

REPORT OF DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR FOR  
RESOURCES

**INTERNAL AUDIT REPORTS SELECTED FOR EXAMINATION**

**1 PURPOSE OF REPORT**

This report presents the Internal Audit reports selected for detailed examination at the June 2010 meeting. The Audit Committee is required to appraise the quality and scope of these pieces of Internal Audit work and take steps to determine whether the action taken by the audited service has been sufficiently robust and prompt in response to the audit findings. Colleagues from both Internal Audit and the reviewed service will be present at the meeting to assist the Committee with this activity.

**2 RECOMMENDATIONS**

To critically appraise the Internal Audit reports at **Appendix A** (Pensions 2009/10) and **Appendix B** (Housing Benefits) to:

- determine whether the audit work was of an appropriate quality and scope;
- determine whether the service response was sufficient robust and prompt;
- make any further observations and/or comments considered relevant;
- determine any further action.

**3 REASONS FOR CONSIDERATION**

The critical appraisal of selected Internal Audit reports is an important aspect of the Audit Committee's governance work. This helps the Committee to fulfil its responsibility to receive reports on the work undertaken by Internal Audit and to monitor its performance. In doing this, the Committee is testing the robustness of and contributing to the organisation's audit and other governance arrangements. This also aids development of a deep understanding of the Council's internal control environment and Internal Audit working practices. Issues to consider are:

- how the audit was selected – for example the risk assessment, the potential for fraud, previous track record of the service, frequency of the audit;
- whether the audit coverage was appropriate, adequate and correctly focussed;
- the time spent on the audit against the outcomes and findings;
- the quality of the Internal Audit report;
- the actual findings and the impact on the service and the Council overall;

- the service's response to the audit recommendations;
- the speed and robustness of the actions taken to address the recommendations;
- whether there are any learning points or principles that could be applied in future audit or governance work.

The above list is illustrative only and the Committee is at liberty to explore other governance issues.

#### **4 OVERVIEW OF WORK UNDERTAKEN**

**Appendix A** is a final report issued in January 2010 focussing on Pensions 2009/10. An outline of the audit work and a summary of the key issues are set out in **Table A**.

<b>TABLE A – Final Audit Report – Pensions 2009/10</b>	
<b>Reason for audit</b>	
The review was completed as part of the Audit Plan for 2009/10. The objective was to seek assurance that the Council has a sound overall approach to the administration and management of employee and employer pension contributions. The Head of Strategic Financial Planning & Management had also asked for Internal Audit to review the accuracy of the FRIS 17 declaration included in the Council's accounts, and the Pensions Team Leader had requested a review of the arrangements to advise the scheme of in-year changes of hours and end of year variations to hours worked.	
<b>Assurance level:</b>	High
<b>Key findings</b>	
<ul style="list-style-type: none"> <li>• Calculations of both employer and employee contributions were accurate</li> <li>• A sound process was applied to accumulating and paying over the contributions to the various scheme providers.</li> <li>• In-year hour changes had not been routinely advised to the County. This had implications in the way that service was calculated for pension purposes.</li> <li>• A series of checks and reviews have been put in place to help provide assurance that all pension scheme FRIS17 declarations are soundly based and accurately stated.</li> <li>• The reporting to the County of end of year average hours had not taken place for three years. There was also some doubt over the accuracy of this data as it relied on the accurate maintenance of payroll information.</li> <li>• The County produces an end of year report that shows contributors whose pensionable pay, calculated from their actual contributions, varies by more than 25% more or 10% less than last year. The queries produced by this</li> </ul>	

report were passed to the pensions section for review. The pensions section was working through 1,100 queries produced from the 2007/08 report.

- The routine production of annual individual pension statements was not taking place due to concerns over their accuracy.
- The offering of the use of online access for individuals to obtain quotations etc. direct from the LGPS website was being delayed. This was due to concerns over the accuracy of the information held and the results this may given to individuals.
- In 2010 a three-year actuarial review of the LGPS fund was to be undertaken using the data held on the County's pension system to April 2010. A major outcome of the review was to recommend future employer contribution rates for the scheme. The various factors outlined above could have an impacted on the calculation of these rates. With the Council's contribution to the LGPS scheme in 2008/09 totalling £25.8m the effect of a change in the employer contribution rate was a significant financial consideration and the need for accuracy was very important.

