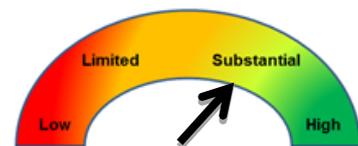


Internal Audit Report

Housing Benefits and Council Tax Support



Overall Opinion:



Date: 25/05/16

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The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

Principal Auditor **Paul Berry MAAT**
Audit Manager **John Scott CMIIA**

Distribution	Draft & Final Chief Finance Officer (COLC) Head of Shared Revenues & Benefits Revenues & Benefits Manager Final only Chief Executive (COLC) P.Roberts – Corporate Director (NKDC) R.Stone – Head of Finance and Resources (NKDC)
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Introduction and Scope

In 2015/16 the Shared Revenues and Benefits Service paid;

- £52.5million in Housing Benefits to 13,601 claimants
- £12.5million Council Tax Support to 15,796 claimants

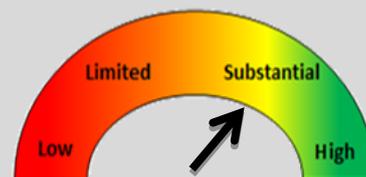
	Housing Benefit		Council Tax Support	
	Amount	Cases	Amount	Cases
COLC	£34m	8771	£7.5m	9581
NKDC	£18.5m	4830	£5m	6215

The audit was seeking to gain assurance on the following risks;

- Claims are incorrectly processed
- Effective quality systems are not in place
- Subsidy arrangements (and lessons learned) are not effective
- Council Tax Support Scheme is not managed effectively

Executive Summary

Assurance Opinion – Substantial



Claims processing

We found that;

- The processes to receive, record and check Benefit claims operate in accordance with the Standard Verification Framework, which ensures that the circumstances of the applicant are thoroughly checked.
- Processing performance is closely monitored by management and the Shared Revenues & Benefits Joint Committee.
- There are a range of initiatives to make customers aware of how important it is to advise of any changes of circumstances.

- New staff receive comprehensive training and all staff are trained on new processes and legislation changes although it is felt that there is a lack of refresher training in some areas.
- Valuable documents (passports, bank statements, etc) sent in by customers are being securely handled and returned and there are checks to ensure that it is bona fide
- Data received electronically from the DWP and HMRC is being correctly and completely processed
- There is an annual conflicts of interest process to ensure that staff do not work on the claims of people that they know.

Some areas requiring improvement were identified;

- There is no formal training and development plan / process to ensure that all staff have the appropriate level of knowledge.
- There is no process to learn from the outcomes of appeals of HB and CTR decisions which may mean that processing errors or interpretation problems will continue to be made.
- The annual conflict of interest process requires all staff to respond but there are no checks to ensure that everyone does respond.
- Where there is a conflict of interest access to that claim is denied. Guidance states that access denials will be reviewed every 6 months but this is not being done.

Quality

We found that quality and accuracy checks were being undertaken, but we identified areas of inconsistency and several areas for potential improvement;

- Improve the quality checking process, including developing a QC policy
- Introduce a formal training and development plan
- Update the Destin procedural guidance
- Ensure fraud liaison procedure notes / process maps are finalised

Subsidy

There is a subsidy resource at both sites with one taking the subsidy lead. Having an increased subsidy resource has resulted in a much more formal and structured process, including the production of an action plan (to address previous subsidy errors) and the delivery of staff training. This level of resource is to continue through 2016/17 and the benefits will continue to be realised.

All aspects of subsidy are being regularly monitored, particularly the LA error level, which can result in some subsidy being lost if certain thresholds are exceeded. For 2015/16 it is looking like both authorities will receive 100% subsidy on LA error, although this is subject to verification by External Audit.

No areas were identified which required improvement.

Council Tax Support Scheme

We found that;

- The schemes had been correctly consulted on and approved.
- The arrangements for budget monitoring are satisfactory
- System parameters had been correctly set on the system.
- Transfers from HB to CT are operating satisfactorily
- Fraud liaison arrangements were becoming further established since the transfer of investigations to SFIS
- Work was now up to date, following the clearance of some backlogs in 15/16
- Established protocols were working well to receive and send information from the Council to SFIS/DWP
- A pilot (pro-active) CTR fraud exercise was completed in 15/16

Some areas requiring improvement were identified;

- Review the outcomes of the CTR counter fraud 15/16 exercise and determine if further work will be completed in 2016/17. Ensure that the outputs are reported up to senior management.
- Update and enhance the fraud monitoring spreadsheet

We would like to thank Jo Moore, Laura Brown, Therese Swain, Janette Young, June Pitt, Paul Thornhill & Chris Freer for their assistance and co-operation throughout the course of this audit.

