

Internal Audit Report

Housing Benefits (HB)

August 2020

To: Director of Finance
Assistant Director of Finance
Head of Exchequer

Copied to: Finance Manager - Revenues and Benefits, LB
Contract Manager, CSG
Benefits Operations Team Manager, CSG
Team Leader Discretionary Housing Payments, CSG
NNDR Operations Manager
Operations Director, CSG
Head of Performance and Risk - Regional Enterprise (Re) & CSG

From: Internal Audit Executive, LBB
Head of Internal Audit, LBB

We would like to thank management and staff of Finance and CSG for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
Limited Assurance	Critical	High	Medium	Low	Advisory
	-	-	7	2	-
Scope					
<p>This review has been undertaken as part of the 2019-20 Internal Audit and Anti-Fraud Strategy and Annual Plan approved by the Council's Audit Committee on 1 May 2019.</p> <p>This review identified the key controls within Barnet's Housing Benefits systems and processes specifically relating to housing benefits assessments, monitoring and disbursement; and devised an overarching programme of testing to give assurance on the effectiveness of controls.</p> <p>This review focused on the arrangements in place with the CSG Revenues & Benefits team to monitor and ensure that housing benefits are computed accurately, timely and disbursed to the right people.</p> <p>Finally, we followed up three audit actions from previous audits in this area and found that two had been implemented and one has been superseded by new actions raised within this current review. See Appendix 4 of this report.</p> <p>The majority of the fieldwork on this review was completed in January and February 2020. The COVID-19 pandemic led to a delay in being able to complete the fieldwork and clear the queries that arose during the audit.</p>					
Summary of findings					
<p>This audit has identified seven medium and two low risk findings.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • <u>Discretionary Housing payments (DHP) (medium)</u> - During fieldwork, we identified 15/30 (50%) of cases where applications received were not stamped, dated and signed by a member of staff. Although documents are registered in a separate log book on receipt, there is a risk that the process could be manipulated if the documents are not date stamped by a separate officer when they are received. We noted that in another 6/30 (20%), DHP application decisions were not prompt and missed the 15 working-day KPI target; while in 1 case (3%) the application was not signed by the applicant or his/her agent; management had accepted a signed cover letter in place of the signature on the form. • <u>Discretionary Housing payments - BACs Analysis (medium)</u> - During fieldwork, we identified that the BACs return resolution/reconciliation is carried out monthly instead of weekly (manually) and there are no written processes for this. We also noted that the reconciliation statements 					

were not reviewed or signed by a senior officer before being passed to finance for necessary action. Notified improvements to this process will be tested when the recommendations made are followed-up.

- **Overpayments – detection and recoupment (medium)** - During fieldwork, we identified 10/30 (33%) of the overpayments made were due to assessors' errors, out of which two (7%) had no repayment arrangement in place.
- **Overpayments - bad debt write-off (medium)** - During fieldwork, we established that there is no write-off policy and no further action by way of debt recovery agencies or legal action after final notices are issued to debtors. There had been no debts written off for several years (since 2015) until the end of the 2019/20 financial year. The total amount outstanding is £324,589, which is currently awaiting a committee decision (delayed by the COVID19 pandemic) to write this off.
- **Appeal process (medium)** - During fieldwork, we noted two (6%) cases where applications were delayed for between 10 - 42 days before reaching the appeal team after reaching the Council, while in 23 (73%) cases, appeal applications were not acknowledged contrary to KPI BEN 026 which states that the service must reply to all correspondence including emails. There is also a backlog of cases to be dealt with.
- **Benefit Fraud (medium)** - During fieldwork, we identified that access to the fraud reporting electronic register is not restricted. There is a risk that unauthorised changes are made to the spreadsheet. Furthermore, the fraud detecting/reporting team have not had any training from CAFT or any other external body recently to facilitate undertaking their responsibilities. The last training session was in 2017. Potential council tax fraud detected from the NFI reports are not forwarded to the CAFT team for action; neither is there any evidence to establish that overpayments above £2,000 are referred to the DWP.
- **Process and Procedure – access to obsolete documents (medium)** – During fieldwork, we identified that a number of policies had not been reviewed and revised in accordance with the Council's policy. Management subsequently informed us that these had been updated; however, staff had access to old versions as they had not been removed from circulation.
- **Process and Procedure- need for prompt updates (low)** – During fieldwork, we identified that a schedule of updated policies and procedure were not maintained for easy information processing.
- **Housing Benefits Assessment - Cancellation codes / duplicated cases (low)** - During fieldwork, we identified six (20%) sampled cases where loaded applications were cancelled and the loading process re-started. We found that for these cases, the cancellation codes did not reflect the changes made in the system (e.g. 'wrong date' where up to date information had been received), or the case was incorrectly duplicated. This did not result in any adverse financial implications for applicants. We noted that in one case (3%) the 22 days KPI for decision making was breached by one day.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p><u>Discretionary Housing payments – Assessment Process</u></p> <p>The Discretionary Housing Payments (DHP) assessment process was tested to ensure that it complies with the Barnet Council DHP policy and that controls are in place to ensure that only qualified applicants have access to the benefits.</p> <p>Our testing of the DHP process revealed that records of transactions are maintained and easily accessible. However, the records are not complete and show a lack of administrative/internal controls.</p> <p>A sample of 30 DHP applications were obtained for testing and we established that:</p> <p>In 15/30 (50%) the applications received were not stamped, dated and signed by member of HB (CSG) staff to show evidence of administrative and internal control, to monitor how long it takes an application to get to the assessor and the number of days spent in processing the application (KPI). Although documents are registered in a separate log book on receipt, there is a risk that the process could be manipulated if the documents are not date stamped by a separate officer when they are received.</p> <p>In one case (3%), the DHP application form was not signed by either the applicant or his/her agent. Management confirmed that the form was accompanied by a signed letter and was therefore accepted and processed.</p> <p>The DHP assessment process is slow. Our testing confirmed that 12 out of 30 (40%) DHP applications reviewed do not receive prompt decisions (i.e. within the 15-working-day KPI) after claimants have provided information required by the assessment officers. 20% of cases took over 31 days; with 4 of these cases taking as</p>	<p>If necessary controls are not applied when assessing discretionary housing benefit payments then there is a risk that ineligible people will be paid and the process used for fraudulent purposes.</p> <p>Failure to process applications on time could lead to hardship for claimants and reputational damage for the Council.</p>	<p>Medium</p>	<p>a) <i>DHP team will put administrative controls in place to ensure that all applications received are stamped, signed and dated. Monitoring of time taken should commence from the date received, i.e. the stamp date.</i></p> <p>b) <i>DHP team will ensure that all applications are signed by the applicants or their agents before the application is processed.</i></p> <p>c) <i>The benefit processing team will ensure that decisions on DHP are made on a timely basis after necessary information and documents have been provided by prospective applicants to ameliorate applicants' hardship.</i></p> <p>Responsible officer:</p> <p>a) &b) Operations Manager (Capita)</p> <p>c) Team Leader - Discretionary Housing (Capita)</p> <p>Target date:</p> <p>30 September 2020</p>