#### **Recommendations**

<b>Total:</b>	5	<b>High Priority:</b>	5	<b>Medium Priority:</b>	0
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#### **Time taken**

<b>Actual days:</b>	26.3	<b>Planned days:</b>	25
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The difference between actual days and planned days was because the original planned time was an estimate and the scope of the audit was increased to include accuracy of the FRIS 17 declaration included in the Council's accounts.

There was also some delay in management agreeing an action plan as part of the final report which affected the time required to be allocated over this process by the Audit Manager.

#### **Implementation of recommendations**

The ownership of Internal Audit recommendations is the responsibility of the auditees. However, Internal Audit will also follow up the recommendations as part of the pensions audit in 2010/11.

**Appendix B** is a final report issued in February 2010 focussing on Housing Benefits 2009/10. An outline of the audit work and a summary of the key issues are set out in **Table B**.

<b>TABLE B – Final Audit Report – Housing Benefits 2009/10</b>	
<b>Reason for audit</b>	
The review was completed as part of the Audit Plan for 2009/10. The objective was to seek assurance that the Council has a sound overall approach to the administration and management of Housing and Council Tax Benefits. The subject was also considered high risk by Internal Audit as the service was in the process of going through a merger and a fundamental change of processes through a systems thinking review.	
<b>Assurance level:</b>	Limited
<b>Key findings</b>	
<ul style="list-style-type: none"><li>• Reconciliations between systems were accurate and were up to date with the exception of returned rent allowances.</li><li>• The benefits system and parameters were updated satisfactorily.</li><li>• Access to the benefits system was well-controlled with the exception of notification of leavers, long term sick, maternity, secondments and career breaks.</li><li>• Rents Service referrals were all input accurately.</li><li>• Controls over the investigation of benefit fraud operate satisfactorily with the exception of supervisory review of cases which had been newly reintroduced.</li><li>• The Systems Thinking review had not addressed quality assurance as a means to add value to the customer and management.</li><li>• Quality testing for accuracy of processing had virtually ceased during the implementation of the Systems Thinking way of working. Previous Internal Audit reports had criticised low levels of quality testing.</li><li>• The service's checking of data processed by the Council's contractor Mouchel in the period April-November 2009 was limited to six claims checked in May 2009.</li><li>• Intervention visit lists had not been produced since April 2009.</li><li>• High value BACS payments were not subject to a residency check as high value cheque payments were. The result of residence checks was not consistently updated promptly on the cheques database.</li><li>• Acceptance testing of the accuracy of payments on a payment run was at too low a sample level to be effective or on occasions was not applied.</li><li>• Overpayment classification errors in the housing benefit subsidy claim, identified by the Audit Commission, might reduce the amount of subsidy awarded.</li></ul>	

- Part of the subsidy claimed was for overpayments where there was Local Authority Error (LAE). Subsidy awarded for this would fall sharply below that estimated in the claim if the LAE level reached £616,135 and would fall to nil if the level reached £693,152.
- 25% of the overpayments in the sample tested showed failure to follow the procedure laid down resulting in overpayment classification errors. There was no management check of overpayment classification.
- Internal Audit's testing of calculations identified that 45% of the sample had financial errors and a further 25% included procedural errors.

Benefit recovery processes had not been reviewed and the recovery timetable was lengthy and did not make use of relationships and knowledge within the assessment teams or negotiate recovery promptly.

### Recommendations

<b>Total:</b>	17	<b>High Priority:</b>	4	<b>Medium Priority:</b>	4
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### Time taken

<b>Actual days:</b>	45	<b>Planned days:</b>	45
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### Implementation of recommendations

The ownership of Internal Audit recommendations is the responsibility of the auditees. However, Internal Audit will also follow up the recommendations as part of the Benefits audit in 2010/11.

#### 5. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

#### 6. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Minutes and report from the Audit Committee dated 5<sup>th</sup> February 2010.

