

# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	REVIEW OF WELFARE REFORM
AUDIT DATE	JANUARY 2016

2015/2016



## **1. BACKGROUND**

This report has been prepared as a result of the Internal Audit review of Welfare Reform within Customer Services Department as part of the 2015-16 Internal Audit programme.

The Welfare Reform Act 2012 introduced by the UK government, announced that the current rules for the size of accommodation that Housing Benefit will cover in the private rented sector will be applied to working age tenants renting in the social sector. From 1 April 2013 some Housing Benefit claims were affected by the changes. This is because the amount of Housing Benefit a claimant receives is based on the number of bedrooms that the government has decided the household needs for Housing Benefit purposes.

A Discretionary Housing Payment (DHP) is an additional sum of money that can be paid if the claimant is receiving housing benefit and require additional help to meet their housing costs. DHPs can be paid regularly along with Housing Benefit based on a weekly entitlement, or can be a lump sum, they may also be backdated.

In March 2013 the Council approved a policy for awarding DHP to claimants in receipt of Housing Benefit (HB) and who are deemed to be in high, medium or low levels of hardship. The policy was updated in August 2014 in line with direction from the Scottish Government to allow DHPs to be paid to all under-occupancy cases irrespective of whether they would otherwise be considered as high, medium or low priority and for this change to be backdated to 1 April 2014. All other cases continue to be subject to an assessment of hardship which includes a financial assessment.

A further policy update was approved at the Policy and Resources Committee in August 2015, which impacted the way that people in receipt of Disability Living Allowance (DLA) are assessed. Financial implications associated with this decision is that the budget for DHP is under increased pressure.

## **2. AUDIT SCOPE AND OBJECTIVES**

To review the Councils compliance with legislation regarding DHPs and the sustainability of current arrangements.

The scope of the audit included:

- Review of legislation, policies and procedures for DHP.
- Application of policy for DHP.

- Review of future planning arrangements to ensure sustainable levels of service.

### 3. RISKS CONSIDERED

Failure to comply with legislation and ensure resource is aligned to demand leading to reputational damage and possible financial implications.

### 4. AUDIT OPINION

The level of assurance given for this report is High.

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
<b>Substantial</b>	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Limited</b>	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
<b>Very Limited</b>	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 5. FINDINGS

The following findings were generated by the audit:

### Review of legislation, policies and procedures for DHP.

A review of policies, procedures and local guidance has provided assurance that they are available to staff in both electronic and hard copy formats. They contain clear instructions on how to assess applicant's claims for DHP, are up-to-date and in line with current legislative requirements. Staff are aware of their delegated responsibilities and claims are processed accordingly.

### Application of policy for Discretionary Housing Payment

From a population of 1,149 Discretionary Housing Payments, a sample of 57 (5%) was selected at random. All claims within the sample were reviewed for accuracy, timeliness and presence of additional evidence where required. All claims were all found to have been assessed and processed in line with guidance, policies and procedures. There was evidence of segregation of duties through the electronic workflow system with records and background documentation available both on Northgate Benefits System and Civica Document Management System.

Review of future planning arrangements to ensure sustainable levels of service.

Nationally, the Scottish Government made available £35m to fund Discretionary Housing Payments in 2014-15. Of this fund £15m was specifically made available to mitigate the spare room subsidy / bedroom tax with the same funding being made available in both 2015/16 and 2016/17.

In 2014-15, funding for Discretionary Housing Payments was apportioned to Local Authorities on the same basis as rural monies; this has meant that the Council was awarded more funding than required. Councils were permitted to carry the surplus forward into 2015-16 and additionally assist other welfare reform projects. Subsequent Scottish Government allocations have reduced in line with the overall apportionment of funds to local authorities.

The unspent fund balance of £138k for 2014-15 was carried forward into 2015-16 to assist additional welfare reform projects. As at December 2015, it is currently projected that a surplus of around £20k will be carried forward into 2016-17.

A robust monitoring process was evidenced as being in place. Spend activity and available remaining balances are reported to Policy Lead meetings and incorporated by the Council Leader in his reports to Council. The Departmental Management Team (DMT) and Strategic Management Team (SMT) are also provided with updates on a monthly basis. These reports also contain recommendations as to whether the Council should continue to support both high and medium hardship claims for the remainder of the financial year. These reports were found to have been submitted on a timely basis and accurately reflect the financial balances within the fund at the time of the writing.

Figures reported to SMT on 16 November 2015 were verified through analysis of spreadsheets used to maintain records of DHP awarded, refused and reconsidered. Scottish Government figures (2014-15 final and YTD as at 30 June 2015) quoted on SMT reports were evidenced as being accurate as per national reports with one minor exception. There was a small variance found in the carry-forward figure published by Scottish Government of £135,666 and that reported to SMT of £138,368, a difference of £2,702 (1.95%), this was considered immaterial.

The UK Government, Department for Work and Pensions (DWP) has increased the DHP budget to assist with the transition of welfare reforms and although payments are discretionary in nature, Local Authorities have a duty to act fairly, reasonably and consistently throughout the year. Through the robust monitoring of funds, the Council may recommend to stop medium hardship

payments and support only High priority needs should the balance begin to show strain, however, to cease payments altogether would require very good reason and potentially result in negative publicity and reputational damage.

The current level of DHP funding, and that of recent years, has been sufficient to fulfil claimant needs, however, in 2016-17 Universal Credit will be implemented in Argyll and Bute Council and a further reduction of the benefit cap at national level will place additional strain on DHP funds.

In Scotland, there is no cap on the total value of DHP that Local Authorities can pay to claimants, however, once DWP and Scottish Government funding has been exhausted, Local Authorities must turn to their own funds to top up their allocated contribution. Argyll and Bute council have no budget allocation for this and rely on surpluses from previous years and additional Government funding to fund any potential shortfall.

## **6. CONCLUSION**

This audit has provided a High level of assurance. There were no recommendations for improvement identified as part of the audit.

Thanks are due to the Head of Customer and Support Services and Revenues and Benefit management and staff for their co-operation and assistance during the Audit and the preparation of the report and action plan.



## Contact Details

Name Mhairi Weldon & Abbie Macalister

Address Whitegates, Lochgilphead, Argyll, PA31 8SY

Telephone 01546 604294 / 604272

Email [mhairi.weldon@argyll-bute.gov.uk](mailto:mhairi.weldon@argyll-bute.gov.uk) / [abbie.macalister@argyll-bute.gov.uk](mailto:abbie.macalister@argyll-bute.gov.uk)

[www.argyll-bute.gov.uk](http://www.argyll-bute.gov.uk)

*Argyll & Bute – Realising our potential together*

