

Argyll and Bute Council

Internal Audit Report

November 2018

FINAL

Housing Benefit and Council Tax Reduction

Audit Opinion: ***Substantial***

	High	Medium	Low
Number of Findings	0	2	2

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1. Executive Summary

Introduction

1. As part of the 2018/19 internal audit plan, approved by the Audit & Scrutiny Committee in March 2018, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Housing Benefit (HB) and Council Tax Reduction (CTR).
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Residents of Argyll and Bute can apply for HB and/or CTR if they are unemployed or on low income, and need financial help to pay all or part of their rent or council tax. In addition factors such as disability, student and retirement status may be relevant. The Council's 2016/17 Annual Report highlighted key successes in the improvement of processing new claims, changes in circumstances and processing accuracy. The 2016/17 HB & CTR Subsidy report states that £21m of HB and £5m of CTR was paid to 7,512 claimants.
5. The Council is subject to Audit Scotland's HB risk assessment programme which is applied to all 32 Scottish councils on a cyclical basis. The Council was assessed in 2011 and 2014. The 2011 report identified 17 areas for improvement and the 2014 report confirmed that significant progress had been made against those actions with 13 fully completed, 2 on going and 2 outstanding. It is not currently clear when the Council will be subject to a further review however, as four years have elapsed since the last review, it is considered likely that one will be fairly imminent.
6. The Council use the Civica OpenRevenue (Civica) system to process HB & CTR claims. Civica replaced Northgate as the Council's benefit system in February 2018.

Scope

7. The scope of the audit was to assess controls applied in the provision of benefits provided by the Council.
8. We reviewed the governance and control framework around the processing of applications for HB & CTR and the processes and procedures in place to assess the effective operation of controls in practice and compliance with legal/regulatory requirements.

Audit Opinion

9. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

10. Our overall audit opinion for this audit is that we can take a **substantial** level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Key Findings

11. We have highlighted two medium priority recommendations and two low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- benefit payment procedures should be more formalised
- technical issues preventing the monitoring of overpayment recovery rates should be rectified
- a consolidated training plan should be developed
- officers should sign their annual declaration form.

12. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	Council officers are supported by the provision of appropriate support, training and system documentation	Substantial	There are comprehensive written procedures and detailed work flow maps in place which are easily accessible by all officers. Officers receive comprehensive training however this could be strengthened further by consolidating individual training plans into a service wide one. Officers are required to make an annual declaration that they will abide by instructions relating to working practices. There was no evidence to confirm that all officers have signed this annual declaration.
2	Benefit applications and changes of circumstances are correctly assessed in line with supporting documentation, appropriate regulations, and processed in a timely manner.	Substantial	There are detailed work flow maps which clearly show the various stages that officers should follow when processing HB and CTR claims. There are a range of initiatives in place to make claimants aware of the importance of advising the Council of any changes of circumstances.

3	Benefit payments are correctly calculated and promptly paid to the claimant.	Reasonable	<p>There is no formal procedure for the HB payment process. Informal notes compiled when the Council used Northgate have been manually updated to reflect the revised process using Civica however there would be benefit in collating these into a more formal procedure or workflow process within Comino.</p> <p>A payment file interfaced from Civica to Oracle is subject to reconciliation by an appropriate officer. Changes to HB and CTR allowances are uploaded in Civica and subject to appropriate testing.</p>
4	Benefit overpayments are identified and recovery action implemented in a timely manner.	Substantial	There is a comprehensive overpayment procedure and responsibility for recovering overpayment is clearly established. Key performance indicators have been established for overpayment recovery however these have not been reported on since February 2018 due to technical issues.
5	The Council has appropriate performance reporting to monitor and report performance against benefit service targets	Substantial	Individual assessor performance and overall team performance is monitored and reported in Pyramid. Performance is discussed and minuted at regular management meetings.
6	Benefit processing is subject to an appropriate quality assurance framework.	High	There is a comprehensive quality assurance (QA) framework which is used to monitor performance on an ongoing basis.
7	Information is accessed and managed in accordance with Council policy and General Data Protection Regulations (GDPR) requirements	Substantial	Records are maintained on a shared drive and on Comino. Access to records is restricted to appropriate officers and information is managed in compliance with GDPR. There is a business continuity plan in place which was last reviewed in April 2013.