Carole Mills-Evans  
Deputy Chief Executive & Corporate Director for Resources

#### Author and contact colleague

Shail Shah

Head of Internal Audit

( 0115-8764245

\* [shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)

# Final Audit Report. Pensions 2009/10.

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<b>Issue Date:</b>	4/1/2010.	
<b>Issued to:</b>	Heather Drummond.	Head of HR Shared Services.
	Mick Evans.	Head of Payroll & Payment Services.
	Andy Cross.	Pensions Team Leader.
	Jeff Abbott.	Chief Accountant.
<b>Copied to:</b>	T Kirkham.	Director Financial Planning & Management.

<b>Contact Details:</b>			
Head of Internal Audit.	Shail Shah.	54050	
Audit Manager.	Mick Ahern.	54853	
Auditor.	Chris Ellis.	54182	

# 1 Executive Summary

- 1.1 Internal Audit have reviewed the operation of the pensions section as part of the 2009/10 Internal Audit Plan.
- 1.2 The audit checked the accuracy of employee and employer contributions, ensuring that the correct contribution level was being applied for members of the LGPS scheme. The results of this testing showed that accurate contributions are being calculated.
- 1.3 The audit also found that a sound process is applied to accumulating and paying over the contributions to the various scheme providers.
- 1.4 At the request of the Pensions Team Leader the arrangements for advising in year hour changes and end of year variations in hours worked to the pension scheme were reviewed. This has revealed that:
  - § In year hour changes have not been routinely advised to the County. This has implications in the way that service is calculated for pension purposes.
  - § The reporting of end of year average hours worked to the County has not taken place for three years. There is also some doubt over the accuracy of this data as it relies on the accurate maintenance of payroll information.
  - § The County produce an end of year report that shows contributors whose pensionable pay, calculated from their actual contributions, varies by more than 25% more or 10% less than last year. The queries produced by this report are passed to the pensions section for review. The pension section is currently working through 1100 queries produced from the 2007/08 report.
- 1.5 The Head of Strategic Financial Planning & Management asked for the audit to include a review of the processes put in place to ensure the accuracy of the FRIS17 declaration included in the accounts of the Council. The review has shown that the processes put in place should ensure that the FRIS17 declaration is accurately based and subject to appropriate review arrangements prior to inclusion in the final accounts for 2008/09.
- 1.6 It should be noted that in 2010 a three year actuarial review of the LGPS fund is to be undertaken. This will use the data held on the Counties pension system to April 2010. A major outcome of the review will be to recommend future employer contribution rates for the scheme. The various factors outlined above could have an impact on the calculation of these rates. With the Councils contribution to the LGPS scheme in 2008/09 totalling £25.8M the effect of a change in the

employer contribution rate is a significant financial consideration and the need for accuracy is very important.

## Opinion

- 1.7 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief and is subject to the scope set out in the Scope and Approach section of this report. We are able to give **High Assurance** on the operation of the controls over the pension contributions and their payment to the relevant pension providers.
- 1.8 It is considered that the situation in respect of the service and earnings information being communicated to the County in respect of the LGPS scheme and its impact on the provision of pension benefit statements does require **urgent** action by management to resolve.



## 2 Introduction

- 2.1 There are several pension schemes available to City Council staff. New employees are generally automatically made scheme members of the appropriate fund, contributions are then deducted automatically from their pay as part of the routine payroll processing.
- 2.2 The Local Government Pension Scheme (LGPS) has several employee contribution rates dependant on salary level. The Teachers and Members schemes have fixed member contribution rates. Contributions to Additional Voluntary Schemes are calculated for individuals by the providers.
- 2.3 Pension fund member's contributions are reported, after each payroll run, on a pensions analysis report. The total pension deduction is supported in the gross to net reconciliation. The pension analysis reports are then summarised on a spreadsheet and these form the basis of the pay over to the pension fund provider.
- 2.4 In addition, as employers, the City Council make a set % contribution to the appropriate pension scheme. This is calculated during payroll processing, reported on the pension analysis reports and summarised on a spreadsheet for inclusion in the pay over to the pension fund provider.
- 2.5 The County Council operate the LGPS scheme on behalf of the member Councils. They administer the fund and make pension payments to members after these come into payment. They receive advice of new starters, leavers and retirees. They also receive year end details of contributions and hours worked etc.
- 2.6 It is estimated that the total pension contributions for 2008/09 will total around £50 million across the six payrolls currently operated by the City Council.

