

Final Internal Audit Report

Housing Benefits

June 2019

Distribution: Executive Director of Resources and Monitoring Officer (Final Only)
Director of Finance, Investment and Risk
Head of Customer Contact
Benefit Manager
Enablement Discretionary Manager

Assurance Level	Issues Identified	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The Income & Housing Benefits Teams are responsible for the assessment and administration of benefit claims, payments to claimants, recovery of overpayments and reconciliations between the Benefits System and the Council Tax, Housing Rents and Financials systems. The teams use the Northgate iWorld application for the administration of housing benefits and the Iclipse documents management application.
- 1.2 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19. It was also carried out as part of our annual review of key financial systems and used as a source of assurance by the Council's external auditors.

2. Key Issues

Priority 2 Issues
The privacy statement included on the discretionary housing payment application form was lacking certain details, such as an indication of how long the claimant's data would be held for. (Issue 1)
Write-off batches were not processed on a quarterly basis. (Issue 2)

There were no priority 3 issues identified.

3. Actions and Key Findings/Rationale

Control Area 3: Discretionary Housing Payments	
Priority	Action Proposed by Management
2	<p>Online claim form wording around GDPR has been amended, but will be further amended to include:</p> <p>‘Ensure that your rights are able to be fully exercised under the General Data Protection Regulation (GDPR)’</p> <p>The below has been added:</p> <ul style="list-style-type: none"> • The Council is able to share information within the Council other agencies or organisations such as the Department for Work and Pensions, Police and HM Revenue & Customs etc, for the purposes of investigating fraud and/or prevention of crime, as allowed by the law. • Personal data will not be retained for longer than necessary in relation to the purposes for which they were collected. There is usually a legal reason for keeping your personal information for a set period of time – this ranges from months for some records to years for more sensitive records. • We securely destroy all information once we have used it and no longer need it. • If you would like to know more about how we store your data, please contact us on gateway servicedevelopment.team@crowdon.gov.uk.
	<p>Detailed Finding/Rational – Issue 1</p> <p>The template privacy statement provided by the Information Commissioners Office on its website provides guidance on what to include in a privacy statement.</p> <p>Examination of the privacy statement on the discretionary housing payment claim form established that, while it included most recommended text, this did not include all the required text. For instance, the following were not addressed:</p> <ul style="list-style-type: none"> • ‘If you are relying on consent to process individual’s information, then you should also tell people about their right to withdraw consent and how they can do this in this section.’ • ‘Tell people how or where you keep their information, how long you intend to keep their information for and then how you intend to securely destroy or dispose of it. You need to do this for every type of information you hold.’ <p>Furthermore, the privacy statement makes reference to ‘the DPA’ without referencing what this stands for.</p> <p>Where the privacy statement does not include all required text, there is an increased risk that the Council will be in breach of GDPR and the Data Protection Act (DPA) 2018.</p>

Housing Benefits – 2018/19

Responsible officer	Deadline	
Enablement Discretionary Manager	21 June 2019	

Control Area 6: Overpayments and Debt Recovery

Control Area 6: Overpayments and Debt Recovery		Detailed Finding/Rational – Issue 2
Priority	Action Proposed by Management	
2	<p>The process to write off debt is manual and extremely time consuming. Management recommend that write offs are completed 6 monthly going forward June and December each year. Due to resource implications write offs were completed in August 2018 only.</p>	<p>The Croydon Council Income Procedure details that, 'When debt recovery procedures have been exhausted, the debt must be submitted for write-off by the appropriate officer, recording the value and reason for each write-off.' It is recognised as best practice that bad debts deemed irrecoverable should be written off on a quarterly basis. This was identified as an issue in the 2017/18 Housing Benefits audit.</p> <p>The management response to the issue identified in the 2017/18 Housing Benefit audit was that '<i>HBOP write-offs are the responsibility of the Corporate Debt Recovery manager. Write-offs will be implemented at 6 monthly intervals.</i>' Nevertheless, only one write-off batch was submitted for write-off in the 2018/19 financial year, processed in August 2018.</p> <p>Where write-off batches are not undertaken on a sufficiently regular basis, there is risk that the Council is failing to realise its bad debts appropriately and subsequently account for them. There is also a risk that resources are being inappropriately used to chase debts that are unlikely to be paid.</p>
Responsible officer	Deadline	
Benefit Manager	On going	

TERMS OF REFERENCE

Housing Benefits

1. INTRODUCTION

- 1.1 The Income & Housing Benefits Teams are responsible for the assessment and administration of benefit claims, payments to claimants, recovery of overpayments and reconciliations between the Benefits System and the Council Tax, Housing Rents and Financials systems. The teams use the Northgate iWorld application for the administration of housing benefits and Iclipse documents management application.
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19. It is also carried out as part of our annual review of key financial systems and used as a source of assurance by the Council's external auditors.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit examined the Council's arrangements for the following areas relating to Housing Benefits (and number of issues identified):

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	0	0
Backdated Benefit	0	0	0
Discretionary Housing Payments	0	1	0
Appeals	0	0	0
Payments	0	0	0
Overpayments and Debt Recovery	0	1	0
System Reconciliations	0	0	0
Performance Monitoring	0	0	0
Total	0	2	0

DEFINITIONS FOR AUDIT OPINIONS AND ISSUES IDENTIFIED

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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