



Housing Benefits Review Assignment Report 2021/22 (Final)

Allerdale Borough Council

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Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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 internal audit 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. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

Key Dates

Report Stage	Date
Discussion Document Issued	February 2022
Discussion Meeting	June 2022
Final Draft Report Issued	June 2022
Client Approval Received	June 2022
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Report Distribution

Name	Title
Sharon Sewell	Chief Officer Place & Governance, Monitoring Officer
Barry Lennox	Senior Manager - Finance (Deputy S151 Officer)
Catherine Nicholson	S151 Officer
David Farrar	Senior Manager – Revenues and Benefits
Jane Gilmore	Benefits Manager
Michael Roper	Strategic Advisor Tier 1 – Assurance, Risk & Audit
Mathew Whalley	Recovery Manager

Audit Team

Name	Contact Details	
Liz Squires	Liz.squires@miaa.nhs.uk	07715 349496
Adrian Poll	Adrian.poll@miaa.nhs.uk	07798 580335
Neil Ashbrook	Neil.ashbrook@miaa.nhs.uk	07881 038432

Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit

Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey

1 Executive Summary

1.1 Objective

The overall objective of the review was to provide assurance that the most significant key controls in the housing benefits system detailed in the scope below are appropriately designed and operating effectively in practice.

1.2 Opinion

Substantial Assurance	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
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1.3 Key Findings

As at the end of the 2021/22 financial year, the Councils Revenues Team had processed 2,131 Housing Benefit claims.

From our sample testing during the period January 2022 to March 2022, benefit applications, changes in circumstances and backdated claims were correctly assessed including eligibility checks in line with regulations and were processed in a timely manner.

Housing Benefit Key Performance Indicator targets have been set for the year 2021/22, with performance against these being monitored across all levels of the Council. Processes are documented for the referral of suspected fraud and staff receive training and support. Controls could be improved by ensuring that 10% quality checking processes are clearly documented, and the reconciliation of benefit system and ledger systems is evidenced by management.

The following provides a summary of the key themes.

Sub Objective	Key Themes
Council officers are supported by the provision of appropriate support, training and system documentation.	<ul style="list-style-type: none"> Our review noted that the Recovery Manager is professionally qualified under the Institute of Revenue Rating and Valuation (IRRV). However, it was noted that the Senior Manager – Revenues and Benefits, Revenues Manager and Benefits Manager are all currently studying towards IRRV qualification. From discussions with key staff, it was identified that the Council do not have procedural guidance documents in place for the 10% checking

Sub Objective	Key Themes
	<p>mechanism. (Recommendation 1 – Medium Risk).</p> <ul style="list-style-type: none"> The Council subscribes to two forums - The Benefits Directory (Web-based) and the Housing benefits Information Forum (HB Info) to enable staff to receive regular training updates on Housing Benefit related issues. In addition, they have access to training manuals including the latest shelter book.
<p>Benefit applications and changes of circumstances and checking mechanisms</p>	<ul style="list-style-type: none"> The Senior Business Support/Quality - Benefits Officer is responsible for completing a series of checking mechanisms to confirm the accuracy of the assessment process. Discussions highlighted that the checks include new applications, changes of circumstances, appeals, cancellations and backdated claims. We confirmed that for the sample of 5 consecutive weeks in April and May 2022, the Council could demonstrate coverage of 10% of all assessments conducted. We were advised that the checks are reported to deputy Section 151 officer for scrutiny.
<p>Cancellations, Overpayments and Write offs.</p>	<ul style="list-style-type: none"> We confirmed that the accuracy of processing cancellation requests was included within the Council's checking mechanisms for the period April 2022 and are recorded as a 'change event' within the screen prints maintained by the Senior Business Support/Quality – Benefits Officer Performance regarding the recovery of overpayments is reported to the Council as part of the quarterly performance report presented to the Overview and Scrutiny Committee. The position reported as at March 2022 (Quarter 4) was that HB Overpayments Outstanding totalled £950k and the total amount of HB Overpayments made during Q4 was £199k.

