

Final Internal Audit Report

Discretionary Housing Payments and other Discretionary Payments

September 2018

Distribution: Director of Residents and Gateway Services
 Head of Enablement and Welfare
 Enablement Service Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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1. Introduction

- 1.1 The discretionary support fund consists of two different funds to support customers who are in financial hardship. These are:
 - Discretionary housing payments (DHP); and
 - Croydon discretionary support (CDS).
- 1.2 DHPs, which come from a fund that is limited by central government, can help with shortfalls in rent, advance rent / deposits and removal costs. If a DHP is awarded, it should only be for a short period of time with customers developing an action plan to work towards an affordable long term solution.
- 1.3 CDS is a Council run scheme that was created to help low income families on benefits or people faced by an exceptional emergency. Support is awarded to keep families together or address a crisis, such as lack of food or housing.
- 1.4 Croydon's DHP award from Government for 2017/18 was £1,761k topped up by £500k from the Housing Revenue Account (HRA) account to give a budget of £2,261k, which was less than the spend forecast. The Deputy Leader and Cabinet Member for Homes, Regeneration and Planning wrote to the Secretary of State for Work and Pensions on 8 November 2017 asking that Council's government award be increased. The outturn for 2017/18 was £2,746k.
- 1.5 This audit is part of the agreed Internal Audit Plan for 2018/19.

2. Key Issues / Rationale

Priority 2 Recommendation

Examination of an extract of DHP payments identified some duplicate payments (**Issue 2**).

The Priority 3 findings are detailed under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 3: Duplicate Payments		Detailed Finding/Rationale – Issue 1
Priority	Action Proposed by Management	
2	<p>1. This was a system error that has now been fixed. We have tested this recently and all payments have been showing.</p> <p>2. A change of process in place where only one officer does manual HRA payments. We are also meeting governance in September 2018, about including a code for HRA payments, so we can use DHP screens and not have to do manual adjustments. This would remove this type of error ever occurring.</p> <p>This is where an officer has used the wrong code on a drop down menu, but we have now changed to ongoing from the drop down, but the right amount of money has been paid out throughout, just a coding issue. A reminder to staff will be</p>	<p>Payment checks, performed by the manager responsible for Discretionary Housing Payments and CDS, facilitates the identification of multiple one-off payments made to the same individual and investigation to ensure that the payments are reasonable / in line with the Borough's objectives for the Discretionary Payments service.</p> <p>Discussion established that the payment file will show any duplicate payments, and that the officer carrying out the payment file would question multiple awards. There is no further process in place to detect duplicates.</p> <p>An extract of DHP payments for both housing benefits and universal credit claimants was obtained and examined. This identified:</p> <ul style="list-style-type: none"> - Some identical payments on the same day to the same payee, as follows: <ul style="list-style-type: none"> o 2 May 2018 payments for £128.70: Discussion established that payment had been made twice due to an error with the system and that this duplicate payment was now being refunded back into the DHP fund. o 12 June 2018 payments for £3,046.03: Discussion established that these were HRA Payments agreed by the Housing department and only administered by the discretionary payments team. - Payments of £374.00 on 30 April, 11 and 30 May 2018, which each had the description 'one off arrears payment'. Discussion establish that this was an error and should have been an ongoing payment rather than a one-off. - Payments are recorded by person, not by property and thus there could possibly be duplicate claims for the same address.

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	<p>given on this case and the above two, at the team meeting on 17th September.</p>	<p>Where payment duplication to the same individual is not identified and investigated, there is a risk that fraudulent payments will be made to individuals. This may lead to financial loss for the Council where the overpaid funds cannot be recovered.</p>
<p>Responsible officer Enablement Discretionary Manager</p>	<p>Deadline 17 September 2018</p>	

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4. Priority 3 Issues

Action Proposed by Management	Findings
<p>Have added version and document control to both the CDS and DHP Policy and both have been authorised by Director of Gateway. These documents will be reviewed each March, to ensure up to date and ready for each financial year moving forward.</p>	<p>Policies and procedures provide staff with guidance on the process for completing tasks, to ensure they abide by regulations as well as the requirements of the Council and management. These should be regularly reviewed to ensure these fit current procedures and law.</p> <p>A DHP Simplified Guide is in place, dated April 2016, which is a very clear and comprehensive document. Various guidance is also in place concerning CDS:</p> <ul style="list-style-type: none"> • A CDS Policy dated April 2017. • A CDS guidance document which is undated and seems old (it may be the predecessor of the above policy). • A CDS Checklist which is also undated, but provides a useful summary of documentation required. <p>However, it was not possible to determine who had prepared these documents, whether these had been checked or authorised or whether these had been reviewed / were planned to be reviewed.</p> <p>It was also noted that the Council is considering a different approach to CDS funding, involving repayable loans, to ensure that it can maximise support for residents in need, at which point, the policies for CDS will need to be amended</p> <p>Where policies and procedures are not approved or up-to-date, there is a risk that staff will not comply with the requirements expected by the Council or legislation. This could lead to reputational damage where legislation is breached or a service user is negatively affected as a result of non-compliance.</p>
<p>PIAs have now been signed off by Information Management, so are live documents and no longer in draft. Stored in SharePoint.</p>	<p>The Data Protection Act 2018 (DPA 2018) places more emphasis on transparency, accountability and record keeping and will introduce a number of changes that will affect Discretionary Payments. Preparing for these changes ensures that the Council will be fully compliant.</p>

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<p>All current residents we are working with have signed consent forms. Stored in document management system.</p>	<p>A number of actions were noted as being in progress and taking time, and therefore not completed at the time of the audit. These included the following:</p> <ul style="list-style-type: none">• Consent forms are being signed by all new resident cases. A project team was being set up to contact all existing resident cases.• Privacy Impact Assessments were in draft format. <p>Where all required actions under DPA 2018 are not completed, there is a risk that the Service may be non-compliant and liable for fines from the Information Commissioners Office.</p>
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TERMS OF REFERENCE

DISCRETIONARY HOUSING PAYMENTS AND OTHER DISCRETIONARY PAYMENTS

1. INTRODUCTION

- 1.1 The discretionary support fund consists of two different funds to support customers who are in financial hardship. These are:
 - Discretionary housing payments (DHP); and
 - Croydon discretionary support (CDS).
- 1.2 Discretionary housing payments, which come from a fund that is limited by central government, can help with shortfalls in rent, advance rent / deposits and removal costs. If a DHP is awarded, it should only be for a short period of time with customers developing an action plan to work towards an affordable long term solution.
- 1.3 CDS is a Council run scheme that was created to help low income families on benefits or people faced by an exceptional emergency. Support is awarded to keep families together or address a crisis, such as lack of food or housing.
- 1.4 This audit is part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes in Energy Recharges.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls; and
 - Report on these accordingly.

3. SCOPE





3.1 This audit included the following areas:

Audit Area	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	0	2
Receipt and Assessment of Applications	0	0	0
Payments	0	1	0
Budgetary Control	0	0	0
Management Review.	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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