



Internal Audit Report
Housing & Community Care
Discretionary Housing Payments No. 14-36
March 2015

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Internal Audit

Background and Introduction

This assignment forms an addition to the Internal Audit plan for 2014/15 and was approved by the Audit Committee on 26 November 2014.

Discretionary Housing Payments (DHP) funds were augmented from 2013/14 by both DWP and Scottish Government in order to mitigate the effects of the UK Welfare Reform agenda. DHPs are administered by local authorities using funding provided by the UK and Scottish Governments and seek to provide financial support to those in receipt of Housing Benefit who are suffering financial hardship. There are a range of circumstances where the payment can be made and it is ultimately up to each local authority to manage the fund and determine the criteria that can be applied.

Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with relevant staff in Revenues and Benefits within Housing & Community Care.

A sample of 24 applications for DHP processed during 2014/15, including both successful and unsuccessful, was reviewed to ensure applications are processed consistently in line with the Council's policy. Testing was carried out in February 2015.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that there is a clear policy and procedures for the operation of DHPs	
Auditor's Comments: The Council's policy and guidance on Discretionary Housing Payments set out the criteria for awarding payments. There is appropriate flexibility within the criteria to reflect the nature of the DHP awards. DHP applications are processed by the Scottish Welfare Fund team. The Welfare Rights team has also developed a staff manual which contains detailed guidance for staff who are responsible for processing applications. The current processes also provide for a tailored response to applicants where the application is unsuccessful. This includes providing guidance in the response on other assistance options that may be available to the applicant to help them overcome their difficulties. This good practice was highlighted in the recent Accounts Commission Local Government Overview report.	
Strength of Internal Controls:	Strong

Internal Audit Report

Control Objective: To ensure that the policies and procedures are being accurately and consistently applied	
<p>Auditor's Comments: Whilst the sample tested revealed no instances where awards were made which were specifically disallowed by legislation, testing identified a number of issues, e.g.</p> <ul style="list-style-type: none"> • Incorrect classification of the reasons for the award • Insufficient audit trail for the awards made • Incorrect reasons recorded for refusal of the award • Significant elapsed time in reviewing applications. <p>It is acknowledged that these control weaknesses were identified prior to our audit and formed part of the DHP refresher training in February 2015</p> <p>Guidance indicates that monthly quality checks will be conducted by the Senior Welfare Officer and Team Leader to ensure accuracy and consistency of the award process. This was not always happening.</p>	
Strength of Internal Controls:	Moderate

Control Objective: To ensure that there is effective budget monitoring in place	
<p>Auditor's Comments: The Council's system (Northgate) records the running total of the budget, amount spent, committed funds and unallocated balances. Therefore when a decision maker logs into the DHP function of Northgate to log an application they are aware of how much budget is left. There is also regular monitoring of expenditure against the DHP budget. The team takes into account actual spend as well as anticipated future demand e.g. by providing for those who would be affected by the Spare Room Subsidy i.e. so-called 'bedroom tax'.</p> <p>Report 13/254 to the Housing and Health Committee on 29 May 2013, seeking the approval of the latest Council's DHP guidance, noted that a further update on DHP will be provided to the Committee during the financial year. No such update has been provided to the Committee.</p>	
Strength of Internal Controls:	Moderately strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Internal Audit Report

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point. Appendix 3 describes control issues which were in place during the audited period which had already been identified by the Service and improvement actions had already been instigated.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Revenues and Benefits' Welfare Rights team within Housing & Community Care during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive;

J Walker, Executive Director (Housing & Community Care)

A Taylor, Head of Finance & Support Services, Housing & Community Care

J Symon, Head of Finance

L Brady, Revenues, Benefits and Welfare Rights Service Manager

N Sutherland, Team Leader (Welfare Rights)

G Taylor, Head of Democratic Services;

P Dickson, Complaints & Governance Officer;

External Audit

Authorisation

The auditor for this assignment was O Notman (Scott-Moncrieff). The supervising auditor was P Kelly (Scott-Moncrieff).

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 30 March 2015

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Timeframe for review of applications for DHP/ notifications	Medium
2	Quality checks	Medium
3	Reporting to Housing and Health Committee	Medium
4	Classification of Reason for Refusals	Medium

Appendix 2: Action Plan

Action Point 1 - Timeframe for review of applications for DHP/ notifications

The Council's timeframes for the reviewing the DHP applications and issuing notifications to the applicants are set out in the Discretionary Housing Payments guidance note which is available on the Council's website. The Council aims to issue a decision letter within 14 days of receipt of the relevant information and issue a notification to the applicant within 7 days of decision being made.

Based on our audit sample, we identified that, on average, it took 38.5 days from the date the application was received until the award was made. The quickest response was 1 day and longest 77 days. We have been informed that the delay was due to the backlog of the applications received in March/April 2014 as well as competing workload.

During the testing of the DHP applications, we noted that at least one applicant contacted the Council to enquire about the progress on their application.

It was stated that a primary reason for the high average time to process claims was that there was a concerted effort by the team to highlight the availability of DHP to approximately 6,000 households. The combined effect of a small team and upsurge in activity/applications resulted in longer than normal times taken to process applications. Information in relation to the timeframes is available in the DHP guidance note which forms part of the paper on DHP submitted to the Housing and Health Committee in May 2013. These timeframes though are not immediately visible within the DHP pages of the Council's website.

Management Action Plan

The timescales for processing Discretionary Housing Payments will be added to the website and will be a standing item on the agenda for Scottish Welfare Fund Team Meetings.

Importance:	Medium
Responsible Officer:	N Sutherland, Team Leader, Welfare Rights
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	April 2015
Required Evidence of Completion:	Updated web page and team meeting agenda

Auditor's Comments

Satisfactory

Action Point 2 - Quality checks

DWP's Discretionary Housing Payments guidance manual (April 2014) suggests "a second member of staff could check the decision to ensure consistency", although the guidance recognises that it is up to a particular council to determine.

Consistency of the decisions made is intended to be assured through the quality checks performed by the Senior Welfare Fund Officer (SWFO) and the Team Leader. The Scottish Welfare Fund Team guidance manual requires the SWFO to carry out a quality check on two DHP decisions each month for each Welfare Fund Assessment Officer, these being selected at random.

The audit found that although quality checks have been undertaken during the year, the arrangements specified in the guidance manual have not been followed:

- Quality checks have not been performed at random, instead these were being selected by the Assessment Officer.
- Quality checks have not been undertaken each month.

We have been informed the quality checks did not follow the requirements due to DHP applications being received sporadically during the year, with the majority processed during June and September 2014 as well as February 2015. Such arrangements however weaken the control due to the assessment officers' ability to submit any applications that they process.

Management Action Plan

The Senior Welfare Fund Officer will select Discretionary Housing Payment applications for quality review randomly from a spreadsheet. In addition, the manual will be changed to review 10% of applications processed per month to take account of peaks and flows in workload.

Importance:	Medium
Responsible Officer:	N Sutherland, Team Leader, Welfare Rights
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	April 2015
Required Evidence of Completion:	Evidence of selection of cases from spreadsheet Revised quality audit procedure in staff manual.

Auditor's Comments

Satisfactory

Action Point 3 - Reporting to Housing and Health Committee

Report 13/254 to the Housing and Health Committee on 29 May 2013 sought approval for the Discretionary Housing Payments Fund guidance. In that report, it was stated that a further report would be provided to the Committee on the uptake and administration of DHPs during 2013/14. To date, there has not been any further report provided to the Committee on the uptake and administration of DHPs.

Management Action Plan

The Housing & Health Committee will be provided with an update on Discretionary Housing Payments.

Importance:	Medium
Responsible Officer:	L Brady, Revenues & Benefits Service Manager
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	August 2015
Required Evidence of Completion:	Committee Report

Auditor's Comments

Satisfactory

Action Point 4 - Classification of Reason for Refusals

Our testing identified one case where an incorrect reason was used in relation to the refusal of an application in September 2014. The claimant was informed that their application was refused due to no DHP budget remaining. However from our discussion with the Team Leader this was not the case. It appears that refusal was actually made on the basis of the capital held by the claimant and the classification of the refusal is incorrect.

A further review of a sample of six refused applications, all of which were processed in September 2014 by the same person, were noted as being incorrectly classified as being refused on the same grounds i.e. no DHP budget remaining.

Management Action Plan

All seven applications will be reviewed and customers notified of the correct decision.

Importance:	Medium
Responsible Officer:	A Salmond, Senior Welfare Fund Officer
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	April 2015
Required Evidence of Completion:	Decision letters

Auditor's Comments

Satisfactory

Appendix 3 – Other audit issues

Testing of the DHP applications processed during the year identified that:

- In general, reasons for successful awards were not documented on the note pads in the system;
- In one case, the award was made for a longer period than was applied for (52 weeks rather than 26 weeks). No reason for this was documented by the officer processing the application. However, this has not resulted in financial loss to the Council due to other changes in circumstances;
- In four instances, no notification letters could be found on the system (including one refusal) and notes were not made on the note pad in Northgate with regards to the issue of the correspondence;
- In two instances, an incorrect Welfare reason for the award was recorded on the system.

Upon further discussion following our audit testing, the Service stated that these issues, in particular the lack of documented reason for the successful awards and incorrect classifications, have been identified as part of the quality checks. These issues had been identified prior to our audit and formed part of the DHP refresher training in February 2015.