Sub Objective	Key Themes
<p>Benefit decision appeals are reviewed and processed in a consistent manner and in line with internal policy.</p>	<ul style="list-style-type: none"> • Administration of appeals is conducted by Councils in-house appeal officer and the appeals process can be viewed by the public/claimants on the Council’s website. • Controls in place include a first stage reconsideration by original assessment officer of Benefit Officers decision and a second stage check of the reconsideration decision, carried out by the appeals officer. For the period April 2021 to March 2022, there was only 1 housing benefit appeal and at the time of the audit, this has yet to be resolved as it involves contact with the Valuation Office.
<p>Backdated Claims</p>	<ul style="list-style-type: none"> • Back-dated claims require the customer to have shown ‘good cause’ as to why they haven’t claimed sooner. This is assessed as part of the general administration process conducted by the Revenues Team. • We confirmed that the accuracy of processing backdated requests was included within the Council’s 10% Housing Benefit checking mechanisms. Review of 5 consecutive weeks in April and May 2022, confirmed that the checks had been carried out and results recorded.
<p>Performance reporting</p>	<ul style="list-style-type: none"> • Discussion and review noted that the Housing Benefit KPIs figures are recorded on the corporate performance dashboard, which goes to the Executive and also to Overview and Scrutiny Committee and these are also recorded on the Corporate Performance dashboard. • KPIs include the number of Housing Benefit new claims and change of circumstances claims received. • Targets have also been set for the time taken to process HB new claims (15 days target) and the time taken to process change of circumstances claims (4 days target).

Sub Objective	Key Themes
	<ul style="list-style-type: none"> Review of the Corporate Performance dashboard confirmed that both targets were recorded as 13 days and 3 days respectively, below target. We were advised that the above Q4 figures are due to go to O&S committee on 24 June 2022.
Reconciliation of feeder systems	<ul style="list-style-type: none"> The Council's Finance Team are responsible for the reconciliation of the Housing Benefit System to the General Ledger. It was noted that the Housing Benefits system is reconciled monthly as part of the overall bank reconciliation process. We were provided with the benefits reconciliation to the General Ledger for 2021/22. Review and testing of the January 2022, February 2022 and March 2022 reconciliations, confirmed that it was accurate and supported by documentation.
Prevention and detection of Fraud.	<ul style="list-style-type: none"> The Single Fraud Investigation Service (SFIS) is a partnership between DWP Fraud Investigation Service, HMRC and local authorities. Suspected fraud is referred to SFIS for investigation. The DWP's 'Housing Benefit Fraud Referrals Process Framework' documents the principles for the management of Housing Benefit fraud referrals from Local Authorities. When a potential fraud is identified during routine administration, the processor should complete the Single Fraud Investigation Referral (SFI) Form. From discussions no Fraud referrals had been made in 2021/22.

1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	1	0	1

2 Engagement Objectives and Scope (Terms of Reference)

2.1 Objective

The overall objective of the review was to provide assurance that the most significant key controls in the housing benefits system detailed in the scope below are appropriately designed and operating effectively in practice.

2.2 Scope

The scope of this review focused on the objectives described above and was limited to the controls in operation at the Council.

2.3 Approach

The following approach was adopted to enable us to evaluate potential risks, issues with controls and recommend improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation.
- A walkthrough of the process from initial claims to payment.
- A review of samples of claims, change in circumstances and appeals against the criteria of effectiveness, timeliness, communication, compliance with relevant regulations.
- Desktop review of existing policies, procedures, local guidelines to confirm that they are up to date and communicated.

3 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

1. General Policy and Procedural Guidance

Risk Rating: Medium

Operating effectiveness

Key Finding – The Council do not have any formal procedure documentation in place to oversee the 10% checking mechanism that should be followed by staff.

Specific Risk – Roles and responsibilities for processes are not defined. Inconsistent practices are not subject to continuous review and improvement.

Recommendation – Procedure notes for 10% checking mechanism should be developed to underpin processes and clearly define staff, department, and committee roles.

Management Response – Review of checking procedure documentation to be carried out by Benefits Manager

Responsible Officer – Jane Gilmore

Implementation Date – 1 October 2022

Follow-up

A follow-up exercise will be undertaken during 2022 to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.