## 3 Scope and Approach

- 3.1 This audit covered the following aspects of operation of the Pension and related Payroll processes:
  - § The review of the controls and processes in place to ensure that employee and employer pension contributions are being accurately calculated and are in accordance with current scheme rates, across all payrolls.
  - § The review of the summarisation process for employee and employer pension contributions for payment to the relevant pension scheme. This included ensuring that the contributions were paid over on a timely basis.

- § The reporting of in year changes in hours to the County and the end of year reporting of actual pensionable pay. The review looked at the effect of the above on the provision of pension forecasts.
  - § The review of the arrangements put in place to ensure an accurate FRIS17 statement is included in the final accounts presented to external audit.
- 3.2 The audit was undertaken by establishing and reviewing the systems and procedures in place. These were evaluated against the key controls expected to be present in the payroll and pensions systems and processes.
  - 3.3 Substantive testing was undertaken on a sample of employee and employer contributions extracted with the assistance of the ICT Project Team. The testing covered all payrolls and all pension schemes. Samples were chosen to include the various employee contribution rates for the LGPS scheme and various employee types so that all elements of pensionable earnings were covered.
  - 3.4 Review of the reporting of in year hour changes and the end of year reporting of pensionable pay totals was carried out by discussion.
  - 3.5 The arrangements put in place to ensure the accuracy of the FRIS17 declaration covering the provision of data to the actuary, its return and review, were obtained and discussed with the appropriate accounting staff.

## **4 Responsibilities**

- 4.1 Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested.
- 4.2 Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.
- 4.3 The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary. As a consequence we provide details of each final audit report issued and the recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken
- 4.4 Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

## 5 Summary of Findings

### 5.1 Follow-up of Previous Recommendations.

5.1.1 In previous audits the lack of a Service Level Agreement (SLA) with the County was reported. The need to establish an agreement was recommended and agreed to in the action plan. Outstanding recommendations are now followed up on a six monthly basis and are reported to the Audit Committee. The outstanding recommendation in respect of the SLA will be followed up through the above six monthly review process.

### 5.2 Employee & Employer Contributions.

5.2.1 Employee contribution levels are set each year by the pension scheme. These are entered onto the system and are then applied to pensionable earnings to calculate the contribution as part of payroll processing. Employee pension contribution rates for all schemes were supported and accurately held on the payroll system.

5.2.2 Testing of a sample of employee pension contributions showed that the correct contribution level had been applied to all pensionable elements of pay and the contributions were accurately calculated by the payroll.

5.2.3 Employer contribution rates for the LGPS are advised by the County Council after each actuarial valuation. Other schemes advise the level of employer contribution to be applied. The contribution rates are then set up on the payroll system and the employer contributions are calculated by the payroll.

5.2.4 Testing of a sample of employer pension contributions showed that the correct contribution had been applied and the contributions were accurately calculated by the payroll.

### 5.3 Payments to Pension Funds.

5.3.1 At month ends a process is undertaken by the payroll technical team to summarise both employee and employer pension contributions reported on each payrolls "Pensions Analysis Report" to arrive at the monthly total of contributions for each pension fund provider. This process now includes the audit recommendation to recalculate the contribution by application of the contribution rate to the pensionable earnings. Any differences outside of the tolerance are investigated and reviewed and agreed to manual adjustments. The total contributions for each pension scheme are then paid over to the provider in accordance with an agreed timescale.

5.3.2 The summarisation process for the month of April 2009 was agreed to the supporting Pensions Analysis Report for each payroll. The total employees' contributions for each payroll were also agreed to the gross to net reconciliation reports. Payments to the individual pension

providers were agreed to the summaries. Payments were also found to have been appropriately authorised and to have been made in a timely manner as required by the pensioner providers.

