

APPENDIX 1

REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD 1ST OCTOBER 2007 TO 31ST DECEMBER 2007

AUDIT PROJECTS

AUDIT REPORT

SUBJECT

08'006

Housing and Council Tax Benefits
(Performance Standards)

08'017

Payroll Testing

AUDIT REPORT 08'006

HOUSING AND COUNCIL TAX BENEFITS – PERFORMANCE STANDARDS

EXECUTIVE SUMMARY

The administration of the Housing Benefit and Council Tax Benefit systems is a major activity for the Council's Finance and I.C.T. Service, with in excess of £15 million paid out annually. Benefits Administration is also of key importance to Central Government, which places a duty on Councils to provide a high quality service to genuine claimants, whilst preventing and detecting fraudulent claims against the public purse.

In April 2002, the Department for Work and Pensions (DWP) together with the Benefit Fraud Inspectorate (BFI) published the Housing and Council Tax Performance Standards. Each Council was sent a copy of the Standards and encouraged to adopt them. The standards were comprehensive and challenging. In 2004 Ministers commissioned a further review, which resulted in a more streamlined set of Performance Standards for use in ensuring conformity with legislation and good practice. This audit has reviewed the Housing and Council Tax Benefits Service using the updated Performance Standards.

The Performance Standards assessment is made up of four modules i.e. Claims Administration, Security, User Focus and Resource Management. Completion of the process produces an overall score for each module, from "1", not meeting minimum requirements through to "4", excellent and achieving nearly all of the assessment criteria. The review found that overall the Authority is classified as "2", in that it is achieving the minimum performance requirements. This finding mirrors the level of performance that the service reported for the previous financial year.

The Service is making good progress within certain aspects of the service, most notably the "Security" module, dealing with fraud investigation and prevention. However there is still a need to formalise the agreements the Council has with other government agencies and to publicise certain aspects of the service e.g. take up of benefits. In addition further work is also required to set targets for the administration of overpayments and to ensure a consistent approach is taken in the recovery of overpayments for both private and council house properties. These latter issues have been reflected in the audit action plan and the service has given a commitment to addressing these during the next year.

ACTION PLAN

Para. Ref	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
3.2	Claims Administration				
3.2.1	Finance and ICT and Community Services should review practices for managing the recovery of benefit overpayments to ensure the most efficient and effective methods are adopted.	Asst Benefit Manager/ Benefit Support Officer	Yes	This project is dependent on software being compliant with the changes required. This has to be fully investigated and developed. However in the past 2 years (and ongoing) other software developments have taken and will continue to take priority within the team and with the software suppliers.	Mar 2009
3.2.2	Results from the management checks undertaken should be used as a basis for deciding future service training requirements.		Implemented	A training analysis has been formally added to the management checking process.	
3.2.3	Overpayments should be calculated within 14 days of receiving all the required information.	Processing Officer	Yes	Workflow processes will be formalised to ensure that overpayments can be identified and calculated as soon as all the supporting evidence has been received. However, it should be noted that payments are currently suspended upon receipt of claims with potential overpayments.	Jun 2008
3.2.4	Targets should be established to ensure that effective monitoring can be undertaken of all overpayments generated.	Asst Benefit Manager/ Appeals & Recovery Officer	Yes		Oct 2008

ACTION PLAN

Para. Ref	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
3.3	Security				
3.3.1	Procedural Guidelines should be developed to assist officers conducting interviews under the "Test of Fairness".	Snr Fraud Officer	Yes		Oct 2008
3.3.2	A Yearly Service Business Plan together with clear performance targets should be established. Performance should thereafter be monitored against these targets and regularly reported to Management/Members.	Benefits Manager / Snr Fraud Officer	Yes		Mar 2009
3.3.3	The Council should seek to sign a Fraud Partnership agreement with the DWP.	Snr Fraud Officer		Issues between Scottish LAs and DWP have prevented this from happening. Meetings being held to attempt to resolve issues.	
3.4	User Focus				
3.4.1	The Authority should work in partnership with other relevant organisations to encourage individuals to submit claims for Housing and Council Tax Benefit.		Implemented	Now have closer working with Housing Associations, Community Services, Pension Service and DWP etc. E.g. regular contact, meetings, SLAs, providing benefit staff on site, co-operating with data matching, providing information etc.	

ACTION PLAN

Para. Ref	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
3.4	User Focus				
3.4.2	Service Level Agreements specifying the respective responsibilities of the Council and the Appeals Service and the Rent Service should be prepared, agreed and signed off by the parties involved.	Benefit Manager	Yes		Mar 2009
3.5	Resource Management				
3.5.1	Business continuity arrangements should be documented as evidence that appropriate procedures have been considered, developed and tested.	Benefit Manager	Yes	Processes / procedures will be formalised as part of the Finance & ICT risk review.	Dec 2008
3.5.2	The service should consider benchmarking both cost and quality indicators with other Councils on a regular basis.	Benefit Manager	Yes	More bench marking is likely under the NOSLA (shared services)	Mar 2009

AUDIT REPORT 08'017

PAYROLL TESTING

EXECUTIVE SUMMARY

An audit was undertaken of key control elements within the Payroll system, as part of the audit coverage of core Council systems for 2007/08. This is a critical activity for the Council, involving the payment of salary and wages on an accurate and timely basis to approximately 5000 full-time and part-time staff.

The review has involved an examination of the adequacy of controls in place to ensure payroll amounts are correctly recorded and posted, gross pay and deductions are accurately calculated and wage payments are for the correct amounts. The audit coverage also included a review of the processes involved when an employee starts or leaves the Authority and of deductions from salaries e.g. union fees, charitable payments etc.

The review used the Chartered Institute of Public Finance and Accountancy (CIPFA), Systems Based Auditing Control Matrices to assess whether the internal controls are operating properly. CIPFA introduced Control Matrices to provide both Internal and External Auditors with a checklist of expected controls that should be operating within a system. The use of Control Matrices allows an audit to be more focused and also provides a level of coverage that enables the External Auditor to place reliance on the work of Internal Audit.

The only issue of note arising from the audit related to a need for the Payroll System to be updated with the current details of the correct Budget Manager for each Cost Centre. However, it has to be noted that this field is under development (Service Improvement Plan Action – Management Reporting) and is not actively being used at the moment as reference is made directly to the Authorisation System. The Payments and ICT Sections are intending to update the Payroll System through developing a link with the Authorisation System that will allow any change in Budget Manager details to be updated electronically.

The audit found that assurance could be given on the robustness of the controls in place within the areas checked. Key control objectives are being met with satisfactory policies and procedures in place.