a sample of 20 new Housing Benefit claims and determined whether they were accurately assessed in a fair and timely manner in line with Council procedures. No issues were identified within our sample.
- We tested a sample of private tenants for local housing allowance to confirm whether benefit payments were made in a complete, accurate and timely manner in accordance with published rates. No issues were identified within our sample.
- A sample of 20 cases where the claimant had reported a change of circumstance to the Council were selected. We found that in all cases the change in circumstance was addressed appropriately following the receipt of adequate supporting documentation, and processed in a timely manner.
- A sample of 10 Housing Benefit claims and 10 Discretionary Housing Benefit payments were assessed to confirm whether sufficient evidence could be provided to justify payment by the Council. No exceptions were identified as part of the testing.
- The Council appropriately defines what constitutes an overpayment of Housing Benefit within its Overpayment Policy and considers all forms of overpayment, with the exception of official error by the Council and DWP, as recoverable. Overpayments can be recovered through future benefit awards or by collecting from the customer directly by direct debit.
- We reviewed two write-offs which occurred between January and June 2021 out of a total 53 that were made, to assess whether justification can be provided for the write-offs. We found that the write-offs were justified and were made in accordance with Council Policy
- A process is in place whereby balances on the Housing Benefit system (Civica) are regularly reconciled to the main financial system (Agresso). Monthly checks are conducted between Agresso and Civica as part of an internal check to assess whether the balances reconcile with a more detailed check conducted at year end (31st March). Once the amounts between the two systems have been reconciled, this is then co-signed by the Housing Benefit Team Leader and the Housing and Welfare Manager.

KEY FINDINGS:

We have not raised any key findings as a result of the review. However, we have identified one low finding and raised two observations as detailed below:

- The Discretionary Housing Payments Policy and the Overpayments Policy are currently out of date. However these are currently being reviewed with the anticipated completion of both policies in August 2021 and approval by December 2021 (Finding 1 - low)
- Since April 2021, the Council have moved away from a risk-based verification for housing benefits. In place of the risk-based verification, the Council has a quality assurance module as part of the Civica application which conducts sample checks at random to assess the quality of checks applied to new Housing Benefit claims and changes of circumstances (Observation).
- Of the three Key Performance Indicators (KPIs) assessed, one indicator (average time to process change in circumstances) was found to not be meeting the target for six consecutive months. There have been valid reasons for this, eg impact of Covid-19 and move to Universal Credit (Observation).

CONCLUSION:

Overall, there are clearly defined roles and responsibilities with regards to housing benefits processes and procedures, and clear reporting at both a local and senior leadership level to assess team performance. Whilst the Discretionary Housing Payments Policy and the Overpayments Policy are both out of date our sample testing evidenced that the policies currently in place were working as designed.

We have therefore concluded that there is substantial assurance over both the design and the operational effectiveness of the controls in operation within the Housing Benefits system.

RISK: EXPECTATIONS FOR PROCESSING OF HOUSING BENEFITS ARE NOT CLEARLY COMMUNICATED THROUGH REGULARLY REVIEWED POLICIES AND PROCEDURES, LEADING TO STAFF BEING UNAWARE OF THEIR ROLES AND RESPONSIBILITIES.

Ref	Significance	Finding
1	Low	<p><u>Housing Benefit Policies</u></p> <p>The Council have three separate policies in place which cover Housing benefit including Discretionary Housing Payments, Direct Payments and Overpayments. These policies are required to be reviewed on an annual basis</p> <p>When reviewing the policies, we noted that two of the policies, the Discretionary Housing Payments policy and the Overpayments policy are currently out of date with both policies having not been reviewed since April 2017.</p> <p>Both policies were identified as requiring a review in a previous internal audit dated December 2019, with a target completion date of 31 March 2020. As at the June 2021 audit follow up to Audit Committee this was reported as overdue.</p> <p>The Housing and Welfare Support Manager informed us that both policies are currently subject to a review and have been delayed due to other priorities in the team as a result of the Covid-19 pandemic.</p> <p>It is understood that both are due to be reviewed before the end of August 2021 and then will be put forward for ratification by the end of the year.</p> <p>If policies are not kept up to date, there is a risk that the Council does not comply with current legislation or best practice.</p>

RECOMMENDATION:

Management should review both the Discretionary Housing Payments policy and the Overpayments policy and then have both policies ratified by the appropriate group/committee.

