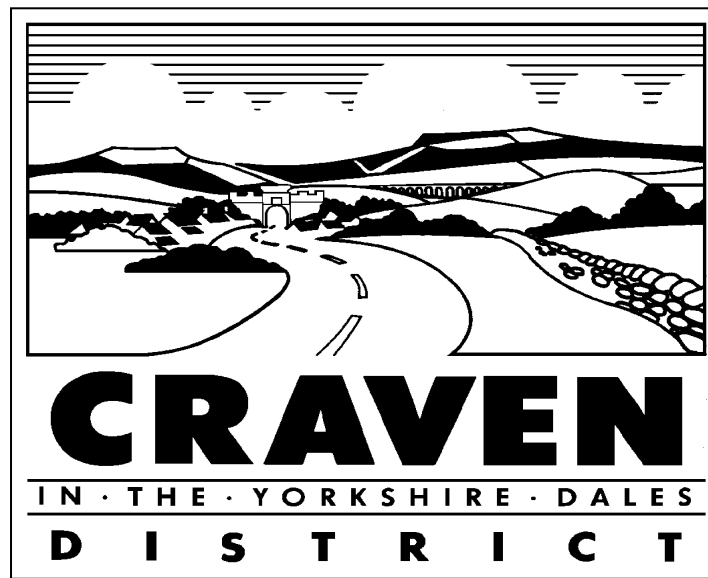


Agenda Item 5aii



Internal Audit Report

Housing Benefits 2014/15

Report ref: C5 / 11

Report Issued

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1 Background

1.1 This audit has been undertaken as part of the annual audit plan for 2014/15.

Housing Benefits is audited on an annual basis. The Benefits service was last audited in 2014 and this review was awarded a significant level of assurance and 2 recommendations were made. A follow up of the recommendations during this audit found that both recommendations have been fully implemented.

There has not been any significant change to the day to day procedures since the last audit. The application and award of Housing Benefit is administered in accordance with Welfare rules and regulations.

Over the last few years, the Government has introduced measures to reduce the Welfare bill and changes have been made to the eligibility and award of Housing Benefit. In the last year, the main welfare changes have impacted on other Government departments, such as DWP and HMRC and not the claim assessment and award process, administered by Local Authorities.

In December 2013, it was announced that Local Authorities Benefit Fraud teams would transfer to the Department for Works and Pensions (DWP), to form a single fraud investigation service (SFIS), which would investigate all welfare benefits. The Government put arrangements in place to transfer all investigators to DWP. Craven District Council (CDC) has not yet made a decision on the future of the Benefit Fraud section. The Council has the opportunity to retain the investigatory skills and knowledge, which could be utilised in other areas of the Council, as an alternative to a full transfer to DWP. In accordance with the SFIS timetable, CDC Benefit Fraud Investigators are due to transfer in December 2015.

Below is a table showing the number of new claims and change of circumstances processed since 2012/13. The table also shows the average processing time for each element.

	2012/13	2013/14	2014/15
Number of new claims received (April to December)	1,498	602	499
Average days to process a new claim	25.67 days	24.26 days	25.13 days
Number of Change in Circumstances processed (April to December)	10,573	5,502	5,110
Average days to process a change of circumstances	11.71 days	10.02 days	9.01 days
Total average days to process new claims and change of circumstances	13.44 days	11.42 days	10.44 days

The average days to process change of circumstance has steadily improved, year on year, which may be down to the introduction of the ATLAS interface with DWP. The ATLAS interface is a risk assessed process which automatically updates claimant records for low risk/minimal impact changes, but where a change affects HB entitlement; a manual review is required as further investigation may be needed. This automated process ensures that Assessors concentrate on changes which affect a claim rather than deal with minor changes which do not affect the claimant's entitlement.

- 1.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
- 1.3 As part of this review Internal Audit undertook a walkthrough of the system which has identified the following Key Control Objectives (KCO's):
 - To ensure that the key system controls are operating effectively and efficiently.
 - To perform a check on system data through the IDEA software, to provide assurance that data quality and information is in the correct format. To identify potential duplicates and unusual trends of Housing Benefit and Council Tax Reduction data.

