



Internal Audit Assurance & Consultancy
Final Internal Audit Report
Stevenage Borough Council
Housing & Council Tax Benefit 2007- 08

To: Theresa Mortimer, Benefits Manager

For Information: Carl Roberts, Head of Revenues
Clare Fletcher, Head of Finance

Final Report Issued: 23 May 2008

1. Introduction

An audit of Housing & Council Tax Benefit has been carried out as part of the 2007/08 Audit Plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

2. Findings and Recommendations

The detailed findings and recommendations are set out in the report attached as Appendix A to this memo. A Management Action Plan is attached as Appendix B and is intended to be completed by the officers responsible, as identified on the plan.

3. Conclusions

The findings from this audit showed that the operations within the Benefits Section are substantially acceptable. The key recommendations arising from the audit were in respect of the annotation of document image records regarding backdated benefit; the logic and authorisations for credit notes to benefits claimants; and the agreement of intra-organisational protocols showing operational responsibilities.

Therefore, based on our audit findings, Internal Audit has assigned **substantial assurance**¹ to the systems and procedures which underpin Housing & Council Tax Benefit.

¹ See Appendix C for definition of Assurance Levels

Housing & Council Tax Benefit 2007- 08

1. AREAS COVERED DURING THE AUDIT

1.1 The key areas of **possible** risk identified at the planning stage of the audit were as follows:

- a) Absence of policies and procedures for reference by staff as guidance in the performance of their duties.
- b) Lack of effective training programmes aimed at maintaining the competence of staff.
- c) Inadequate availability of staff to provide an effective service to benefits claimants.
- d) Inadequate documentation for the processing of benefits claims, such that the benefits process is less than optimum.
- e) Incomplete procedures for the receipt of benefit claim forms and related information.
- f) Lack of standards to provide proper performance information for the measurement and control of the benefits process.
- g) Inadequate security arrangements for the protection of information and documents in respect of benefits claimants.
- h) Inadequate provision for disclosure of instances of conflict of interest.
- i) Lack of controls in place to ensure that payments to benefits claimants are correct with respect to value and frequency and are not duplicated.
- j) Inadequate procedures for the registration of changes that may affect the benefit paid or, indeed, the right to benefit.
- k) Lack of procedures for the resolution of disputes and appeals.
- l) Lack of procedures for the payment of discretionary awards and failure to follow the Authority's financial regulations.
- m) Inadequate provision for the payment of benefit directly to landlords.
- n) Inadequate controls for the payment of benefit by cheque, returned cheques and replacement cheques.
- o) Failure to properly reconcile the benefits system with the Authority's accounting systems.
- p) Failure to control the incidence of overpayment and its recovery where overpayment occurs.
- q) Inadequate controls for the processing and authorisation of write-offs of debt related to benefits payments.
- r) Inadequate corporate anti-fraud and anti-corruption policies/strategies.
- s) Inadequate training and practices in the recognition and referral of potential fraud issues.

1.2 The methodology stated in the Terms of Reference document were used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

2. OVERALL AUDIT OPINION

Based on our audit findings, Internal Audit have assigned **substantial assurance** to the systems and procedures which underpin Housing & Council Tax Benefit.

3. PREVIOUS RECOMMENDATIONS – 2006/07

- 3.1 The previous audit (2006/07) made 8 recommendations. The response of the auditee to these recommendations was investigated during this present audit. It was found that for all these recommendations, they had either been fully or partially addressed in the intervening period. Where the implementation was assessed as partial, the area is being addressed as an ongoing project with a view to achieving a full implementation in the months ahead. It was clear that plans exist to accomplish a full implementation.

4. CURRENT RECOMMENDATIONS

4.1 Backdated Claims for Benefit

Internal Audit tested a sample of 12 backdated cases and found the following issues:

- One backdated case that was accepted on the grounds of ill health was not supported by medical certificate or letter (case number 10006242). Management response “this case shows claimant stated on application form reasons for not claiming earlier this and it was later supported by tenancy officer (email on file)”.
- In two cases the backdated forms did not indicated whether the backdating request was approved or declined (case numbers 10005772 and 00322762).

We recommend that all backdating forms held on the DIP system are clearly annotated with approval or declined, as appropriate, with the reason described in brief. In addition, where a backdating claim has been approved on the grounds of illness, this should be supported by appropriate medical certificate or letter.

4.2 Training – Fraud Detection

There is no identifiable training in fraud detection, as distinct from fraud awareness. Training related to technique would be more appropriate, so that detection was less reliant on the experience of the benefits operative than it is at the moment.

We recommend that suitable training should be identified that is related to *technique*, so that detection of potential fraud is less reliant on the individual experience of the operative.

4.3 Benefits Credit Notes

Internal Audit tested 30 claims records listed on the DIP system as ‘O/P document’, ‘O/P debt’ and ‘O/P notebook’.