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

[Council officers are supported by the provision of appropriate support, training and system documentation](#)

15. Revenue and benefits officers are provided with appropriate training to ensure they are kept up-to-date with relevant changes and new staff are provided with a mixture of on-the-job training and formal training courses. Training records provided confirmed that staff have received training on appropriate topics such as overpayments and changes in circumstances.
16. Adequate arrangements are in place to ensure that officers receive regular updates on legislative changes that affect claimants' entitlement to HB and CTR.

17. Where officers require further training the revenue and benefits training officer will engage with them to identify any underlying issues and, where appropriate, develop a personalised performance plan detailing:

- the required performance improvements
- the support/training that will be provided
- the timescale for improvement
- how progress will be monitored and reviewed.

18. Whilst there is extensive training in place, and a clear commitment to developing officers, we feel this could be further strengthened by developing a more comprehensive system for recording training. There is currently a training plan for each officer however these are not consolidated into a service wide plan. A consolidated plan would make it easier to identify service wide training gaps and help reduce the number of required training sessions.

Action Plan 3

19. Comprehensive written procedures, easily accessible by all officers, have been established. These help facilitate the training of new and existing officers and provide management with assurance over correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.

20. There are detailed work flow maps embedded in the Comino electronic documentation system (Comino) which officers can access. These clearly show the various stages that officers should follow when processing HB and CTR.

21. There is a database detailing all officers with access to Civica and their disclosed family and friends. Officers are blocked from accessing the benefit records of family and friends.

22. Revenue and benefits officers are required to make an annual declaration confirming they have read, and abide by, instructions relating to:

- inappropriate access to records
- accessing Civica using another officer's user account
- accessing their own benefit records
- disclosure of interest in relation to relatives and friends.

There was no evidence to confirm that all staff had signed the annual declaration.

Action Plan 4

Benefit applications and changes of circumstances are correctly assessed in line with supporting documentation, appropriate regulations, and processed in a timely manner

23. Changes of circumstances can result from changes to the claimant's income, household composition, or changes in legislation. Notifications may be directly from the claimant or other government agencies.

24. HB and CTR claims and supporting documentation are scanned and held within Comino which allows for the workloads to be allocated across the benefits team. The claims are processed in Civica which calculates any entitlement based on the claimant's income and personal circumstances.

25. As per paragraph 20 officers can refer to the process maps embedded in Comino when processing claims. There is also a documented procedure for officers to follow if a claim does not include all the required information to enable a benefit assessment to take place.
26. All claim forms, leaflets and documentation sent out includes references to how changes of circumstances should be reported including which changes are relevant. In addition, the Council website provides comprehensive guidance on HB and CTR and a facility to notify the Council of changes of circumstance.

Benefit payments are correctly calculated and promptly paid to the claimant

27. There is no formal procedure document that sets out the HB payment process. There are informal notes on the process which were compiled when the Council used Northgate and these have been manually updated to reflect the revised process using Civica, however consideration should be given to creating a more formal procedure or a Comino workflow map.

Action Plan 1

28. The vast majority of benefit payments are made by BACS. A payment run is generated in Civica with a payment file subsequently exported to the Council's financial system Oracle. Reconciliations are carried out to ensure the payments generated by Civica are accurately interfaced into Oracle and payments greater than £1,500 are investigated to ensure that they are legitimate.
29. There is appropriate segregation between officers responsible for processing payments and those involved in the processing of benefit claims.
30. Changes to standard HB and CTR allowances are provided by Civica and are electronically uploaded into the system. "Test" runs are carried out to ensure that updates have been correctly handled and these are reviewed by management.

Benefit overpayments are identified and recovery action implemented in a timely manner

31. Benefit overpayments can occur when a claimant's circumstances change and there is a delay in the claimant informing the Council. When the Council are informed, the change is processed and entitlement is recalculated. If the change results in a reduction in entitlement for a benefit period that has already been paid there will be an overpayment which needs to be recovered from the claimant.
32. The recovery of overpayments is undertaken by the HB Payment and Overpayment team. Their remit primarily involves making HB and Discretionary Housing Payments to claimants, and recovering overpayments in relation to both. This includes agreeing instalment plans, temporary arrangements to reduce instalments and the ongoing monitoring of agreed arrangements.
33. There is an overpayments procedure which is designed to ensure a fair and consistent approach to recovering overpayments, provides a clear debt recovery strategy, and seeks to minimise loss to the Council. The Strategic Management Team approved the procedure in February 2017.
34. Performance indicators have been established in relation to overpayments which focus on the percentage of overpayments recovered in year for all financial years and the percentage recovered in year for the current financial year. However technical issues have meant that these indicators have not been reported since the Council migrated from Northgate to Civica in February 2018. Work is underway to address these issues.