Management Response

Management Actions	No	All to be completed by:
High Priority	3	30 th September 2016
Medium Priority	6	31 st October 2016

Findings, Recommendations and Agreed Actions

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
1.	<p><u>Training</u> New staff receive comprehensive training and all staff are trained on new processes / legislation changes but it is felt that there is a lack of refresher training.</p> <p>A Sleaford Team Leader considers that her staff would benefit from further training on Persons from Abroad and Overpayments.</p> <p>In the past there was a Training Officer but Team Leaders are now responsible for training as and when time allows, so it is not as formal as it used to be.</p> <p>There is no formal training and development plan;</p> <ul style="list-style-type: none"> • <i>Formal training records not maintained</i> • <i>Employee induction across the two sites isn't standardised</i> 	<p>Introduce a formal training and development plan</p> <ul style="list-style-type: none"> • <i>Develop a formal training (learning / development) plan</i> • <i>Identify training needs and provide the training that is required</i> • <i>Maintain formal training records</i> • <i>Standardise / formalise the way new employees are inducted/trained across the two sites</i> • <i>Review Customer Services training needs at COLC</i> 	<p>a) New starters will be receiving a 3-day introduction to HB course. This will also be offered to those staff who have started within the last 12 months. This course will be provided to all new starters (and customer service staff at Lincoln) within the shared service to ensure consistency.</p> <p>b) Use of Destin - will improve the reference material available to staff. This will be updated regularly as new changes to legislation are issued. Full review and rollout of use to be completed by target date.</p> <p>c) Training needs will be identified during 2016 appraisal process and incorporated into a team /</p>	High	<p>Revenues & Benefits Manager</p> <p>a) 31 July 2016 <i>Update: Training provided identified and to be delivered to new starters</i></p> <p>b) 30 June 2016 <i>Update: Responsibilities assigned and updates being made</i></p> <p>c) 30th September 2016</p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
	<ul style="list-style-type: none"> Customer Services training needs at COLC not reviewed for some time <p>Risk; Staff may not have the appropriate level of knowledge and errors may be made.</p>		<p>individual training and development plan.</p> <p>Recording and delivery options are being considered.</p>		<p>d) <i>Update: Appraisals taking place and training needs being identified</i></p>
2.	<p><u>Quality and accuracy</u></p> <p>Although there is a quality checking process and accuracy performance is reported, there are several improvements that can be considered.</p> <p>There is no overarching QC policy to help with guidance in this area and there are some inconsistencies between Lincoln and Sleaford sites;</p> <ul style="list-style-type: none"> No QC policy Not formally signing off individual check sheets (NKDC) Level of checks too low and not applied evenly Sampling techniques not robust All officers are not checked 	<p>Improve the quality checking process, including;</p> <ul style="list-style-type: none"> Introduce QC policy Formally sign off individual check sheets (NKDC) Agree a “reasonable” target percentage (or total) check for both sites and monitor. Apply checks evenly over the year. Review how the QC samples are chosen, currently far more obtained than required Ensure all officers are (proportionately) captured in the QC checks, and monitor this Develop use of PMQA, particularly at Lincoln Discuss the accuracy performance indicator with Principal Policy Officer (JW) to ensure a more meaningful and reliable PI; additional testing for 	<p>QC Policy to be issued to all staff (drafted by Subsidy Lead and agreed by all Benefits Team Leaders, Service Manager and Head of Service) to include all recommendations within this audit.</p> <p>Policy to provide clear lines of responsibility for end to end process.</p> <p>Individual checks will be signed off by subsidy officer.</p> <p>Outcomes of checks will be issued to individuals, where amendments are required, individuals will be required to undertake these as a learning</p>	High	<p>Revenues & Benefits Manager</p> <p>31st July 2016 <i>Update: Draft Policy circulated to management team and document being updated to reflect representations made</i></p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
	<ul style="list-style-type: none"> • Use of PMQA underdeveloped, particularly at Lincoln • Quality / reliability of the performance indicator not robust. • Managers do not have access to more detail on quality checks, including non-financial errors and numbers of checks completed • Collection of QC information is not standardised (no common spreadsheet across both sites), including error codes. • No reporting of the financial impact of errors • Existing “high value” (currently £600/£700) checks not included in the accuracy PI <p>Risk; Without a robust and consistent QC policy reported accuracy may not be as useful as it could be and quality may not improve as much as it could do.</p>	<p><i>weaker staff could be dealt with separately perhaps.</i></p> <ul style="list-style-type: none"> • <i>Ensure that Managers have access to more detail on quality checks, including non-financial errors and numbers of checks completed</i> • <i>Consider standardising the collection of QC information (common spreadsheet across both sites), including error codes.</i> • <i>Consider including/reporting the financial impact of errors</i> • <i>Consider adding the “high value” (currently £600/£700) checks into the accuracy PI</i> 	<p>exercise.</p> <p>Subsidy Officer will provide an update to each RBMT – financial, procedural errors, error rate etc</p>		
3.	<p><u>Procedures</u> The Destin procedural guidance</p>	a) Update the Destin procedural guidance	a) This was being finalised at the time of audit – covered	High	Revenues & Benefits