It should be ensured that the policy reviews are completed annually thereafter.

MANAGEMENT RESPONSE:

Agreed. The policies will be reviewed and then ratified by the end of the year.

Responsible Officer: Paul Whitworth

Implementation Date: 31 December 2021

OBSERVATIONS

RISK BASED VERIFICATION

Risk based verification (RBV) is a method of applying different levels of checks to benefits claims according to the risk associated with those claims. Different circumstances are taken into account and a risk profile applied to each claim. For the purpose of applying verification on a risk basis, each claim is ranked into one of three categories: low, medium and high risk. This allows a more intense verification activity to be targeted at those claims which are deemed to be at highest risk of involving fraud and/or error

The RBV method was utilised at the Council until 1 April 2021. The Council decided to end the scheme because they received notification from the software provider that they were no longer supporting the product. It is acknowledged that the Council would have moved away from this anyway as the number of new claims has decreased due to Universal Credit (see next observation). A report to this effect was written and approval sought from the Portfolio Holder.

In place of RBV, the Council now asks for all documentation on new claims. The Council has a quality assurance module as part of the Civica application that conducts sample checks at random and can be tailored to focus on applications reviewed by a specific member of the Housing and Welfare team if required.

KEY PERFORMANCE INDICATORS

The Policy and Development Officer collates statistics within a dedicated spreadsheet on a monthly basis for the Housing and Welfare Manager to review. There are currently 20 different indicators which include average time in days taken to process new claims and the percentage of new claims decided within 14 days of receiving all information.

The SLT receive reports from Pentana (the Council's Corporate Performance Management system) on five separate housing benefit key performance indicators. These are:

- Housing Benefit case load
- Average time in days taken to process new claims
- Average time in days taken to process change in circumstances
- Number of additional housing benefit claims
- Time taken to process housing benefit new claims and change events (in calendar days).

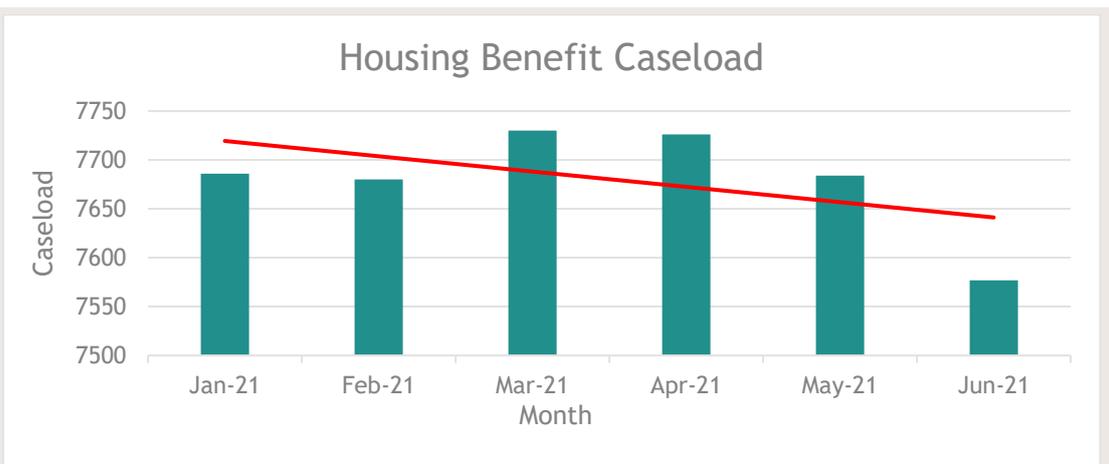
On any indicator that is not meeting the target or is increasing/ decreasing more than expected a narrative is provided to the Senior Leadership Team to detail why.

