

INTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2016

1 Purpose

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2016.

2 Recommendations

- 2.1 The committee is recommended to note the progress report.
- 2.2 The committee is requested to approve the proposed changes to the annual internal audit plan.

3 Supporting Information

- 3.1 This report provides an update on the progress made against the 2016/17 Assurance Plan. Appendix A includes information on:
- Summary of internal audit reviews completed and in progress
 - Overdue recommendations and follow up work
 - Overview of Commercial AVDC and update on internal audit resources
- 3.2 The Committee requested that all internal audit reports are presented in full. Those issued since the previous meeting are included in Appendix 3.

4. Reasons for Recommendations

- 4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

5. Resource Implications

- 5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Business Assurance Manager 01296 585724
Background papers: none



Internal Audit Progress Report

September 2016

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1. Activity and progress

The annual internal audit plan was approved by audit committee in March 2016. A summary of the planned is included in Appendix 1. We monitor progress against the plan during the year and advise the Audit Committee for any changes.

Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
			 Critical	 High	 Medium	 Low
<i>2015/16 Reviews:</i>						
Housing Benefits	Reasonable	Sept 16	-	-	2	1
<i>2016/17 Reviews:</i>						
-	-	-	-	-	-	-

* The basis for classifying internal audit findings and reports has been updated for 2016/17 (see Appendix 1). 2015/16 reports are classified according to the previous definitions.

Only one review has been concluded since the July meeting. The full report is attached in Appendix 3 and summarised below:

Housing Benefits

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Council's level of overpayment and the approach to recovery.

Our key findings are summarised as follows:

- **Reconciliation of payments between iWorld and Technology One (M)** - There is a form of reconciliation in place whereby the totals of each weekly BACS payment run are entered into a spreadsheet and checked against the finance system.

The benefit payment reconciliation process should include checks between iWorld and T1. This would ensure that the two systems match and any differences would be identified early on and as and when they arise, ensuring the accuracy of financial information.

- **Housing benefit overpayment recovery (M)** – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at £6.3million (as at end June 2016). Approximately half of this is being recovered through ongoing benefit claims. This

increase is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

Whilst recovery action is taking place, either through reduced ongoing payments or separate debt recovery, the current levels of recovery are not keeping up with new debt that is identified. The Council's strategy for managing this type of debt should be reviewed and consideration given to the level of return on any additional investment in recovery action.

- **Quality checks - monitoring performance (L)** – The processes for quality checking housing benefit claims are set out in the “Revenues and Benefits Service – Checking Strategy”. This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

Internal audit plan work in progress

As at the date of preparing this report, the following reviews are in progress:

<i>Name of review</i>	<i>Update on progress</i>
Debt Recovery	Work has commenced to identify the level of debt for each revenue stream, the ageing profile and establish the existing recovery processes. This includes Housing Benefits, Council Tax, Business Rates and all other income streams.
Safeguarding	Review is in progress. Sec11 arrangements to be agreed October 2016.
Information Governance Effectiveness	This review is on hold pending the outcome of a separate piece of work performed by IT security experts “Intel”. It is intended the internal audit review will pick up on areas of risk or recommendations identified.

2. Overdue recommendations and follow up work

We monitor the implementation of actions and recommendations that we have raised from our Internal Audit Reviews to ensure that the control weaknesses identified have been satisfactorily addressed. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

Update on financial systems – Accounts Payable & Accounts Receivable, General Ledger & Budgetary Control

The Commercial AVDC Financial Systems & Processes Review Board is continuing to monitor the implementation of actions identified in the 2015/16 Accounts Payable & Receivable and the General Ledger and Budgetary Control internal audit reports.

Progress has been made on mapping system interfaces and agreeing processes and responsibilities for key reconciliations. Payroll and Council Tax reconciliations are now being performed monthly and the suspense account is regularly cleared. Some further work is required to clear the old items in suspense relating to the migration to T1 but this is in-hand.

Delays have occurred in implementing actions relating to monitoring and reporting commitments. This is due to information and system limitations which allow contracts to be split across year-ends. Completion dates have been revised to allow the required work to be undertaken.

During Q3 and Q4 financial systems will be subject to internal audit review again. This will pick up on previous actions and provide assurance over the implementation and operation of financial controls.