#### 5.4 In Year Hour Changes & End of Year Earnings Reporting.

- 5.4.1 The routine reporting of in year changes in individuals contracted hours to the County has not taken place for a considerable period. The reason given for this is that there is no process for this automatically available from the payroll. This means that the periods of pensionable service held by the County could be inaccurate. This could lead to inaccurate quotations being provided or possibly inaccurate pensions being paid to employees.
- 5.4.2 Where employees work less than the full hours in a position then service for each year for pension purposes is calculated on the basis of the proportion of hours worked against those for a full time post. If changes in hours are not being communicated then incorrect service records will be held.
- 5.4.3 There is an annual report produced from the payroll that provides the average hours worked in the year for all employees. However the basis used to calculate the average hours may not reflect those actually being paid, particularly for those employees using timesheets. As a result the report has not been passed to the County for the last three years. The report also shows all employees and not just those having a change in their average hours.
- 5.4.4 The Counties pension system does report, on an annual basis, those employees where pensionable pay, recalculated from contributions paid, varies against the previous years by 25% more or 10% less. The pension's team are currently working through 1100 queries relating to 2007/08 capacity of the pension section to check the large number of employees reported through this process is challenged.
- 5.4.5 To some degree the County refer pension calculations for retirees, leavers and quotation requests to the pension team prior to advising the member. However this does not apply to every case.
- 5.4.6 Arising from the above, concerns over the accuracy of the information held are the main reasons that individual annual pension statements have not been issued covering the 2006/07 financial year in January 2008.
- 5.4.7 In the future the County is looking to provide pension scheme members with on-line access to their pension information and facilities to obtain pension quotations. This will require information to be accurate and up to date. The situations outlined above could lead to delay in our employees having access to this facility, or if implemented employees being provided with inaccurate information.

## 5.5 FRIS17 Declaration.

- 5.5.1 In support of their annual accounts each employer requires the production of a FRIS17 disclosure to support balance sheet entries and funding status disclosures in respect of their pension schemes. The disclosure produced for the LGPS scheme for the 2007/08 accounts was revised by the actuaries at quite a late stage necessitating changes being made to the accounts submitted for audit.
- 5.5.2 New actuaries were employed to provide the FRIS17 disclosure for use in the 2008/09 accounts currently being finalised. A series of checks and reviews have been put in place to help provide assurance that all pension scheme FRIS17 declarations are soundly based and accurately stated. The processes were reviewed and are considered to be robust and they should support the production of accurate and timely final accounts.

## 6 Action Plan

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
<b>6.1</b>	<b>In Year Hour Changes &amp; End of Year Earnings Reporting.</b>				
6.1.1	<p>Changes in contracted hours are not routinely advised to the County.</p> <p><b>Risk.</b> Changes in hours should be accurately reflected in service records held by the County. Failure to have accurate records may lead to inaccurate pension quotations and payments being made.</p>	A means of identifying and reporting changes in contracted hours to the County needs to be established. This should preferably be by data transfer in a format agreed with the County and with the assistance of IT.	High	<p>A plan has been drafted to ensure all hours changes are brought up to date.</p> <p>Subsequently discussions will take place with County to enable direct hours change inputting subject to IT facilitation.</p>	<p>Pensions Manager.</p> <p>June 2010.</p>
6.1.2	<p>The reporting of average hours worked to the County has not been undertaken for the last three years. There is doubt over the accuracy of the information held, particularly for employees submitting timesheets. The current report also includes all contributors rather than reporting those with changes in average hours.</p> <p><b>Risk.</b> Changes in hours should be accurately reflected in service records held by the County. Failure to have accurate records may lead to inaccurate pension quotations and payments being made.</p>	This area needs to be reviewed in conjunction with IT and a sound method of reporting average hours needs to be devised.	High	Actions are contained within the plan described above to enable direct inputting to County's database of all changes to hours.	<p>Pensions Manager.</p> <p>June 2010.</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
6.1.3	<p>The review of queries raised by the County in respect of pensionable pay recalculated from contributions and compared to the previous years pay is in arrears.</p> <p><b>Risk.</b> Changes in hours should be accurately reflected in service records held by the County. Failure to have accurate records may lead to inaccurate pension quotations and payments being made.</p>	The capacity of the pension section to deal with these queries, in a reasonable timescale, should be reviewed.	High	<p>Resolution will be brought about by action plan previously mentioned.</p> <p>Liaison to take place with HR Administration to ensure correct inputting.</p>	<p>Pensions Manager. August 2010.</p> <p>Payroll Manager. February 2010.</p>
6.1.4	<p>The routine production of annual individual pension statements is not taking place due to concerns over their accuracy.</p> <p><b>Risk.</b> Changes in hours should be accurately reflected in service records held by the County. Failure to have accurate records may lead to inaccurate pension quotations and payments being made.</p>	Arrangements to ensure the production of accurate and timely individual annual pension statements need to be devised and introduced.	High	Linked with previous	

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
6.1.5	<p>The offering of the use of online access for individuals to obtain quotations etc direct from the LGPS website is being delayed. This is due to concerns over the accuracy of the information held and the results this may provide to the individuals.</p> <p><b>Risk.</b> Changes in hours should be accurately reflected in service records held by the County. Failure to have accurate records may lead to inaccurate pension quotations and payments being made.</p>	<p>Arrangements to ensure that accurate data is provided to the County should be made. This should then allow the progression of the project to allow individuals to have on-line access to accurate pension quotations etc.</p>	High	<p>The outcome of the action plan and updating of information will be timely for employees to have direct access once the County Pensions Office have implemented the system.</p>	<p>Not in our gift to apply timescales.</p> <p>Pensions Manager will oversee.</p>

Signed..... Date.....  
(3<sup>rd</sup> tier manager or above)



## Glossary of Terms

### Levels of Assurance

We use four categories to classify internal audit assurance over the processes examined, these are defined as follows:

<b>High Assurance</b>	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
<b>Significant Assurance</b>	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
<b>Limited Assurance</b>	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
<b>No Assurance</b>	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

### Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

<b>High Priority</b>	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
<b>Medium Priority</b>	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
<b>Low Priority</b>	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

## Final Audit Report Housing Benefits Resources

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<b>Document title:</b>	final audit report - housing benefits 12feb2010	
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<b>Issued to:</b>	Tony Kirkham	Director of Strategic Finance
<b>Copied to:</b>	Lisa Black	Head of Contact Centre & Welfare Rights
	Bev Angell	Head of Finance, Adult Support & Health

Contact Details:		
Head of Internal Audit	Shail Shah	Ext 54050
Audit Manager	Mick Ahern	Ext 54xxx
Senior Auditor	John Slater	Ext 54043

# 1 Executive Summary

- 1.9 Housing Benefits is one of the City Council's key systems and as such is reviewed annually by Internal Audit. For 2008/9 the Council claimed subsidy for Housing and Council Tax Benefit of £133m including £3.3m towards the administration of the service.
- 1.10 The following areas were mainly satisfactory
- Reconciliations between systems were accurate and were up to date with the exception of returned rent allowances.
  - The benefits system and parameters were updated under control. Updates tested were in line with circulars received, and System Support team tested updates to ensure their effect was as expected.
  - Access to the benefits system was well-controlled with the exception of notification of leavers, long term sick, maternity, secondments and career breaks.
  - Rents Service referrals were all input accurately.
  - Controls over the investigation of benefit fraud operate satisfactorily with the exception of supervisory review of cases which was newly reintroduced at the time of audit and therefore had not operated for most of the sample tested.
  - Payment by BACS has been increased and is over 75% for claimants, efforts should be continue to maintain and improve this level.
- 1.11 The Housing Benefits, Council Tax and Contact Centre teams have been merging on a phased basis since October 2008 and the merger was fully rolled in by December 2009 as part of a 'Systems Thinking' service review. The methodology used focuses on processes that add value from the customer's perspective and is intended to embed quality in to the work. This has meant over the course of implementation that quality assurance checks have not been prioritised.
- 1.12 The 'Systems Thinking' methodology has not addressed quality assurance e.g. confirming benefit assessments are correct before making payments. This would add value to the customer by ensuring that benefit paid is right. Also quality assessment adds value by helping managers understand where the system is not working as planned; enabling managers to seek understanding of what is driving errors.
- 1.13 This report does not criticise the use of 'Systems Thinking' as a methodology for delivering continuous improvement and embedding quality into the work. It does, however, suggest that the implementation of the service review would have benefited from a higher level of

quality assurance, to develop confidence that quality was embedded in the change being implemented.