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
	<p>is not up to date – this acts as a key central reference point for HB staff</p> <p>Fraud procedures and process diagrams have been drafted by but not finalised; it would be useful to get these completed and distributed to staff to avoid any confusion.</p> <p>Risk; Without up to date guidance, errors could increase.</p>	<p>b) Ensure fraud procedure notes / process maps are finalised</p>	<p>by Agreed Action 1b.</p> <p>b) Implemented during the audit</p>		<p>Manager</p> <p>a) As per Action 1b – 30 June 2016</p> <p>b) N/A</p>
4.	<p><u>Conflicts of interest</u> An annual conflict of interest process is in place which requires a response (whether it is positive or negative) but there are no checks to ensure that everyone does respond.</p> <p>Guidance states that access denials will be reviewed every 6 months but this is not being done (due to pressure of work).</p> <p>Risk;</p>	<p>a) Monitor conflict of interest responses to ensure that all officers respond.</p> <p>b) Review access denials every 6 months.</p>	<p>a) When the annual exercise is next undertaken it will be made clear that no response by a specific target will be treated as a nil response</p> <p>b) Agreed. This will commence six months after the next annual exercise. The wider management team will be involved in the review to spread the workload.</p>	Medium	<p>Head of Shared Revenues & Benefits</p> <p>a) 31st July 2016 <i>Update: Annual declaration request issued 19.7.16 with 'nil response' clarity part of</i></p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
	Some staff may not be complying with the conflict of interest requirements.				<i>briefing note</i> b) 31 st January 2017
5.	<u>Detection of fraudulent evidence</u> Workflow Management staff review passports and other original documents to determine if they are valid but it is some time ago since they had fraud training. Risk; Fraudulent evidence may not be detected.	Consider refresher training for Workflow staff on the detection of fraudulent evidence.	Refresher Training to be provided to all staff.	Medium	Revenues & Benefits Manager 31 October 2016
6.	<u>Customer satisfaction</u> Customer satisfaction data is collected from very low numbers of customers (for COLC 47 surveys were received in 2015/16 from a single type of contact (appointments) only). Risk; Current customer satisfaction figures may not be reflective of the whole customer base.	Consider increasing the level of satisfaction survey work undertaken.	Management team to review the customer satisfaction survey process'	Medium	Revenues & Benefits Manager 30 th September 2016 (with new process to commence in October).

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
7.	<p><u>Learning from Appeals</u> There is no process to learn from the outcomes of appeals of HB and CTR decisions.</p> <p>Risk; Processing errors or interpretation problems will continue to be made.</p>	<p>Introduce a process to provide feedback / learning points from HB and CTR appeals.</p>	<p>Feedback process to be implemented and to be included as part of the QC checking (include in policy).</p>	<p>Medium</p>	<p>Revenues & Benefits Manager</p> <p>31 August 2016 <i>Update: See 2) (above) re draft policy</i></p>
8.	<p><u>Pro-active CTR counter fraud</u> This work has been ongoing during the latter half of 2015/16 using WLDC to help with a pilot exercise as part of the Lincolnshire Counter Fraud Partnership.</p> <p>The results of this work were not available at the time of audit but are expected to be reported to the LCFP on the 18th May 2016. Officers have reported that it has been time consuming.</p> <p>No decision on future pro-active work has been agreed, but there are no planned budget resources available in 16/17.</p>	<p>Review the outcomes of the CTR counter fraud 15/16 exercise and determine if further work will be completed in 2016/17. Ensure that the outputs are reported up to senior management.</p>	<p>Outcome of CTR review will be reported to Finance Officers by Gillian Martin (Lincolnshire Counter Fraud Partnership Manager).</p> <p>A decision is required regarding the way forward.</p>	<p>Medium</p>	<p>Head of Shared Revenues & Benefits</p> <p>30th September 2016 (hopefully with a process to commence in October). <i>Update: 6-month NNDR/CTR project starting end August 2016, utilising Lincolnshire Counter Fraud Partnership funding</i></p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
9.	<p><u>Fraud Monitoring</u> There are 37 cases going back to late 2014 where a decision has been passed to the DWP on HB overpayment (using the LAIF form). However, it is not clear on the monitoring spreadsheet which ones have been fully closed off; it could be that some are still waiting action from DWP and an administrative penalty for example may still be pending.</p> <p>DWP may initiate an investigation or enquiry through their own referral information rather than from the Council; further information is requested from the Council via the LAIF system. Although these are recorded by us they are not transferred onto the monitoring spreadsheet which would aid management information.</p> <p>Risk; Additions to the management monitoring spreadsheet would</p>	<p>Update the monitoring spreadsheet to more clearly track when cases that have been sent as a “decision” to DWP are finally closed off by DWP (as an ad-pen or prosecution may still be pending)</p> <p>Update the monitoring spreadsheet to capture all DWP referrals to CoIC/NKDC via the LAIF.</p>	<p>Implemented during the audit.</p>	<p>Medium</p>	<p>N/A</p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale
	help to provide a more complete picture of referral progress and would aid discussions in DWP liaison meetings.				

Low Priority Recommendations

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implemented to improve the system or performance.

No	Findings	Advisory Recommendation
1.	<p><u>LA error monitoring report</u> At NKDC the LA error figure is calculated from a Sub30 report whilst at COLC it is obtained using a Northgate Subsidy workbook tool.</p>	<p>Consider monitoring quarterly LA error figures using the same process - perhaps the Sub30 report does not need to be produced.</p>
2.	<p><u>Different ways of working – claims processing</u> There are a number of differences in the way that the Lincoln and Sleaford offices operate;</p> <p>a) At Sleaford benefits assessors deal directly with the customer (appointments are not required) and rarely receive supporting documentation by post. Whereas at Lincoln the Customer Services team are the first (& main) point of contact followed by appointments with Benefits assessors as required.</p> <p>b) Lincoln claimants can complete a hard copy form at home and send it in to City Hall after requesting a form via the website – this option is not offered at Sleaford.</p> <p>c) Sleaford enclose a ‘Benefit Info’ leaflet with all correspondence (this includes CofC information) whereas Lincoln enclose the ‘Benefit Info’ leaflet with annual letters only.</p> <p>d) Sleaford dispose of valuables checklists after 8 weeks whereas</p>	<p>Consider whether any of the different ways of working should be standardised.</p> <p>a) It is unlikely there would be standardisation due to the corporate decisions which have been made in relation to customer contact</p> <p>b) This will be standardised once Citizens Access is launched (summer 2016)</p> <p>c) Sleaford enclose the leaflet due to the difference in the payment run – the leaflet includes a payment calendar. This is not required for Lincoln.</p> <p>d) Discussion required at RBMT as to why this is different and</p>

No	Findings	Advisory Recommendation
	<p>Lincoln retain them for 4-6 months (both sites dispose of scanned documents after 8 weeks).</p> <p>e) At Lincoln new claims / CofC work is issued out daily by Team Leaders (using a list). At Sleaford assessors keep any new work that they receive whilst working on the counter.</p> <p>f) Lincoln try to obtain customer satisfaction data from all those who attend appointments whilst Sleaford survey customers on set weeks.</p> <p>g) Where customers bring original documents into the office Lincoln give a copy of a valuables checklist back to the customer, whilst Sleaford do not.</p>	<p>decision to be made</p> <p>e) Lincoln based staff do not see customers face to face on demand (it is by appointment) – majority of work is received via post/email and so is issued by team leaders to ensure work levels are maintained</p> <p>f) Discussion required at RBMT as to why this is different and decision to be made</p> <p>g) Discussion required at RBMT as to why this is different and decision to be made</p>

Assurance Definitions¹

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.