Overdue recommendations

Housing Allocations (January 2016) – Medium priority recommendation to be completed by 31 March 2016

The Bucks Homes Choice Partnership Policy was adopted in May 2014 and is the common mechanism for allocating housing in Bucks. The Policy states that “the Partnership will monitor the outcomes of lettings through Bucks Home Choice to assess whether it is meeting its aims”. It goes on to say that the reviews will be carried out annually. Since its adoption the Partnership has not yet carried out a formal review.

Management update - The Bucks Home Choice Allocation policy is still undergoing the review process and is currently with a senior Chiltern and South Bucks DC Housing Manager for comments. The aim is to complete the review in autumn 2016.

Taxi Licensing (October 2015) – Medium priority recommendation to be completed by 31 March 2016

There is no policy on document retention governing the licensing application process so there is a risk that personal data is being held for longer than appropriate. Management agreed to adopt a document retention policy that incorporates the whole licensing function.

Management update – A policy has been drafted and will be finalised along with the new document management storage solution for EH&L into which the data retention principles will be built prior to data migration from our existing system to the new Salesforce system. Implementation is expected to be complete by the end of December 2016.

3. Update on Commercial AVDC and internal audit resources

Commercial AVDC

As members will be aware, the Council is progressing through a fundamental restructure and business transformation programme - Commercial AVDC. The Business Assurance team, which includes Internal Audit is involved in a number of the “Business Reviews” and the annual internal audit plan has been focused to assist these across the Council.

The Business Assurance team is also involved in its own Business Review, considering how best to deliver these functions, set against the financial pressures that the Council faces, whilst at the same time also being aware that as we diversify and change our business models there may well be a changing type, style and need for these functions going forward.

The review that the Business Assurance team falls under is known as “Business Governance” and covers the areas below. It is being overseen by the Business Strategy & Governance Sector Lead, Andy Barton:

- Audit & Risk
- Insurance
- Information Governance & Security
- Health & Safety
- Emergency Plan
- Business Resilience and Disaster Recovery

The outcome of the review will confirm the new structure, how the services will be delivered, this includes an assessment of internal, external and partner based provision of the functions, opportunities to improve automation of processes, and deliver a business plan for the functions going forward.

Internal audit resource

From October, Kate Mulhearn, who for the last 12 months has been engaged as Business Assurance Manager on a secondment basis from PwC, will take up a permanent position with the Council. The role will include the Head of Internal Audit responsibilities.

Over the summer, the one remaining Internal Audit Officer moved to a new role within the Council. We are in the process of engaging an external supplier of public sector internal audit services to support the delivery of the remainder of the 2016/17 internal audit plan, reporting to the Business Assurance Manager. The outcome of the business review will determine further resource requirements and the delivery model going forward.

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact [quantify if possible = materiality]; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact [quantify if possible]; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact [quantify if possible]; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact [quantify if possible]; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016.

Review	Description	Status/Comment	Risk Rating
Finance <ul style="list-style-type: none"> • General Ledger • Debtors • Creditors • Payroll • Treasury • Fixed Assets 	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)	Reviews will start Q3	
HR - Recruitment	Review recruitment processes and controls	Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 207/18.	Defer to 17/18
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation	Implementation has gone wells so far but not yet using full functionality. This is being considered as part of the Business Review. IA to consider once review has concluded.	Defer to 17/18
Contract Management – Supplier Resilience	Deferred from 15/16. Assurance that key suppliers/contracts have adequate business continuity plans in place. Consider outcomes of Commercial AVDC review.		
Budget Management			
Information Governance	Information governance effectiveness review.	Scope of was work agreed. Now pending outcome of Intel report. Scope will be modified as needed.	
Health & Safety	Compliance with OHSAS18001; review of H&S Management System	New H&S provider from 1 Oct 16 will review management systems following departure of H&S officer. Work will be overseen by BAS Manager but not likely to require specific IA resource. Audit should be deferred until systems are in place.	Defer to 17/18
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Sec 11 plan of work has been released from BCC. Work is in progress.	
Debt Recovery	Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams.	Work commenced July 2016 to support review of processes. This will be advisory work.	
My Account	Review security of payments, information and interfaces with other systems		

Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published. Review will commence in Q3.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed in Aug6 and reported to Audit C'ttee.	
Enterprise zones	Processes governing management of E Z partnerships	Not considered a key risk area for focus at this time.	Remove
Housing benefits			
Collection fund			
Estates – Service Charges	Basis for and calculation of service charges, collection processes		
Business Reviews	Ongoing	Internal audit has supported Commercial AVDC reviews: <ul style="list-style-type: none"> • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes 	
Vale Lottery	The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.	Complete	Low

Appendix 3: Internal audit reports

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Housing Benefits



Business Assurance Services **Internal Audit Report**

2015 / 16

Housing Benefits

Assurance Opinion

REASONABLE

FINAL 12 Sept 2016

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Distribution List

For action	Janet Forsdike, Implementation Manager – Accelerated Review
	Noora Hassan, Contact Team Manager
	Deborah White, Group Manager
	Tony Skeggs, Finance Manager
For information	Sarah Rodda, Sector Lead
	Jeff Membery, Sector Lead
	Andrew Small, Director

Business Assurance Manager – Kate Mulhearn

1. Executive summary

Report classification*	Total number of findings		
	High	Medium	Low
REASONABLE			
	Control design	-	1
	Operating effectiveness	-	1
	Total	-	2

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Councils levels of overpayment and level of resources involved in the recovery process.

We also followed up recommendations made in the previous years review and found that all actions have been implemented.

Our key findings are summarised as follows:

Reconciliation of Payments between iWorld and Technology One (Medium) - There is a form of reconciliation in place whereby the Housing Benefits team update a manual spreadsheet with the totals of each weekly payment run once the payments have been dispersed by BACS. This spreadsheet is then forwarded to a Finance Officer who checks the Finance System (T1 from June 2015 onwards) to ensure that the ledger is updated with the correct figure. However, the spreadsheet is not the primary record, iWorld itself is. Because the reconciliation that is performed is only from a manual spreadsheet, rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information.

This will be addressed as part of the wider review of T1 system interfaces which has commenced following the General Ledger internal audit report.

Housing benefit overpayment recovery (Medium) – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at

£6.3million (as at end June 2016). This is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

Whilst there is recovery action taking place, either through reduced payments ongoing or separate recovery action, the current levels of recovery are not keeping up with new debt that is identified. The nature of the debt and often the circumstances of the debtors mean that the ability to collect it in full is rare and any payment plan is a trickle effect. Writing off the debt has not been a Council strategy that has been adopted despite there being a 'Bad Debt Provision' in the accounts each year.

The Council's current strategy for managing this type of debt should be reviewed. A corporate wide 'Debt Management Review' is starting in July 2016 which will incorporate housing benefit overpayments recovery. If there is potential money which is recoverable that is not chased the Council could miss out on income, but there is likely to be additional resource incurred in attempting to recover outstanding debts so the return on investment must be considered.

Quality checks - monitoring performance (Low) – The processes for quality checking housing benefit claims are set out in the "Revenues and Benefits Service – Checking Strategy". This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

The focus of checking should be on areas of greatest risk and the Council should consider trends and target areas with recurring issues regarding financial errors. Further monitoring of the level of financial error should be performed under the current testing regime and consideration given to monthly targets for financial accuracy.

Management comments

It has just been reported that: "*The latest figures on outstanding overpayments show "the total value of outstanding Housing Benefit overpayments continues to follow an increasing trend. At January 2016 (the beginning of quarter 4, 2015/16) the total value of overpayments was around £1.88 billion. This represents an increase of £295 million (19%) on this point the previous year"*, illustrating that this is reflected across the country. (source: hbinfo Sept 2016).

2. Background and Scope

Background

This review of Housing Benefit forms part of the 2015/16 Audit Plan of work that was agreed by Members and Management.

The objective is to provide management with assurance that the controls relating to accuracy and efficiency of processing housing benefit claims, the integrity of the financial data within iWorld and the general ledger, and recovery of overpayments are operating effectively.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review covered the controls that were operating during 2015/16.