Ref	Finding	Risks	Risk category	Agreed action																						
	<p>long as 3-4 weeks over the indicator (i.e. 37 – 42 days). The analysis of the delays is shown in the table below:</p> <table border="1" data-bbox="183 384 732 707"> <thead> <tr> <th colspan="3" data-bbox="183 384 732 416">DHP – Assessment Process</th> </tr> <tr> <th data-bbox="183 416 374 512">Number of Cases</th> <th data-bbox="374 416 600 512">Numbers of processing Days</th> <th data-bbox="600 416 732 512"></th> </tr> </thead> <tbody> <tr> <td data-bbox="183 512 374 544">2</td> <td data-bbox="374 512 600 544">0</td> <td data-bbox="600 512 732 544" rowspan="2">18</td> </tr> <tr> <td data-bbox="183 544 374 576">16</td> <td data-bbox="374 544 600 576">1-15 Days</td> </tr> <tr> <td data-bbox="183 576 374 608">4</td> <td data-bbox="374 576 600 608">16-21 Days</td> <td data-bbox="600 576 732 608" rowspan="2">6</td> </tr> <tr> <td data-bbox="183 608 374 639">2</td> <td data-bbox="374 608 600 639">22-30 Days</td> </tr> <tr> <td data-bbox="183 639 374 671">6</td> <td data-bbox="374 639 600 671">31+ Days</td> <td data-bbox="600 639 732 671">6</td> </tr> <tr> <td data-bbox="183 671 374 703"></td> <td data-bbox="374 671 600 703"></td> <td data-bbox="600 671 732 703">30</td> </tr> </tbody> </table> <p>Discussion with the DHP manager revealed that delays were due to long term sicknesses, annual leave, and other related staff matters. The team identified that the KPI had been breached for July and August (and therefore qtr. 2) in 2019. Additional resources were drafted in subsequently to improve performance following the monthly Contract Management Meetings held in July in August 2019.</p>	DHP – Assessment Process			Number of Cases	Numbers of processing Days		2	0	18	16	1-15 Days	4	16-21 Days	6	2	22-30 Days	6	31+ Days	6			30			
DHP – Assessment Process																										
Number of Cases	Numbers of processing Days																									
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		30																								
2.	<p><u>Housing Benefits Payments – BACs Analysis</u></p> <p>The Council pays its housing benefits and DHP electronically through BACs either weekly (Council tenants) or fortnightly (private tenants). The Council’s BACs electronic payments system was reviewed to establish that adequate controls are in place to ensure that payments are made to the rightful claimants and BACs-returned payments are produced and reviewed to ensure they were correctly and accurately processed every week to reduce the risk of fraud and error. BACs return form is completed and this is uploaded on to the system.</p>	<p>If necessary precautions and controls are not put place for housing benefit payments then, there is a risk that ineligible people will be paid and the process used for fraudulent purposes.</p> <p>If BACs payment returns are not reconciled after each run then there is a risk that errors, omissions and duplications will</p>	Medium	<p><i>Management will ensure that:</i></p> <p>a) <i>BACs return correction/ reconciliation is carried out weekly to reduce the risk of fraud.</i></p> <p>b) <i>BACs return correction/ reconciliation spreadsheets will include documented approval by an appropriate authorised person to evidence that the spreadsheet has been independently checked for accuracy.</i></p>																						

Ref	Finding	Risks	Risk category	Agreed action
	<p>It was noted that the processes and procedures for the BACs returns correction are not documented.</p> <p>Additionally, the review of the BACs process revealed that:</p> <ul style="list-style-type: none"> • The BACs return resolution/reconciliation was carried out monthly instead of weekly (manually). Discussion with the Local Taxation Officer confirmed that weekly reconciliations were to start in March 2020; and • The monthly BACs return reconciliations were not reviewed or checked for accuracy by any officer. The name of producer checker/authoriser was not indicated on the reconciled items. <p>Discussion with the officer in charge of the BACs returns correction process revealed that it has been agreed with Finance that the BACs returns correction process will be carried out electronically using a spreadsheet from March 2020 instead of the current manual process.</p>	<p>not be identified, leading to loss of public monies.</p>		<p>c) <i>Process for correcting BACs returns errors should be documented taking into consideration controls required for the electronic spreadsheet correction / reconciliation process planned from March 2020.</i></p> <p>We were informed by the Contract Manager at the finalisation of the report that BACs Returns reconciliation were carried out weekly from the 2 March 2020; and are now checked by a Team Leader. This will be tested as part of the audit follow-up process.</p> <p>Responsible officer: a), b) & c) Operations Manager (Capita) & Operation Manager (Revenue)</p> <p>Target date: 30 September 2020</p>
3.	<p><u>Overpayments – Detection and recoupment</u></p> <p>The HB overpayment detection and repayment process was tested to confirm that overpayments are detected in time, appropriately pursued and repayment arrangements efficiently and effectively managed.</p>	<p>If written change of circumstance notifications is not received and the recovery process carried out immediately the overpayment is identified then there is a risk that the Council might be unable to</p>	Medium	<p>a) <i>The HB team will re-train members of staff and put stronger controls in place to reduce errors and mistakes leading to overpayments and ensure any information</i></p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>A sample of 30 overpayments were randomly selected from the 2019/20 financial year overpayment report generated for the audit by the overpayment team. The testing revealed that:</p> <p>28/30 (93%) of overpayments were not detected on a timely basis as claimants did not inform the HB team of a change in their circumstances; although reminder letters are sent to claimants periodically to remind them to declare changes in their circumstances.</p> <p>A further review of the sample showed that in 10/30 (33%) of the overpayments, assessors had made errors in the calculations; and that 2/30 (7%) overpayments had no repayment arrangement in place. There is no evidence that claimants have refunded the benefits overpaid to them.</p>	<p>recover the overpayments leading to financial loss.</p>		<p><i>received is processed on a timely basis.</i></p> <p>b) <i>The HB team will revisit and review how claimants are informed of their responsibility to make change of circumstances known to the Council including the application of punitive actions for not responding to the Council's request.</i></p> <p>c) <i>A repayment plan will be put in place for the outstanding overpayment (one of these related to a deceased tenant but recovery from the Housing Association could be considered).</i></p> <p>Responsible officer:</p> <p>a) Operations Manager (Capita)</p> <p>b) & C) Overpayments Team Leader</p> <p>Target date:</p> <p>30 September 2020</p> <p>Note: Issues with Overpayments were identified as part of the 2018/19 audit of Housing Benefits. The actions</p>

Ref	Finding	Risks	Risk category	Agreed action
				above supersede the actions agreed at that time (see Appendix 4).
4.	<p><u>Overpayments - Bad Debt Write-off</u></p> <p>We found no evidence to demonstrate that further actions are put in place to pursue overpayments after the final notices have been issued to debtors. Debtors are not passed to debt recovery agents or the legal team to ensure effective and efficient management of the bad debts. There is currently no enforcement action of HB bad debts but there is a policy being put in place for this to commence. This has been on hold due to the COVID Pandemic. This relates to the Housing Benefit Overpayment Debt Management Strategy.</p> <p>Currently, the outstanding balance of bad debts requiring write-off is £324,589.53. These cannot be recovered, and represent amounts over £5k which are awaiting a committee decision. The Committee meeting to approve the decision has been postponed due to the COVID pandemic.</p> <p>Our discussion with the Overpayments Team Leader established that a process has been put in place in the last 12 months to ensure that in future, the necessary approval is obtained to write-off all the bad debts as soon as possible.</p>	<p>If bad debts are not written of periodically, then there is a risk that the accounting balances might be inaccurate leading to errors which might affect the quality of accounting output and lead to external auditors' qualification of the final accounts.</p>	<p>Medium</p>	<p>a) <i>The HB team will ensure that all long overdue bad debts are processed for write-off to certify that the account balances are accurate and correct on a timely basis.</i></p> <p>Responsible officer:</p> <p>a) Overpayments Team Leader</p> <p>Operations Manager (Capita)</p> <p>Finance Manager: Revenues and Benefits</p> <p>Target date: 30 September 2020</p> <p>Note: Issues with Overpayments were identified as part of the 2018/19 audit of Housing Benefits. The actions above supersede the actions agreed at that time (see Appendix 4).</p>