Three of the records in the sample showed that a credit note had been raised in respect of the overpayment. The circumstances under which the credit notes were raised and how they were authorised were not clear from the records themselves.

We recommend that where a credit note is raised in respect of an overpayment and the credit note is scanned into the DIP system; the image should show the authorisation for the credit note and describe the circumstance under which the action has been taken.

4.4 Feedback from Anti-fraud Referrals

The 2006-07 Anti-fraud Internal Audit report contains a related recommendation that does not appear to have been actioned:

“We recommend that an active feedback mechanism should be put in place to ensure that lessons are learned from cases of fraud and potential fraud. This is so that the system becomes more resilient to any would-be fraudster.”

The absence of feedback in respect of potential fraud referrals means that staff are less likely to be motivated to refer issues in the future. In addition, the opportunity to learn from the outcomes of referrals is lost to the Benefits' staff and management.

In some instances, where a suspicion exists in the mind of a member of Benefits' staff, that person may discuss the issue with a member of the Anti-fraud Unit. This is the only instance where feedback will be received as a result of the discussion.

We recommend that formal arrangements should be in place for the Anti-fraud team to provide periodic feedback to Benefits' staff on the outcome of potential fraud referrals, as recommended in the Anti Fraud Internal Audit Report dated June 2006.

4.5 Intra-organisational Protocols

The 2007-08 Housing Advice Internal Audit report raised an issue regarding the roles and responsibilities between Housing Advice and the Benefits Section, and the potential for giving conflicting advice to potential claimants.

The Benefits Manager informed Internal Audit that they were addressing the above issue by having monthly liaison meetings with Housing Advice. In addition, Internal Audit was informed that the Benefits Section will be appointing a Benefits Homelessness Link Officer in the near future, whose job will be to work with organisations that were representing the homeless and similar groups.

Internal Audit testing identified one benefits claim case that had been suspended for a prolonged period of time. A cause of the delay was due to there not being a documented protocol between the Anti-fraud unit and Benefits Section.

We recommend that the Benefits Section establish working protocols with other teams that they should work closely with, this should include the Anti-fraud unit and Housing Advice. The protocol the Benefits Section has with Stevenage Homes could be used as a model.

MANAGEMENT ACTION PLAN
Housing & Council Tax Benefit – 2007/08

Appendix A Ref.	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
4.1	We recommend that all backdating forms held on the DIP system are clearly annotated with approval or declined, as appropriate, with the reason described in brief. In addition, where a backdating claim has been approved on the grounds of illness, this should be supported by appropriate medical certificate or letter.	L	Agreed	Theresa Mortimer, Benefits Manager	Reissue procedure notes to staff	June 2008
4.2	We recommend that suitable training should be identified that is related to <i>technique</i> , so that detection of potential fraud is less reliant on the individual experience of the operative.	L	Agreed	Theresa Mortimer, Benefits Manager	Arrange suitable external trainer	End Sept 2008
4.3	We recommend that where a credit note is raised in respect of an overpayment and the credit note is scanned into the DIP system; the image should show the authorisation for the credit note and describe the circumstance under which the action has been taken.	M	Agreed	Theresa Mortimer, Benefits Manager	Procedure note to Overpayments Team – data to be recorded on OP Notebook on A@W	June 2008
4.4	We recommend that formal arrangements should be in place for the Anti-fraud team to provide periodic feedback to Benefits' staff on the outcome of potential fraud referrals, as recommended in the Anti Fraud Internal Audit Report dated June 2006.	L	Agreed	Theresa Mortimer, Benefits Manager	BM to meet with AFU Manager to agree process	End July 2008

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Appendix A Ref.	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
4.5	We recommend that the Benefits Section establish working protocols with other teams that they should work closely with, this should include the Anti-fraud unit and Housing Advice. The protocol the Benefits Section has with Stevenage Homes could be used as a model.	M	Agreed	Theresa Mortimer, Benefits Manager	BM to meet to discuss/agree service protocols with AFU and Homeless/Housing Advice Teams	End Oct 2008

ASSURANCE, PRIORITY AND RISK DEFINITIONSAssurance Levels

Assurance Level	General Definitions
Full	<p>Evaluation opinion: there is sound system of control designed to achieve the system objectives; and</p> <p>Testing opinion: the controls are being consistently applied.</p> <p>Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.</p>
Substantial	<p>Evaluation opinion: basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or;</p> <p>Testing opinion: there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> <p>Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.</p>
Limited	<p>Evaluation opinion: weaknesses in the system of controls are such as to put the system objectives at risk, and/or;</p> <p>Testing opinion: the level of non-compliance puts the system objectives at risk.</p> <p>Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.</p>
No	<p>Evaluation opinion: control is generally weak leaving the system open to significant error or abuse, and/or;</p> <p>Testing opinion: significant non-compliance with basic controls leaves the system open to error or abuse.</p> <p>No Assurance will be attributed to a system where in the auditor's judgement they can place no reliance on the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.</p>