3. Detailed findings and action plan

1. Reconciliation of Payments between iWorld and Technology One (Control Design)

<i>Finding</i>		
<p>Payments are made to benefit claimants on a weekly basis. During 2015/16 over £45 million was paid out by the Council to Housing Benefit claimants.</p> <p>Housing Benefit Officers create the payment file from the benefits systems, iWorld, and send it to the Payments team who transmit it through electronic bank transfer (BACS). The Benefits team maintain a spreadsheet detailing the total of each payment run and this is forwarded to a Finance Officer who checks the amounts are correctly reflected in Technology One (T1). We reviewed several payment run figures from the spreadsheet to the ledger and to the bank account and did not identify any differences. However, this is not a check of the payment figures directly from iWorld.</p> <p>We obtained a report from iWorld of the amount paid out in benefit claims over the year and were unable to reconcile this back to the figure in T1. Because the reconciliation that is performed is only from a manual spreadsheet, rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information.</p>		
<i>Risk</i>		
<p>Payments recorded within iWorld may not be reflected in the Council's finance system. There is a risk of inaccurate financial information.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	<p>The benefit payment reconciliation process should include checks between iWorld and T1. This would ensure that the two systems match and any differences would be identified early on and as and when they arise.</p> <p>This recommendation will be addressed as part of the wider review of T1 system interfaces which has commenced following the General Ledger internal audit report.</p>	<p>Janet Forsdyke (Housing Benefits)</p> <p>Tony Skeggs (Finance)</p>
		<i>Target date</i>
		<p>Work will commence July 2016 and progress monitored as part of the Commercial ADVC Financial Systems and Process action plan.</p>

2. Housing benefit overpayment recovery (Operating Effectiveness)

Finding

At a national level, the total value of outstanding housing benefit overpayments continues to follow an increasing trend. The total value of HB overpayments outstanding at the beginning of July 2015 (quarter 2 of 2015/16) was around £1.70 billion; an increase of £253 million (18%) on this point the previous year.*

With developments in recent years of data matching claimant error is likely to continue to increase due to:

- The provision of DWP real time information (RTI) – the Council receives significant numbers of files each month from HMRC to investigate possible fraud or changes of circumstances.
- Fraud and Error Reduction Incentive Scheme (FERIS) - FERIS aims to encourage authorities to find as many changes of circumstances as possible which reduce housing benefit entitlement thereby reducing the monetary value of fraud and error. The Council will receive a financial incentive each quarter based on the results and saving identified.

The Revenues and Benefits team record the levels of overpayment raised and collected. As at the end of March 2016 the total level of outstanding overpayment was £6.1million (approx £3m of this is being recovered from ongoing benefit claims). This increased from the same date in 2015 by approximately 40% from £4.8million. Over the past 3 years the outstanding overpayment level has doubled.

As noted above, this increase can in part be attributed to greater detection of claimant error which means there is increased opportunity to recover overpayments due to fraud or failure to notify of change of circumstances. The total overpaid housing benefit identified through the work of the Compliance Team during the year 2015/2016 was £1.4million:

	£'000
FERIS	562
RTI	721
HBMS	65
NFI	32
Total 2015/16	1,380

New debt created in the year from 2015/16 rose by 18%. However, the levels of recovery have overall gone down slightly compared to previous years. Overall the recovery mechanisms are not keeping in step. The following charts show the trend over the period March 2013 to March 2015:

Chart 1: Doubling of outstanding overpayment

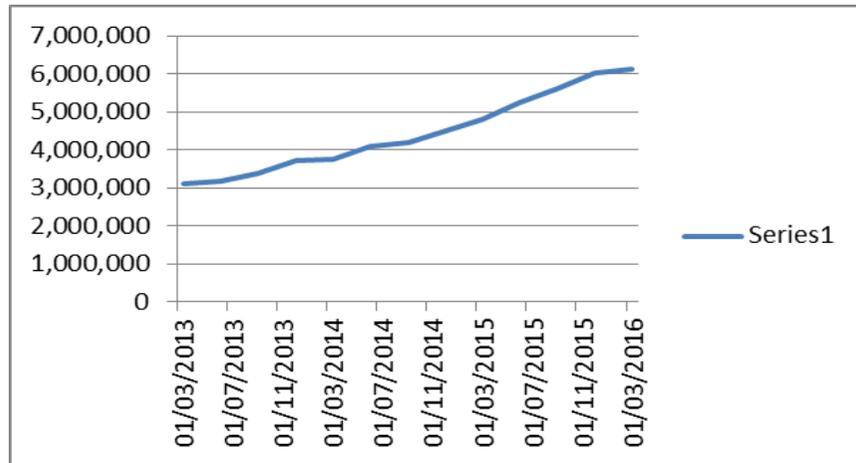
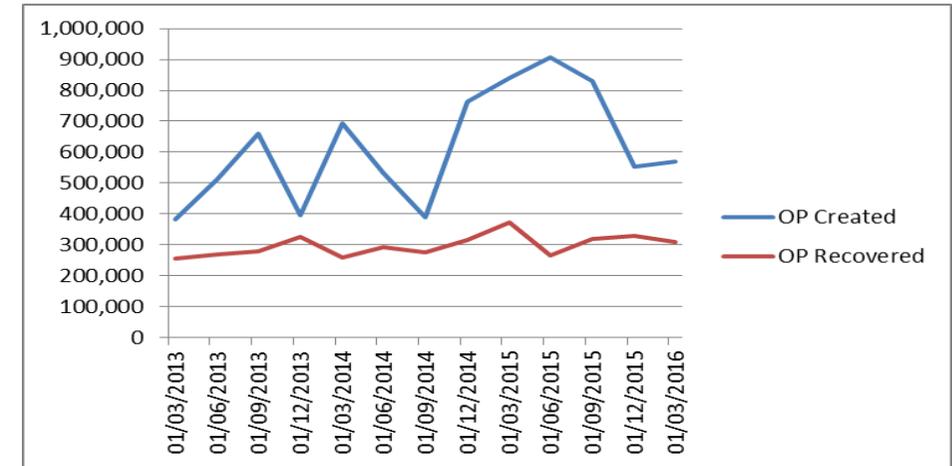


Chart 2: Overpayment created vs recovered



Processes for recovery of overpayment are different depending on the status of the claimant. If the claimant is still in receipt of benefits it will be deducted from ongoing benefit, amounts of deductions are set by legislation. This accounts for around £3million of the current total overpayments. If they are no longer in receipt of benefit, then the overpayment gets transferred to Finance who raise an invoice in T1 and recover in the same was as for sundry debt. The level of debt being recovered through T1 is £3.1million.

We selected the 10 highest overpayment debts, totalling £350k, being managed through T1 to establish whether there is current collection activity. All had activity during 2015/16. 7/10 had current payment arrangements that were being adhered to. The 3 others were in abeyance waiting for court proceedings. However, the payments were for £100 and below. So total monthly income for these 10 equate to around £500-600. For debts to be paid off at these rates it would take 20-30 years.

Bad debt provision

A provision has been made in the financial accounts to guard against the debts turning bad. This provision only relates to the £3.1million of overpayment debt that resides in T1 as sundry debtors. The level of debt was reviewed at the end of the 2015/16 financial year and the decision was made by the Finance Manager to increase the provision by £800,000, and is now £2.1million.

£2.3million of the overall debt is 8 months old or over and a provision of 75% of that has been set aside. In addition there are only collection arrangements in place for £400,000 of the £3.1million. On that basis it would appear that there is an inadequate provision for these types of debt.

Write offs of the debts that are not being collected from ongoing benefit have been rare during 2015/16.

Overpayment debt is significant and rising. Current recovery rates cannot match the levels at which new debt is added and so the outstanding amounts are likely to continue to increase, some debts are unlikely to ever be recovered in full. Housing benefit overpayments are particularly difficult to recover and require significant resource input.

Whilst the Council is not alone in facing the challenges of recovering housing benefit overpayments, consideration should be given to current levels of exposed debt, analysis of active vs static debt and the level of resource employed to collect it. Analysis of the return on investment of any additional resources deployed in this area should be undertaken.

** Data for Quarter 1 & 2 of 2015/16 (April 2015 to September 2015) Published: 23rd March 2016*

Risk

Significant write off of unrecoverable debt.