Ref	Finding	Risks	Risk category	Agreed action
5.	<p><u>Appeal process</u></p> <p>The Housing Benefits appeal process was tested to verify that the LBB appeal procedures are strictly followed and applications are processed promptly and independently.</p> <p>We noted that the Appeals Team is independent from the Assessment Team; and the Appeals Team review the cases independently from the Assessment Team. Appeals are thoroughly investigated and claimants are informed of their right to appeal to the tribunal if they are unhappy about the outcome.</p> <p>A sample of 30 appeal applications were randomly selected from 2019/20 financial year appeal application report. The testing established that the appeal process is in some cases very slow:</p> <ul style="list-style-type: none"> • 2/30 (6%) cases show delays of between 10-42 days between the date the appeal was received by Barnet council and the date it was received by the appeal team. This was put down to claimants using the generic HB application email address rather than dedicated appeals route. • In 22/30 (73%) cases tested, receipt of the appeal applications was not acknowledged; notwithstanding the fact that there is template in place to acknowledge the receipt of each application. This is contrary to the KPI BEN 026 which states: <i>“The Service Provider shall reply to all correspondence, including emails, with a full and complete answer/resolution to the issues raised by the correspondent”</i> <p>The review also identified that there was a backlog of 60 appeal cases as at the time of the audit.</p>	<p>If there is no appeal and complaints opportunity in place then there is a risk that individuals might be deprived of housing benefit due to the wrong decision leading to hardship. The public may view the process to be partial, unfair or biased leading to reputational damage for the Council.</p> <p>If appeals are not addressed on a timely basis, then claimants may be subject to a prolonged period of hardship leading to reputational damage for the Council and a lack of trust in the system.</p>	<p>Medium</p>	<ul style="list-style-type: none"> a) <i>Management will review the current process and introduce changes to reduce inherent delays in the appeal process.</i> b) <i>Management will investigate whether system changes can be made to automated replies to the appeals in-box.</i> c) <i>The appeal team will ensure that appeals backlogs are cleared and claimants are informed of the outcomes.</i> <p>Responsible officer:</p> <ul style="list-style-type: none"> a) Contract Manager(Capita) b) & C) Appeals Manager (Capital) <p>Target date: 30 September 2020</p>

Ref	Finding	Risks	Risk category	Agreed action
6.	<p><u>Benefit Fraud</u></p> <p>Our review established that there is a fraud detection and reporting process in place and a record by way of an electronic register. Any fraud or potential fraud detected in the process of assessment or appeal investigation should be reported to the Department for Work and Pensions (DWP) fraud team on a weekly basis, in accordance with the Council's policy and the DWP requirement.</p> <p>The electronic register is regularly updated with progress information from the DWP however, we noted that access to the register (a spreadsheet) is not controlled i.e. the register is not password protected making it vulnerable and accessible to everyone in the team, contrary to General Data Protection Regulation (GDPR).</p> <p>Our review also established that:</p> <ul style="list-style-type: none"> Although the two officers responsible for fraud detection and reporting had undertaken the mandatory online fraud training for all members of staff, this is now out of date. There is no evidence that staff were given deadlines to complete review and analysis of the National Fraud Initiative (NFI) report and report potential frauds to the DWP team. Therefore, there were no target dates for staff to work to, and none were set based on the expected timeframes set by the DWP. The NFI reports are produced every two years by the Cabinet office and give information on potential frauds and needs to be completed within a specified timeframe. The number of potential frauds being reported was much lower than expected. Discussions with the Team Manager implied the figures were very low. 	<p>If benefits frauds or potential frauds are not reported in time and as directed by the Department for Work and Pensions (DWP) then there is a risk that fraud may go undetected leading to loss of public money.</p>	<p>Medium</p>	<p>a) <i>Management will ensure that access to the fraud electronic register is restricted with ID and password.</i></p> <p>b) <i>Training will be provided for members of staff to enable them to perform optimally.</i></p> <p>c) <i>CAFT will support any future training with regards Council Tax fraud.</i></p> <p>d) <i>A target delivery date or deadline will be put in place for NFI investigations to ensure timely delivery, early detection and to maximise the potential recovery of benefits' frauds.</i></p> <p>e) <i>The HB team will ensure that all potential council tax fraud elements of the NFI are forwarded to the CAFT.</i></p> <p>Responsible officer: Operations Manager (Capita)</p> <p>c) LBB's CAFT team</p> <p>Target date: 30 September 2020</p> <p>b) Complete (as per management)</p> <p>Target Date: c and e) Ongoing</p>









Ref	Finding	Risks	Risk category	Agreed action
	<p>We have been informed that a letter from the DWP confirms that the number of potential frauds reported from LBB is lower than other London boroughs.</p> <ul style="list-style-type: none"> Potential council tax frauds elements detected from the NFI reports are not referred to the Corporate Anti-Fraud Team (CAFT) for investigation and prosecution. <p>We understand from management that subsequent to the audit, fraud training was undertaken in July 2020.</p>			
7.	<p><u>Process and procedures – Access to obsolete documents</u></p> <p>The HB team provided us with its policy, procedures and documentation governing the housing benefits operations under review.</p> <p>This included the following:</p> <ul style="list-style-type: none"> Barnet Council DHP policy (2013), Revenue and Benefits Publicity and Take Up Policy (2011), (obsolete) Revenue and Benefits Working with Landlords Policy (2011), (obsolete) Housing Benefits Service Overpayment Write Off Policy (2007). <p>All the polices were overdue for update.</p> <p>Subsequent discussions with management showed that Policies have been updated and staff had been informed by email how to access the new policies.</p> <p>We were subsequently shown the “Housing Benefit and Council Tax Support working practices and procedures”</p>	<p>If the policies, procedures and process are not reviewed, revised and updated regularly, then there is a risk that the system may not correctly reflect procedures and responsibilities, and include adequate instruction with regards to separation of duties to reduce risk of fraud or collusion.</p>	<p>Medium</p>	<p>a) <i>The housing benefits policies will be version controlled to eliminate confusion.</i></p> <p>b) <i>An archiving exercise started to ensure out of date policies are out of circulation will be concluded by the end of June to ensure they cannot be accessed.</i></p> <p>Responsible officer:</p> <p>a) & b) Operations Manager (Capita)</p> <p>Target date: 30 September 2020</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>which was updated in June 2019 and covers the two procedures above which are now obsolete.</p> <p>The audit also established that:</p> <ul style="list-style-type: none"> • the key Council policy and procedure documents (listed above) are not version controlled, • the next review date or the interval of review is not included, and • the responsible author is not documented. <p>A similar finding was raised in the previous two year's audits (see Appendix 4).</p> <p>Note: An inordinate amount of time was spent re-testing for this finding as the evidence provided during the review, including policies and procedures, was incomplete and in some cases, out of date.</p>			
8.	<p><u>Process and procedures – Need for prompt updates</u></p> <p>The HB team provided us with its policy, procedures and documentation governing the housing benefits operations under review that were out of date (see Finding 8, above)</p> <p>This included the following:</p> <ul style="list-style-type: none"> • Barnet Council DHP policy (2013), • Revenue and Benefits Publicity and Take Up Policy (2011), (obsolete) • Revenue and Benefits Working with Landlords Policy (2011), (obsolete) • Housing Benefits Service Overpayment Write Off Policy (2007). 	<p>If the policies, procedures and process are not updated then there is a risk that statutory guidance is not followed and incorrect payments are made to claimants.</p>	Low	<p>a) <i>A schedule of policies, processes and procedures should be maintained and this should be used as reference point to update documents as they fall due.</i></p> <p>Responsible officer: Operations Manager (Capita)</p> <p>Target date: 30 September 2020</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>Some of the documents were overdue for update by a number of years before being reviewed in 2019.</p>			
9.	<p><u>Housing Benefits Assessment – Cancellation codes / duplicated cases</u></p> <p>The housing benefits assessment process was tested to ensure that it complies with the Council’s policy, is correctly implemented and that assessments are independently reviewed to ensure only those qualified are claiming housing benefits. We also tested performance against the KPI of 22 days.</p> <p>30 Claims were randomly selected from the report of housing benefits processed in 2019/20. Internal Audit found that an independent review of cases loaded is conducted.</p> <p>There was one incident where the 22-day KPI was breached by a day.</p> <p>The testing established that out of a sample of 30 HB applications reviewed, there were six (20%) cases where the loading of the application had to be re-done. We found that for these cases, the cancellation codes did not reflect the changes made in the system (e.g. ‘wrong date’ where up to date information had been received), or the case was incorrectly duplicated.</p> <p>This did not result in any adverse financial implications for applicants.</p>	<p>If the assessments and payments process is not implemented correctly and within the target date then there is a risk that claimant may not get the correct award (to their detriment or the detriment of public funds where the award is excessive), might suffer hardship and be evicted by their landlord leading to reputational damage for the Council.</p>	<p>Low</p>	<p>a) <i>Management will ensure that benefit assessment team members revisit the claim input processes and use of cancellation codes to ensure coding accuracy and avoid duplication of cases.</i></p> <p>Responsible officer: Operations Manager (Capita) Benefits Operations Team Manager (Capita) Contract Manager, (Capita) to oversee</p> <p>Target date: 30 September 2020</p>

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
Limited 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
No 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Area 1: Process and procedures	-	-	-	-	1	-	1	-	2
Area 2: Housing Benefits Assessment	-	-	-	-	-	-	-	1	1
Area 3: Discretionary housing benefits payments	-	-	-	-	1	1	-	-	2
Area 4: Benefit frauds	-	-	-	-	-	1	-	-	1
Area 5: Overpayments	-	-	-	-	1	1	-	-	2
Area 6: Information and data protection	-	-	-	-	-	-	-	-	-
Area 7: Performance management	-	-	-	-	-	-	-	-	-
Area 8: Appeal process	-	-	-	-	1	-	-	-	1
Follow Up audit	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	4	3	1	1	9

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate; however, the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: Date :16/12/19	Fieldwork commenced: Date: 20/01/2020	Fieldwork completed: Date: 15/07/2020	Draft report issued: Date: 7/8/2020	Management comments received: 4/9/2020	Final report issued: 28/9/2020

Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
<p>Process and Procedure</p>	<p>There are up to date, version controlled housing benefits Policies, Processes and Procedures in place and they are approved and operate effectively.</p> <p>Staff are aware of their roles and responsibilities under the housing benefits management process, and perform their tasks appropriately.</p>	<p>If the housing benefits policies, process, and procedures are not documented and approved, there is a risk that inconsistent practices may go undetected leading to payments to fraudulent individuals and unqualified persons.</p> <p>If the policies, procedures and process are not reviewed, revised and updated regularly, there is a risk that the system may not include adequate instruction with regards to separation of duties to reduce risk of fraud or collusion.</p> <p>If the process and procedures are not updated regularly, there is a risk that members of staff might not be aware of their roles and responsibilities under the dynamic and constantly changing housing benefits environment leading to overlapping tasks, overlooked areas or confusion.</p>	<p>Documented policies in place, available both in electronic and hard copies but most of the policies are old and are not reviewed/updated periodically.</p>
<p>Housing Benefits Assessment</p>	<p>Only those who qualify for housing benefits are awarded payments.</p> <p>Accurate payments are made to those who qualify for Housing Benefits (HB).</p>	<p>If the assessments and payments process is not correctly implemented and subject to independent review, there is a risk that unqualified persons and unscrupulous claimants might be claiming housing benefits.</p> <p>If payment process is not monitored to ensure that only qualified candidates are given the opportunity to receive housing benefits, there is a risk that unqualified candidate will be claiming housing</p>	<p>The HB team has a documented manual that indicates the process of HB approval and information on those qualified for the HB.</p>

		benefit undetected leading to bad publicity.	
Discretionary Housing Payments	Discretionary housing payments are awarded to only those who are eligible for it.	If necessary precautions and controls are not put place in place for discretionary housing benefit payments, there is high risk that unqualified persons will be paid and the process used for fraudulent purposes.	Discretionary payments are authorised and approved before they are processed. All DH payment meet the criteria set up for such payments. BAC exemption reports are produced weekly and reconciled but are not authorised or checked by senior officers
Benefit frauds	Benefit frauds are reported to the Department for Work and Pensions (DWP) in time and information documented. The council is in compliance with the DWP regulations and policies on Housing benefits	If benefits frauds are not reported in time and as directed by the Department for Work and Pensions (DWP), there is a risk that fraud may go undetected leading to loss of income by the Council. If benefits frauds are not reported to DWP by the council, there is high risk that the council will be unable to stop fraudulent benefit claims or recoup and prosecute benefit cheats. If benefit frauds are not reported to the DWP as prescribed, there is high risk that the council will be aiding and abetting benefit cheats and working contrary to legislation and losing money.	Benefit frauds are documented and reported to the DWP. There is a documented process in place on how to report fraud to the DWP.
Overpayments	Overpayments are recovered in a timely manner to prevent financial loss to the Council.	If written notifications are not issued in time for overpayments and the recovery process carried out immediately, there is a risk that the council might be unable to recover the overpayments leading to financial loss.	There is inadequate process in place to ensure that HB claimants inform the council of change in their circumstances as early as possible leading to lot of overpayments.

	<p>Overpayments are only written off where impossible to recover.</p>	<p>If overpayments are not recovered in time, there is risk that it could become bad debts, increase the council's expenses and could encourage frauds.</p> <p>If benefit's overpayment write-off process is not documented, there is a high risk that the process might be fraudulently manipulated by collusion of unscrupulous staff.</p> <p>If designated write-offs are not adequately and independently reviewed to ensure they are uncollectable and authorised appropriately, income will be lost unnecessarily.</p> <p>**There is a possibility that write-offs may become recoverable at a later date. There should be a process in place to allow a cold case review of write-offs which will allow written-off debts to be revisited, if the debt fulfils certain criteria**</p>	<p>Claimants are mandated to notify the Benefit team of changes in their circumstances so as to determine if the right amount is being paid.</p> <p>Bad debt write-off process is outdated and currently being reviewed.</p>
<p>Information and Data Protection</p>	<p>Information and data are protected from loss damages or authorised disclosure.</p> <p>Members of staff are aware of the GDPR policies and processes and procedures are in accordance with the GDPR legislation.</p> <p>There is good quality control and data security in the housing benefits operational process</p> <p>Amendments to the housing benefit system can only be made by authorised staff.</p>	<p>If data and information of benefit claimants are not adequately protected, there is high risk that the council might infringe on the GDPR legislation leading to reputation damage and heavy fines.</p> <p>If members of staff are not aware and abide by the GDPR legislation, there is high risk that the council could incur heavy fines leading to financial loss.</p> <p>If there is no good data security and effective quality controls for the housing benefits operations, there is a risk of frauds and overpayments leading to loss of funds, and fines imposed on the</p>	<p>There is data protection officer in place to ensure that the team abide by the data protection process. GDPR policy is in place.</p> <p>Data security process is in place.</p> <p>Access to computers and claimant information is by ID and password.</p> <p>Computer and electronic materials in use are encrypted.</p>

		<p>Council by the Information Commission Officer.</p> <p>If amendment to housing benefits payment system is not adequately controlled, there is high risk of frauds and misappropriations.</p>	
Performance Management	<p>There is an effective procedure in place to monitor quality of, and time taken, to process Housing benefit new claims & change circumstances.</p> <p>Performance indicators are not calculated in accordance with legislation and relevant guidance.</p>	<p>If staff performance is not measured adequately and effectively, and reported appropriately in terms of accuracy of processing claims, there is risk that inconsistent practices might be undetected, causing inconsistency and uninformed decision making. This will deprive rightful claimants from having access to housing benefits and incorrect awards to those who do not qualify.</p> <p>If there is no documented and monitored performance indicators for housing benefits operations, there is a risk that standards will not be met and inadequate resources and performance will be undetected. This will lead to backlogs, overpayments and loss of subsidy income.</p>	<p>Monthly meetings and periodical meeting set up to review performance.</p> <p>KPI are set up for each aspect of the operations.</p> <p>Performance is compared with budget to establish if there are variances.</p>
Complaints and Appeal Process	<p>The council has an effective and efficient appeal process for aggrieved benefit seekers to appeal for redress.</p>	<p>If there is no appeal and complaints opportunity in place, there is high risk that individuals might be deprived of housing benefit due to wrong decision leading to bad publicity.</p> <p>If there is no complaints process or right of appeal, there is a risk that the public might adjudge the process to be partial, unfair or biased.</p>	<p>Appeal forms are made available to claimants.</p> <p>Claimants are informed of their right to appeal the decision of the council if they are not happy.</p>

Appendix 4

Follow-up of previous audit recommendations

2018-19 Housing Benefit Audit

Ref	Audit Title	Date	Findings	Rating	Agreed action	Internal Audit assessment March 2020
HB 4	<u>2018-19 Housing Benefit Audit</u> <u>Sample check of claims</u>	01/06/2019	<p>Sample check of claims</p> <p>On a daily basis, a random sample check of new claims is tested. 4% of claims submitted in Civica from the previous day are checked by a secondary staff member to ensure appropriateness of actions taken and check for errors.</p> <p>On a weekly basis, approved claims greater than £1,600 are reviewed by Senior Managers to verify the appropriateness of the claim.</p> <p>A monthly accuracy report is produced and reviewed.</p> <p>Resolution of claim errors</p> <p>Risk Rating: Medium</p> <p>Sample check of claims</p> <p>On a daily basis, a random sample check of new claims is tested. 4% of claims submitted in Civica from the previous day are checked by a secondary staff member to ensure appropriateness of actions taken and check for errors.</p> <p>On a weekly basis, approved claims greater than £1,600 are reviewed by</p>	Medium	<p>Agreed Action</p> <ul style="list-style-type: none"> • The service will make best endeavours to correct claims within 24 hours but this cannot be guaranteed. • Develop and implement a process for secondary review of actions taken in response to errors identified through sample checking. This may involve approval of the appropriateness and timeliness of corrective actions taken by a secondary staff member. • Communicate the requirements for sample checks of claims to staff, to ensure that errors are correctly categorised and are resolved on a timely basis. 	<p>Implemented:</p> <p>Tests conducted confirmed that secondary review is in place and errors are promptly corrected.</p>