We have reviewed three of the Housing Benefit teams' key performance indicators and reported the detail below. It is understood that the current targets have been in place for a number of years and have not been altered. The Housing and Welfare Manager highlighted that the targets and the indicators themselves are reviewed annually to ascertain whether SLT require any different indicators and whether the targets should be revised.

Housing Benefit Caseload

Caseloads have been dropping slowly over the year. Housing benefit has been replaced by Universal Credit (unless the claimant has reached State Pension age or is in exempt or temporary accommodation), therefore a new claimant or those with a change to their claim would no longer receive housing benefits.

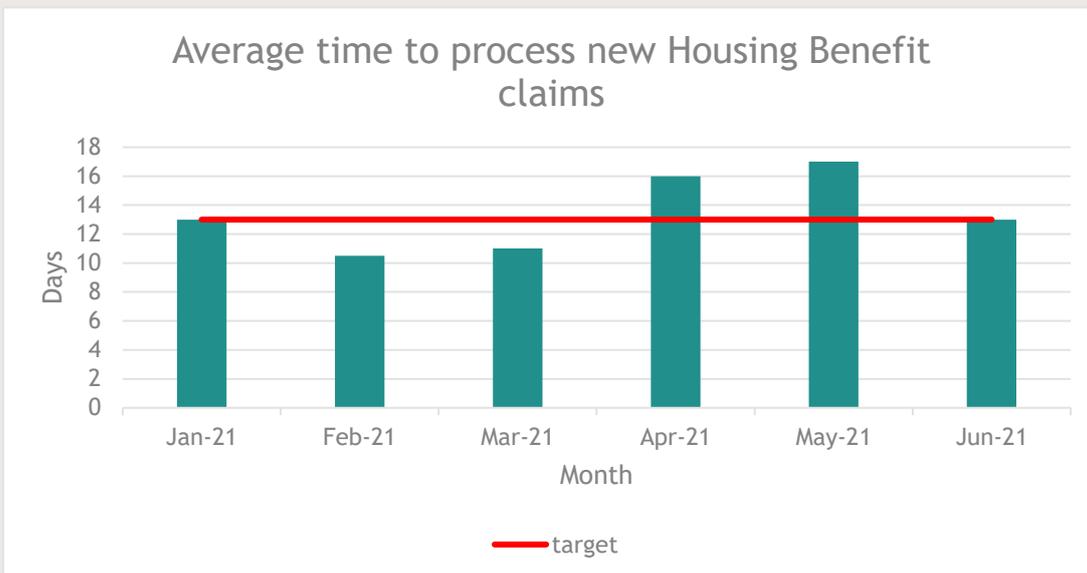
The following graph highlights both housing benefit and council tax benefit caseload as they are reported together. It is roughly a 50/50 split between both.



Average time to process new Housing Benefit claims

The current target is 13 days to process a new housing benefit claim. The following graph highlights the average time taken over the last six months. The target has been met in June 2021 but has been missed by 3-4 days in April and May 2021.

Following the Council’s decision to end the RBV scheme the Council now need to ask for all evidence in support of the claim, which has an effect on the time taken to process the claim. In addition, the start of a new financial year usually means an increase in claims, for example due to increase in rent and changes in work circumstances.



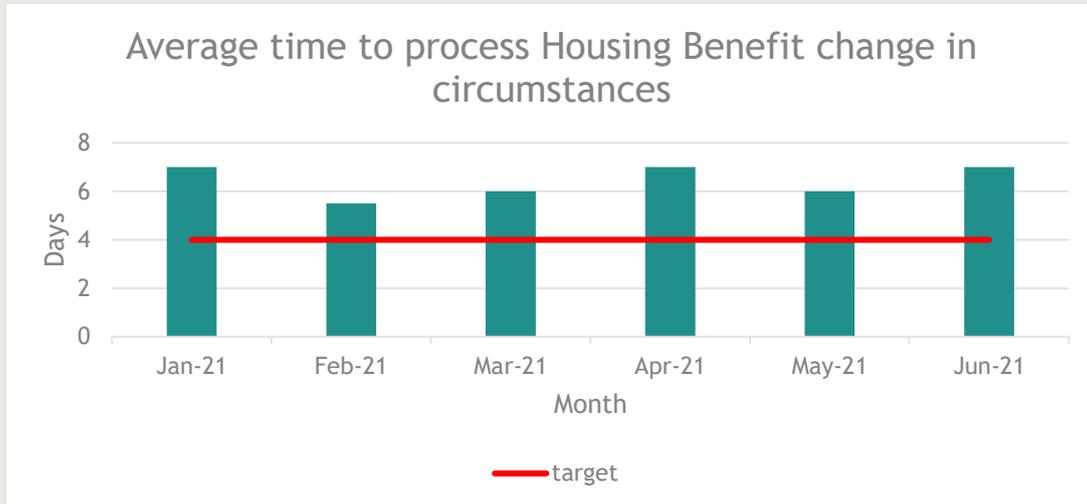
Average time to process change in circumstances

The following graph shows how long on average it takes to process housing benefit change in circumstances. The Council’s target is four days; however, over the six months January to June 2021 the target has been missed.

During Q1 2021/22 the Council experienced a significantly higher level of work, specifically around Universal Credit changes. A customer’s Universal Credit is reviewed monthly and there can be up to 12 changes a year per customer (eg changes in pay each month)

Where the Council now reviews all new claims these can be prioritised over change in circumstances (ie focussing on those who currently have no claim rather than those who

already have the benefit but waiting on a change). Alongside an increase in workload, change in RBV and Covid-19 related delays this has resulted in the target of four days being missed.



STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Gareth Armstrong	Team Leader - Welfare Support
Paul Whitworth	Housing and Welfare Support Manager
Susan Buchanan	Policy and Development Officer

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this audit is to review the design of controls and their operating effectiveness with regards to housing benefits. The review will focus on overpayment recovery, processing times and reporting.

KEY RISKS:

- Expectations for processing of Housing Benefits are not clearly communicated through regularly reviewed policies and procedures, leading to staff being unaware of their roles and responsibilities.
- Insufficient evidence is retained to support housing benefit applications and assessment decisions, leading to increased risk of fraudulent applications being processed and financial loss to the Council.
- Unauthorised changes are made to a claimant's personal details, leading to an increased risk of misappropriation of Council funds.
- Inconsistencies between the benefits system and the main accounting system are not highlighted, leading to incorrect payments being made and/or management information being inaccurate.
- Housing benefit overpayments are not identified and recovered on a timely basis, leading to financial loss to the Council.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review procedures for the processing of Housing Benefits claim to evaluate if these are clear and easy-to-follow with defined roles and responsibilities
- We will test a sample of Housing Benefit claims and confirm whether they are accurately assessed in a fair and timely manner in line with Council procedures. We will assess whether the Council has a 'Risk Based Verification' process in place, and test whether appropriate verification action has been taken depending on the risk score
- We will test a sample of private tenants for local housing allowance to confirm whether benefit payments have been made in a complete, accurate and timely manner in accordance with published rates
- We will test a sample of cases where the claimant has reported a change of circumstance to the Council and review what action has been taken by the Council to address the change, and whether this has been done in a timely manner
- We will test a sample of Housing Benefit claims and Discretionary Housing Benefit payments to confirm whether sufficient evidence can be provided to justify payment by the Council We will confirm whether a process is in place where balances on the Housing Benefit/Council Tax Support system are regularly reconciled to the Council's main financial system
- We will perform testing to ensure that all cancellations are made in a timely manner and any overpayments are accurately and completely identified for subsequent recovery actions. We will also review the processes around write offs and perform testing to confirm whether justification can be provided for any write offs
- Review management information and evidence of monitoring and oversight over key performance indicators for the processing of Housing Benefits. We will confirm if performance is monitored at an appropriate level in the Council.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

BAF/CRR REFERENCE:

Risk 2: Failure to maintain financial integrity.

FOR MORE INFORMATION:

Greg Rubins

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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