

Final Internal Audit Report

Housing Benefits

February 2017

Distribution:

- Executive Director Resources (Final only)
- Director Customer and Corporate Services
- Director of Gateway Services
- Head of Business Support and Customer Contact
- Head of Gateway Service Development
- Benefits Manager
- Strategic Collections Manager
- Discretionary Support Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	2

Confidentiality and Disclosure Clause

This report has been prepared on the basis of the limitations set out in Appendix 3.

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1st April 2008 between the London Borough of Croydon and Mazars Public Sector Internal Audit Ltd. The content of the report is confidential and has been prepared for the sole use of the London Borough of Croydon and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever on this report, its contents or conclusions.

Contents

Page

Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

Detailed Report

3. Actions and Key Findings/Rationale.....	3
4. Priority Three Recommendations.....	5

Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Recommendations
3. Statement of Responsibility

1. Introduction

The Income & Housing Benefits Teams of Gateway and Welfare Services 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.

This audit was undertaken as part of the agreed Internal Audit Plan for 2016/17. 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, Grant Thornton.

2. Key Issues

Priority 2 Recommendations

The online Discretionary Housing Payments application forms do not include a 'fair processing notice' or a fraud declaration, **(Rec 1)**.

Bad debt write-offs were not being processed quarterly, **(Rec 2)**.

3. Actions and Key Findings/Rationale

Control Area 3: Discretionary Housing Payments			
Priority	Recommendation 1	Detailed Finding/Rational	
2	Discretionary Housing Payments forms should include a fraud statement.	<p>In order to claim discretionary Housing Payment, applicants complete an on-line form on the London Borough of Croydon website.</p> <p>Examination of the online 'Application for a Discretionary Housing Payment' form identified that it did not include a 'fair processing notice' or a fraud declaration.</p> <p>A fair processing notice allows the Council to use personal data for data matching processes to detect fraud, such as the National Fraud Initiative and the London Counter Fraud Hub. A fraud declaration allows the Council to take appropriate legal action, should a fraud be detected.</p> <p>Where appropriate declarations are not included on application forms, the Council is unable to use the details provided for data matching and, should a fraud be detected, may be unable to pursue legal recourse.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
The proposed fraud statement to be incorporated into the Discretionary Housing Payments form has been provided to Internal Audit.		Agreed	Discretionary Support Manager
		Deadline	31 March 2017

Control Area 6: Overpayments and Debt Recovery	
Priority	Detailed Finding/Rational
Recommendation 2	
2	<p>Bad debt write-offs for Housing Benefits should be processed on at least a quarterly basis.</p> <p>The Croydon Council 'Income Procedures' state 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.'</p> <p>During this audit it was established that the latest bad debt write-off for Housing Benefits was approved in April 2016 for debt relating to the period August 2015 to December 2015.</p> <p>A similar finding was identified and report in 2015/16 audit report.</p> <p>Where write offs are not processed periodically, at least on a quarterly basis, there is the risk that unnecessary recovery action may continue when it has already been established that the debt is irrecoverable.</p>
Management Response	Agreed/Disagreed
The responsibility for write offs of Housing Benefit overpayments sits within the Corporate Debt Team. This has been picked up during the internal audit of Debtors and Debt Recovery team and is being addressed.	Agreed
Responsible Officer	Deadline
Strategic Collections Manager	31 March 2017

4. Priority Three Recommendations

Recommendation	Detailed Finding/Rational
<p>1. Backdated Benefits guidance should be updated.</p> <p><u>Management Response:</u> The Backdating Guidance has been updated more recently than the date given, in future assurances will be made that an accurate record of review dates are logged on each document to evidence that this occurs regularly.</p>	<p>Examination of the Backdated Benefits guidance available to staff, identified that it had not been evidenced as reviewed since March 2009. Where the policy is not reviewed, there is a risk that it is outdated and that staff will not be able to make correct decisions regarding backdated benefits resulting to financial loss for the Council or hardship to the claimant.</p>
<p>2. Staff should be reminded that when assessing a backdated benefits claim, the officer should always record the reasons for approval of the claim on Northgate.</p> <p><u>Management Response:</u> A refresher on this will be provided to all staff through various channels including, meetings and an email reminder to ensure this occurs on each case.</p>	<p>A random sample of 10 backdated benefits was tested.</p> <ul style="list-style-type: none"> • For five of these the reasons for approval were recorded on Northgate. • For one claim the assessment had been completed without stating the reasons for approval. • The remaining four claims related to cases where the benefit was cancelled and re-opened on the same day, thus these appeared on the backdated benefits report without being backdated benefits.

TERMS OF REFERENCE

HOUSING BENEFITS

1. INTRODUCTION

- 1.1 The Income & Housing Benefits Teams of Gateway and Welfare Services 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 2016/17. 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, Grant Thornton.

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 relating to Housing Benefits.
- 2.2 The audit will for each area included in the scope:
- Document and evaluate the risks and controls for each process to consider the key controls;
 - Undertake sufficient testing of controls operating, on a sample of transactions; and
 - Reach a conclusion on the effectiveness of the controls operating and report.

3. SCOPE





- 3.1 The audit includes the following areas (and number of recommendations made):

Control Areas/Risks	Recommendations		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Quality Control	0	0	0
Backdated Benefit	0	0	2
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

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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 recommendations 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 for this report which is prepared on the basis of the limitations set out below.

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

February 2017

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.