			Senior Managers to verify the appropriateness of the claim. A monthly accuracy report is produced and reviewed.			
HB 6	<u>2018-19 Housing Benefit Audit</u> Overpayments	01/06/2019	<p>Overpayments</p> <p>The debtor system within Civica Open Revenues automatically identifies overpayments in response to changes in circumstances, as processed by the HB assessors. The system follows the debt recovery procedures built in to the system.</p> <p>The debt recovery process involves an initial invoice followed by reminder notices. Subsequent recovery procedures may involve the Housing Benefit Debt Service, Direct Earning Attachment, or Payment Deduction Program. Court action maybe required where these methods are not viable.</p> <p>Where overpayments are not recoverable, a pro-forma is completed and approved, in line with the scheme of delegation.</p> <p>Overpayment follow up procedures</p> <p>Risk Rating: Medium</p> <p>A sample of 25 overpayments identified during the period 01/04/2018 - 31/10/2018 were reviewed to verify appropriate and timely response by staff. Our audit noted:</p> <ul style="list-style-type: none"> • 1 / 25 (4%) instances where the initial invoice for overpayment had not been sent to the claimant (due to error). As a result, the claimant 	Medium	<p>Agreed Action</p> <ol style="list-style-type: none"> 1. Ensure that appropriate quality checks are done so that accuracy of billing and recovery is maintained. 2. Recommunicate the requirements for housing benefits overpayments to staff, to ensure that the Council's processes are consistently followed. This should include sending initial invoices in a timely manner, and completion of full recovery procedures (where required). 3. Action the exceptions identified in our testing, specifically to ensure that claimants are aware payment is required, and conduct further investigation to recover repayments. 	<p>Superseded</p> <p>The testing indicates that the overpayment team has been created and the new write-off procedure produced. However, the Committee Decision required to be write-off bad debts over £5k (total £324,589.53) was postponed due to the COVID19 Pandemic.</p> <p>These previously raised actions have been superseded by the current year review (see Findings 4 and 5 in section 2 above).</p>

			<p>was not aware that repayment was due; and</p> <ul style="list-style-type: none"> • 2 / 25 (8%) instances where the Council had not enacted further investigation or recovery procedures after a final reminder notice had been sent (and no response from the claimant was received). <p>Note: In 2017/18 a High Risk Rating finding was reported over HB6 - Overpayments. Since that time, as reported to the July 2018 Audit Committee, work has been underway to address the backlog of recovery action.</p> <p>In April 2018, a data matching exercise was undertaken with the DWP and they provided up to date details and employment information for a significant number of the outstanding debtors. As per CSG management the processing of this data is ongoing, partly due to response times from the DWP when files are sent over to them.</p> <p>Work continues to address all of the aged debts and as per CSG management recovery rates are now much higher (46% increase on previous year). As requested by LBB's Acting Head of Revenues and Benefits, CSG are also currently investigating adding more resources to further improve cash flow from this income source.</p> <p><u>This Medium risk finding supersedes the High risk finding from 2017/18.</u></p>			
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HB 9	<p><u>2018-19 Housing Benefit Audit</u></p> <p>Housing Benefits - Policies and Procedures</p>	01/06/2019	<p>Housing Benefits - Policies and Procedures</p> <p>A suite of policy and procedure documents are maintained to provide instructions to staff on key housing benefits processes (including requirements and operational guidance). These documents are accessible to housing benefits staff on a shared drive.</p> <p>The key Council policy and procedure documents for housing benefits are:</p> <ul style="list-style-type: none"> • Discretionary Housing Payment Policy; • Housing Benefit Overpayments Policy; and • Section 13a Policy. <p>In addition, staff can refer to external guidance (e.g. from Capita) for further support.</p> <p>Our audit noted:</p> <ul style="list-style-type: none"> • The key Council policy and procedure documents (listed above) are not subject to a formal review cycle, and had not been formally reviewed or updated in a number of years (all documents were last updated 2011 – 2013); and • A number of key controls are not referred to in the policy and procedure documents or external guidance. This includes: <ul style="list-style-type: none"> o HB3 – BACS runs; o HB4 – Sample checking claims; o HB5 – Intervention process; and o HB7 – Standing data. <p>A similar finding to the above was identified in the prior year.</p>	Medium	<p>Agreed Actions</p> <ol style="list-style-type: none"> 1. The Key policy and procedure documents will be reviewed annually to ensure they are line with best practice and or changes in legislation. The Discretionary Housing Payment and Section 13a Policy was reviewed in quarter 4 of 2018/19. A new joined policy was implemented from 01/04/2019 to cover these processes. The overpayment policy will be reviewed by 31/07/2019. 2. Develop and formalise policy and procedures for key controls which are not referred to in existing policy and procedure documents. These should be formally approved and incorporated into the formal review cycle. 	<p>Superseded</p> <p>These previously raised actions have been superseded by the current year review (see Finding 8 in section 2 above).</p>

Appendix 5 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of *Housing Benefits*, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Specifically, we did not review:

- NNDR
- Council Tax / Council Tax Benefits

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.