Potential money which is recoverable is not chased resulting in the Council not receiving all money that could have been recovered. But there is additional resource incurred in attempting to recover outstanding debts.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	A corporate debt review is due to commence in July 2016 and this will include a detailed review of processes and resources for debt recovery, including housing benefit overpayments.	Sarah Rodda Jeff Membery
	Adequacy of bad debt provision should be reviewed on a regular basis. Debts should be written off when recovery is deemed to be unlikely.	Tony Skeggs
		<i>Target date</i>
		TBC – on completion of the Debt Management review (estimated 3 rd / 4 th Quarter)

3. Quality Checks – Monitoring performance (Control Design)

Finding

The processes for quality checking housing benefit claims are set out in the “Revenues and Benefits Service – Checking Strategy”. Key aspects of the Checking Strategy include:

- Processing Team - Supervisors will check 1 piece of work processed by each of their team members everyday
- New Staff – Supervisors will undertake 100% check on the work of all new staff
- This equates to a 5% check of the overall through put of work.

The responsibility for the application of the strategy lies with Supervisors. There were four Supervisors during 2015/16, each of which having responsibility for around 3 staff. A central record (spreadsheet) is kept with the results of quality checks. This is used as a monitoring record and to inform decisions on individual training needs. We reviewed the summary spreadsheet and note that the Supervisors carried out approximately 2000 checks in total across the year and this included all officers involved with processing. Any errors identified were noted on the spreadsheet along with the date when the error was corrected.

There are a number of areas where measures could be improved to enable better monitoring of performance against the strategy:

- Level of checks - The central spreadsheet of checks records total numbers of checks but there isn't a running total of volume of claims processed to identify whether the 5% target is achieved. Guidance set out in HB/CTB Circular A6/2005 Appendix B requires a “*minimum 4% sample across a range of decisions on new claims, changes of circumstance amendments and overpayment calculations.....New claims within the 4% sample would attract a full check, for changes in circumstances within the 4% sample, the check covers the last user action or is a full check, if on the basis of risk the LA decides it is necessary.*”
- Accuracy - The Strategy doesn't specify any targets for accurate processing and the records that are held on the checks that occur are not collated into an overall accuracy statistic. We cannot determine whether the accuracy of processing for 2015/16 was at an acceptable level. Errors should be analysed between financial and procedural and error rates (i.e. number of errors per total checked) monitored. Financial errors pose the greatest risk as they could result in over or underpayment of benefit. In the checks performed to date.

The focus of checking should be on areas of greatest risk and the Council should consider trends and target areas with recurring issues regarding financial errors. Further monitoring of the level of financial error should be performed under the current testing regime and consideration given to monthly targets for financial accuracy.

<i>Risk</i>		
Assessors' work is inaccurate leading to inaccurate benefit claims and hence overpayment or underpayment of benefit.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Low	<p>For the Strategy to be effective as a measure of the processing accuracy of the service as a whole it should contain an overall accuracy target, from which the outcomes from the checks can be measured against. The accuracy should be collated and recorded on a monthly basis for the checking to have any meaning.</p> <p>The strategy should be updated annually and factor in the areas of most concern that have been identified during the previous year.</p> <p>The volume of checking required (the 5%) should be monitored against the volumes that are actually being checked.</p>	<p>Janet Forsdike/Deborah White</p> <hr/> <p><i>Target date</i></p> <p>End Dec 2016</p>

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	<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. The risk of the activity not achieving its objectives or outcomes is low.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
Reasonable Assurance	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.</p>
Limited Assurance	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are mostly medium and a few high risk / priority actions arising from the review.</p>
No Assurance	<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. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2. Terms of Reference

Control Objectives

This review will consider the adequacy and effectiveness of the following controls.

- **Parameters** – System parameters are accurate and security is in place that prevents inappropriate changes being made.
- **Quality Checks** – The Assessors work is subject to regular checks to ensure accuracy of processing.
- **Errors** - Processes are in place to proactively identify, report and monitor Claimant and Local Authority errors.
- **Processing Speed** – the output of work is routinely monitored.
- **Financial Reconciliations** – Are performed and reviewed on a timely basis. Reconciliations include where there are significant transactions flowing in or out of iWorld.
- **Overpayments** - Housing Benefit overpayments are identified in a timely manner and recovery action is put in place and monitored effectively.
- **Follow Up** - The review will include follow up of any prior years agreed recommendations.

Methodology

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes;
- Identify the key risks relating to Housing Benefits;
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls;