



# Housing Benefits

## Internal Audit Final Report 09\_10 1.10



<b>Assurance rating this review</b>	High Assurance
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### Distribution List

Chief Executive - Peter Sloman  
Executive Director City Services – Tim Sadler  
Heads of Finance - Penny Gardener and Sarah Fogden  
Chief Accountant - Anna Winship  
Interim Executive Finance Director – Nigel Pursey  
Benefits Operation Manager - Paul Wilding  
Head of Customer Services – Helen Bishop



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# Background and scope

## Introduction

This review was undertaken as part of the 2009/10 Internal Audit Plan agreed by the Audit and Governance Committee.

This report has been prepared solely for Oxford City Council (“the Council”) in accordance with the terms and conditions set out in our letter of engagement. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

## Background

This report is intended to inform management of the results of our review of Housing Benefits. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place during November 2009.

The Authority uses an in house team for the administration of Housing Benefits. The team use the Academy system for the maintenance of Housing Benefits accounts. Performance against key national indicators as at October 2009 can be summarised as follows:

	Indicator	Target	2008/09 result	Oct 09 result	Cumulative 09/10 result
NI181	Processing days	17 days	17.26 days	8.71 days	11.37 days
NI180	Changes that effect entitlement	13,000	16,418	Not available	13,629

## Approach and scope

### Approach

Our work is designed to comply with Government Internal Audit Standards [GIAS] and the CIPFA Code.

### Scope of our work

In accordance with our Terms of Reference (Appendix 1), agreed with Benefits Operation Manager and Head of Service we undertook a limited scope audit of Housing Benefits.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

### Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.



**Staff involved in this review**

We would like to thank all client staff involved in this review for their co-operation and assistance.

**Name of client staff**

Benefits Operation Manager - Paul Wilding





Project and Improvement Manager – Phil Adlard

# Our opinion and assurance statement

## Introduction

This report summarises the findings of our review of Housing Benefits

Each of the issues identified has been categorised according to risk as follows:

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

# Executive Summary

<p><b>Department:</b> Customer Services</p> <p><b>Audit Owner:</b> Helen Bishop</p> <p><b>Date of last review:</b> n/a</p>	<p><b>Overall Opinion:</b> <b>High Assurance</b></p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the Housing Benefits system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the Housing Benefits function</p>	<p><b>Direction of Travel</b></p> <p>No previous review has been conducted by PwC. Issues raised by the predecessor auditor have been followed up as indicated below.</p>	<p><b>Number of Control Design issues identified</b></p> <p><b>0</b> Critical <b>0</b> High <b>0</b> Medium <b>0</b> Low</p>	<p><b>Number of Controls Operating in Practice issues identified</b></p> <p><b>0</b> Critical <b>0</b> High <b>0</b> Medium <b>3</b> Low</p>																				
<p><b>Follow up from prior year</b></p> <table border="1"> <thead> <tr> <th>Rating</th> <th>Implemented or no longer relevant</th> <th>Outstanding or Partially implemented</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>0</td> </tr> <tr> <td>High</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>0</td> <td>0</td> </tr> <tr> <td>Low</td> <td>1</td> <td>0</td> </tr> </tbody> </table>			Rating	Implemented or no longer relevant	Outstanding or Partially implemented	Critical	0	0	High	0	0	Medium	0	0	Low	1	0	<p><b>Other Considerations</b></p> <table border="1"> <tr> <td><b>Use of Resources-related</b> None noted</td> <td><b>Corporate Plan- related</b> None noted</td> </tr> <tr> <td><b>VFM-related</b> None noted</td> <td><b>Financial Reporting related</b> None noted</td> </tr> </table>		<b>Use of Resources-related</b> None noted	<b>Corporate Plan- related</b> None noted	<b>VFM-related</b> None noted	<b>Financial Reporting related</b> None noted	<p><b>Scope of the Review</b></p> <p>To ensure that Housing Benefits are processed on a timely and accurate basis and in compliance with government guidelines.</p>
Rating	Implemented or no longer relevant	Outstanding or Partially implemented																						
Critical	0	0																						
High	0	0																						
Medium	0	0																						
Low	1	0																						
<b>Use of Resources-related</b> None noted	<b>Corporate Plan- related</b> None noted																							
<b>VFM-related</b> None noted	<b>Financial Reporting related</b> None noted																							

# Compliance Summary



## Tests Performed:

1. Changes of Circumstances processed within the target timescale and supported by backing documentation (exceptions are in relation to processing time)
2. Rent Officer determinations processed within target timescale and within 52 weeks of previous inspection
3. Backdates supported with backing documentation and awarded on reasonable grounds
4. Fraud intervention cases followed up in line with policy and processed on a timely basis following referral (exceptions are in relation to processing time)
5. Overpayment reconciliations performed without exception and on a timely basis
6. Housing Benefits payments run accurately and checked before processing
7. Overpayments with recovery plans in place
8. LA error write offs processed after authorisation
9. Debt monitoring reports produced
10. New applications for benefits processed within the target timescale and supported by backing documentation



# Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken a review of Housing Benefits, subject to the following limitations.

### Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

The assessment of controls relating to Housing Benefits is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.



# Findings and recommendations

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
<b>Operating Effectiveness</b>						
1	Errors and omissions in the overpayments balance may not be identified on a timely basis. Debts may age unnecessarily.	The Council performs a monthly reconciliation of the overpayments debtor balances on Academy to the balance held on the General Ledger. The reconciliation for July 09 was not performed until October 09. No issues were noted with the reconciliation.	● Low	Contingencies should be put in place to ensure that key control account reconciliations can be performed each month.	<b>Agreed</b> Delay was due to a change in responsible officer and the handover process.	Anna Winship With Immediate Effect

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	<p>Claimants may not receive their entitlement on a timely basis.</p> <p>Processing days may be calculated incorrectly if forms are not date stamped to evidence receipt.</p>	<p>The Council's target for processing Changes of Circumstances is 18 days (average). All new claims should be date stamped upon receipt. During testing of 30 changes, the following issue was noted:</p> <ul style="list-style-type: none"> <li>• 3/30 claims took over 18 days to process;</li> <li>• In 1 case, the supporting form had not been date stamped</li> </ul> <p>It should be noted that the average processing time for the sample selected was 8 days. This exceeds the target.</p>	<p>●</p> <p>Low</p>	<p>The Authority should make efforts to ensure that claims are processed in line with the target. All information received should be date stamped to support the calculation of processing days.</p>	<p><b>Agreed</b></p> <p>All errors have been checked and agreed. The Council is making efforts to ensure that targets are met. These include:</p> <ul style="list-style-type: none"> <li>• Regular monitoring of older claims;</li> <li>• Validation checks on a sample of applications</li> </ul>	<p>Paul Wilding</p> <p>With Immediate Effect</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
3	<p>Claimants may not receive their entitlement on a timely basis.</p> <p>Benefit may be awarded incorrectly if up-to-date information is not obtained to support applications.</p>	<p>The Council's target for processing of new claims is 18 days (average). All new claims should be supported by up-to-date information supporting the claimant's position. During testing of 30 new claims, the following issue was noted:</p> <ul style="list-style-type: none"> <li>• 3/30 claims took over 18 days to process;</li> <li>• In 1 case, the supporting documentation for the claimants income support was over 2 years old</li> </ul> <p>It should be noted that the average processing time for the sample selected was 6 days. This exceeds the target.</p>	<p>●</p> <p>Low</p>	<p>The Authority should make efforts to ensure that claims are processed in line with the target. Officers should be reminded to ensure that supporting documentation is up-to-date. Requests should be made of the claimant to provide relevant information.</p>	<p><b>Agreed</b></p> <p>All errors have been checked and agreed. The Council is making efforts to ensure that targets are met. These include:</p> <ul style="list-style-type: none"> <li>• Regular monitoring of older claims;</li> <li>• Validation checks on a sample of applications</li> </ul>	<p>Paul Wilding</p> <p>With Immediate Effect</p>

## Follow up of prior year recommendations

Recommendation	Risk Rating	Response to recommendation	Action by	Target date for completion	Follow up 2008/09
<p><b>1</b> The Authority should produce and formalise follow up procedures for the Quality and Appeals Team to ensure that expenditure assessed is appropriately actioned for subsidy return purposes.</p>	<p>● Low</p>	<p>No finalised response</p>			<p><b>Implemented</b></p>

# Appendix 1 - Terms of Reference

## Objectives and deliverables

### Objectives

To ensure that Housing Benefits are processed on a timely and accurate basis and in compliance with government guidelines

### Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the design and effectiveness of controls in place over the Housing Benefits system.

## Our scope and approach

### Scope and approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- Ensure that staff follow the appropriate Housing Benefit procedures, with emphasis on new operating processes and the Northgate system;
- All new applications and changes of circumstances are appropriately logged on the Housing Benefit system and processed in a timely manner;
- An adequate management trail exists to substantiate all Housing Benefit payments being made;
- Rent Officer referrals are conducted and when necessary adequate records are maintained;
- Reconciliations of the housing systems are performed on a daily basis and are appropriately reviewed by senior management;
- Overpayments are appropriately monitored with exceptions reports produced;
- Management information is adequate to support prediction of benefit trends and support effective risk management arrangements;
- The IT system is appropriately secure with only authorised personnel able to alter Housing Benefits parameter files; and
- Adequate arrangements are in place for dealing with potential fraud.

We will discuss our findings with the Benefits Operations Manager or nominated representative to develop recommendations and action plans. A draft report will be issued to the Head of Customer Services and Heads of Finance for review and to document management responses.

#### Limitation of scope

The scope of our work will be limited to those areas identified in the terms of reference.

#### Stakeholders and responsibilities

Role	Contacts	Responsibilities
Benefits Operations Manager	Paul Wilding	<ul style="list-style-type: none"> <li>▪ Review draft terms of reference</li> <li>▪ Review and meet to discuss issues arising and develop management responses and action plan</li> <li>▪ Review draft report.</li> <li>▪ Implement agreed recommendations and ensure ongoing compliance.</li> </ul>
Head of Customer Services	Helen Davies	<ul style="list-style-type: none"> <li>▪ Receive agreed terms of reference</li> <li>▪ Receive draft and final reports.</li> </ul>
Heads of Finance	Penny Gardner/Sarah Fogden	
Interim Executive Finance Director	Nigel Pursey	
Chief Executive	Peter Sloman	<ul style="list-style-type: none"> <li>▪ Receive final report</li> </ul>



## Our team and timetable

### Our team

Chief Internal Auditor	Chris Dickens
Audit Manager	Katherine Bennett
Auditor	Louisa Metcalfe/Tom Gibbs

### Timetable

Steps	Date
TOR approval	October 2009
Fieldwork commencement	16 <sup>th</sup> November (T)
Fieldwork completed	T + 2 weeks
Draft report of findings issued	T + 4 weeks
Receipt of Management response	T + 6 weeks
Final report of findings issued	T + 7 weeks

### Budget

Our budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

## Appendix 2 - Assurance ratings

Level of assurance	Description
<b>High</b>	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
<b>Moderate</b>	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
<b>Limited</b>	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
<b>No</b>	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>





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