2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
<p>To ensure that the key system controls are operating effectively and efficiently.</p>	<p>Review all Housing Benefit key controls and walkthrough the controls to ensure they are operating accurately and effectively.</p>	<ul style="list-style-type: none"> • X20 New claim, plus 1x walkthrough, 1x over 30 days to award. • X20 Change of circumstances plus 1x walkthrough, 1x over 30 days to award. • X1 - HB payment run process – walkthrough • X1 - Benefit Fraud referral walkthrough • X1 - Council Tax Reduction scheme walkthrough • X1 - System Access and Administration review • X1 - Overpayment walkthrough • X1 - Appeal walkthrough • X1 - Write off walkthrough
<p>To perform a check on system data through the IDEA software, to provide assurance that data quality and information is in the correct format. To identify potential duplicates and unusual trends of Housing and Council Tax Benefit data.</p>	<p>Conduct a series of tests using new claim, change of circumstances and household information to determine if there are any issues with system data, duplicate records etc.</p>	<p>All system data. Targeted testing was undertaken on the following areas, which resulted from the IDEA tests performed:</p> <ul style="list-style-type: none"> • 5 x claims identified at the same address • 4 x duplicate NINOs on different claim references

3 Audit Opinion

3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
Significant Level of Assurance	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good Level of Assurance	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial Level of Assurance	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 This audit has been given a **Significant** Level of Assurance.

The verification process for new claims is robust. The evidence gathering and verification process is fit for purpose and ensures that all documentation is received before being passed to an Assessor, to calculate the benefit award. This process works well for Craven District Council and ensures that the claimant is not continually contacted for additional information to support their claim.

Key controls for all areas of the Benefits Service have been tested and the controls in place ensure that there is an adequate separation of duties in respect of verification, assessment and payments. Clear procedures are in place to ensure that appeals adhere to regulations.

All staff are aware of their roles and responsibilities and have a flexible approach to responding to complex queries so that claimant queries are dealt with without any undue delay. All Benefit Assessors are able to carry out key duties in order to process claims, including the identification and classification of overpayments and dealing with high risk ATLAS changes, to ensure that Housing Benefit awards are accurate.

4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management; therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows; Priority 1 – These recommendations relate to significant gaps in the Internal Control Framework, Priority 2 – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls, Priority 3 - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
To ensure that the key system controls are operating effectively and efficiently.				
1	<p>The current Overpayment policy was last updated in 2005/06.</p> <p>Whilst the key principles of this policy still apply, this policy should be reviewed and updated to ensure that best practice is applied.</p> <p>Recovery from entitlement for 2014/15 is £10.80; however the policy currently lists this as £8.55.</p> <p>Claimants can enter into repayment plan in order to repay the debt at an amount which is mutually acceptable.</p> <p>In discussion with staff, it does not appear that repayment plans are reviewed at periodic intervals. The Council monitors repayments and if no payment is made, the claimant is contacted; however, if the Council receive notification that a claimant has increased income, this could be an opportunity to request an increase in repayment, which reduces the time to recover the overpayment.</p>	<p>Overpayments do not comply with the policy</p> <p>Overpayments take years to recover in full.</p>	<p>Priority 2</p> <p>Update the Overpayment policy</p>	<p>Customer Services, Revenues and Benefits Manager.</p> <p>September 2015</p>

The agreed actions will be subject to a follow up review to establish whether they have been implemented.

Any queries or requests for further information regarding this report should be directed to Tom McIntosh, Internal Auditor by email at tmcintosh@cravenc.gov.uk or by telephone on (01756) 706 216. If no contact is made using these details then please contact the above individual at Harrogate by email at tom.mcintosh@harrogate.gov.uk or by telephone on (01423) 556 115.

Internal Audit would like to thank the officers involved for their assistance during this audit.