

# Final Internal Audit Report

## Housing Benefits

### June 2018

**Distribution:** Executive Director Resources (Final only)  
 Director of Gateway and Residents Services  
 Interim Director of Gateway and Welfare  
 Head of Customer Contact  
 Benefits Manager  
 Discretionary Support Manager  
 Strategic Collections Manager

Assurance Level	Recommendations Made	
	<b>Substantial Assurance</b>	Priority 1
Priority 2		2
Priority 3		1

**Status of Our Reports**

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars Public Sector Internal Audit Ltd. accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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 Iclipse documents management application.
- 1.2 This audit was undertaken as part of the agreed Internal Audit Plan for 2017/18. 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 Issues

8 of the sample of 10 awarded backdated benefits did not have reasons for approval of these detailed on the system, (Rec 1)

Write offs were not produced on a quarterly basis, (Rec 2)

The Priority 3 issue is highlighted under area 4 below.

3. Actions and Key Findings/Rationale

<b>Control Area 2: Backdated Benefit</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>Having reviewed the 8 cases where no reason was given, the majority of officers have simply noted 'backdating agreed'. What they have not done is expand to explain the reason. This indicates the risk for the Council in having awarded incorrect benefit is minimal as the notes indicate officers have consciously looked at the request but not noted in the full the reason for agreeing it. However, reminders will be sent to the officer to include the reason for agreeing.</p> <p>This has been picked up as a quality issue and the management team are working on resolving this issue</p>
	<p><b>Detailed Finding/Rational – Issue 1</b></p> <p>The Council's Backdating Guidance notes, dated April 2017, state that, 'Recording your decision - For audit purposes we must show that we have made and recorded our decisions in accordance with the legislation.</p> <p>When you have made your decision you must explain the reason for your decision clearly and in full on your notebook on Northgate. It is not sufficient to record only that good cause was or was not established without showing how you came to this decision.</p> <p>You must record the claimant's reasons and then state why you consider that this does or does not amount to continuous good cause for not applying earlier.'</p> <p>Examination of the records held for a sample of 10 backdated benefits found that 2 backdated benefits had reasons for approval by an officer and that 8 backdated benefits did not have any reasons for the approval for the backdated benefit.</p> <p>Where there is no evidence for a reason for an approval of a backdated benefit, there is a risk that the Council may not be able to properly demonstrate compliance with regulations.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Benefit Manager	June 2018

<b>Control Area 6: Overpayments and Debt Recovery</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>Write offs are a very manual and labour intensive process and writing off debt 3 times per year is proving very labour intensive. Consequently, we will be moving to write off being done in 6 monthly cycles.</p> <p>HBOP write offs are the responsibility of the Corporate Debt Recovery manager, write off's will be implemented at 6 monthly intervals.</p>
	<p><b>Detailed Finding/Rational – Issue 2</b></p> <p>Write offs should be processed on a quarterly basis and should be appropriately approved.</p> <p>Only the write off for February 2017 was provided at the time of the audit, the other two Write Offs were not provided at the time of the audit. Through discussion with Corporate Debt Recovery Manager, she stated that the Corporate Debt team were waiting on the data from the DWP/HMRC in regards to the Write Offs.</p> <p>Write offs not processed on a quarterly basis causes a backlog of unapproved write offs for the Council, leading to an inefficient use of resources by the Corporate Debt team.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Debt Recovery Manager	6 monthly

4. Priority 3 Issue

<b>Action Proposed by Management</b>	<b>Findings</b>
a) These will in future be signed.	<p>Checks are to be completed on the Housing Benefits system parameters once entered onto the system at the beginning of the year. A three stage check then occurs, by the TSD team first, then by the Quality or Subsidy manager and finally by the Head of Benefits.</p> <p>The copy of the systems parameters document provided by Benefits Manager was not signed or dated to evidence that a three stage check had occurred.</p>

## 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 2017/18. 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 METHOD

- 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 will examine the Council's arrangements for the following areas relating to Housing Benefits (and number of recommendations made):
- 3.2 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	1
Backdated Benefit	0	1	0
Discretionary Housing Payments	0	0	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

## Appendix 2

### 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:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	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.

This report is confidential 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 Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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