Action Plan 2**The Council has appropriate performance reporting to monitor and report performance against benefit service targets**

35. A target of 21 days for processing new benefit claims and six days for processing changes of circumstances has been established. Performance against these targets is monitored and recorded in the Pyramid performance management system.
36. For the previous seven months the 21 day target to process new benefit claims has been missed however there is a clear pattern of improvement since Civica was implemented. This was predominantly due to preparing for, and adjusting to, the Civica system, staff absence and the retirement of a team leader. Given there has been a substantial change for the benefits team to accommodate, it is reasonable to expect a temporary reduction in performance and it is encouraging that performance has been steadily improving since April 2018.
37. Benefit assessors are measured against a series of performance measures. In particular:
 - average number of days to process a claim
 - number of decisions made per day
 - accuracy of each decision.
38. There are regular management meetings between benefit managers where performance reports are discussed. These meetings are formally minuted.
39. Benefits use the Council complaints process to handle complaints. All complaints are recorded on a log and forwarded to the relevant team leader. A review of the log noted that all complaints are handled promptly and that, in 2017, 13 complaints were received of which two were upheld, one partly upheld and the remaining ten dismissed.

Benefit processing is subject to an appropriate quality assurance framework

40. To improve processing time and accuracy of processing, a QA framework was implemented in July 2015 (and reviewed in October 2016) with performance monitored on an ongoing basis. An accuracy target of 95% has been set for all claims processed.
41. The QA officer reviews a sample of processed claims and sends an email to the relevant officer to either acknowledge the claim has been checked with no errors identified or to advise them of the error and the necessary corrective action. A copy of the email is also sent to their team leader. Where an officer doesn't meet the performance target development action is taken to improve the officer's performance.
42. The Benefits Performance and Development manager receives a monthly report from the QA officer detailing the checks carried out. The September 2018 report confirmed the checks carried out were compliant with the QA framework and that for claims checked for the period April to September 2018 the cumulative error rate was 2.94%.

Information is accessed and managed in accordance with Council policy and GDPR requirements

43. Records are maintained on a shared drive and on Comino. Access to these records is restricted to appropriate officers via logical access controls
44. Benefits documentation is compliant with GDPR requirements including the provision of a privacy notice in benefit application forms.

45. Revenue and Benefits have a Business Continuity Plan. The plan covers the risks to staff availability and information technology systems in the event of a service disruption and the measures that the Council would take to mitigate the risks. The plan was last reviewed in April 2013. Internal audit will be conducting a review of the Council's approach to business continuity plans as part of their 2019/20 audit plan. Consequently no action plan point has been raised in this report.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Benefit Payment Procedure Note</p> <p>There is no formal procedure for the HB payment process. Informal notes compiled when the Council used Northgate have been manually updated to reflect the revised process using Civica however consideration should be given to either a more formal procedure or a Comino workflow map.</p>	Loss of skill and knowledge in the event that key officers leave or are unavailable for an extended period.	A more formal procedure note or Comino workflow map will be created by the payment assistant and reviewed by the overpayments officer.	<p>Payment Assistant</p> <p>Overpayments Officer</p> <p>28 February 2019</p>
Medium	2	<p>Recovery of Overpayment Performance Monitoring</p> <p>Performance indicators have been established in relation to the recovery of overpayments however technical issues have meant these indicators have not been reported against since the Council migrated from Northgate to Civica in April 2018.</p>	Failure to meet performance targets may not be identified and reported.	Technical issues are currently being addressed.	<p>Overpayments Officer</p> <p>31 December 2018</p>
Low	3	<p>Consolidated Training Plan</p> <p>There is currently a training plan for each officer however these are not consolidated into a service wide plan. A consolidated plan would make it easier to identify service wide training gaps and help reduce the number of required training sessions.</p>	Training may not be delivered in the most efficient and effective manner.	The training officer will consolidate the existing plans into a service wide plan.	<p>Benefits Training Officer</p> <p>31 March 2019</p>

Low	4	<p>Annual Staff Declaration</p> <p>Revenue and benefits officers are required to make an annual declaration confirming they have read, and abide by, instructions relating to working practices. There was no evidence to confirm that all officers have signed this annual declaration.</p>	<p>Non-compliance with agreed practice and a lack of accountability in the event of a breach.</p>	<p>Control spreadsheet to be setup and implemented for the new annual declaration forms to be issued in March 2019.</p>	<p>Systems Administrator Revenues/Benefits</p> <p>31 March 2019</p>
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In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.