- 1.14 Quality testing for accuracy of processing (carried out by the Training & Support team) has virtually ceased during the phased implementation of the 'Systems Thinking' way of working. Our previous reports have criticised low levels of quality testing. The Audit Commission consider quality testing to be a key control. The Training & Support Team has been used extensively for supporting staff in developing their knowledge to support the new way of working, and in supporting some key areas of work that have built up during this implementation. For example; mismatches in benefit households and single person discounts.
- 1.15 A random sample of 6 LHA claims was checked in May 09 but no other checking of data processed by Mouchel had been carried out in 2009-10 up to Nov 09 – the Audit Commission consider control over processing of data by external processors to be a key control.
- 1.16 Intervention visit lists were last produced in April 2009 – these visits are considered a key control by the Audit Commission, but are no longer statutory. Intervention visits as an indicator set for the Audit Commission were replaced in April 2009. Managers' focus during 2009/2010 has been to embed the new system design and redefine the role of the visitor in line with the reorganisation.
- 1.17 High value cheques to claimants are subject to residency checks prior to release but high value BACS payments are not (on average BACS payments form at least 75% by number of payments to claimants) - periodic hand delivery of rent allowance cheques independent of benefit assessors is considered a key control by the Audit Commission the most effective part of which is the residency check.
- 1.18 Acceptance testing of the accuracy of a sample of payments for each run is carried out at levels too low to be effective and on some occasions there is no such testing – acceptance testing for payments forms part of what is considered a key control by the Audit Commission.
- 1.19 The Audit Commission identified overpayment classification errors in the subsidy claim which may reduce the amount paid depending upon the Department for Work and Pensions decision.

1.20 We have copies of the last 2 claims – it seems that we normally expect to receive 100% subsidy on Local Authority (LA) Error overpayments as the value claimed falls below the threshold set by government. For 2008-9 we claimed £0.5m LA Error but would receive no subsidy if the figure exceeded £0.7m.

	Up to Lower Threshold	Between Lower and Upper Threshold	Above Upper Threshold
£x LA Error calculated on claim	Between £nil and £616,134	Between £616,135 and £693,151	Over £693,151
LA Error Subsidy (%)	100%	40%	nil
Loss of LA Error subsidy at threshold	£369,680	£277,260	n/a
	£616,134 if claim is adjusted so that it goes over both thresholds		

Failure to follow proper procedures results in incorrect subsidy classification – we understand that, despite training, experienced staff continue to shortcut such a procedure. Our testing of 20 overpayments showed 25% where failure to follow procedure led to overpayment classification errors. Overpayment classification has not been checked since Jun 08.

1.21 Our testing of calculations with a member of the Training & Support team identified financial errors in 45% of the 20 cases tested. Only 30% of these assessments tested were correct procedurally and financially.

## Opinion

1.22 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief and is subject to the scope set out in the Scope and Approach section of this report. We are able to give **Limited assurance** on the controls in this area.

1.23 The reason for the level of assurance given is that quality of processing controls are either missing, limited in scope, or fail to give assurance because they are at such low levels.

## 2 Action Plan

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
1	<p>Intervention visits were only raised up till 30 Apr 09 - they are no longer statutory. Visits were carried out into October. These visits are considered a key control by the Audit Commission and no compensating control has been identified.</p> <p><b>Risk</b> Occurrence: Claimant not entitled to benefit but has been paid due to fraud or error</p>	Intervention visits should be raised and carried out to prevent over and under payment of benefit.	Medium	It is necessary to point out that the intervention visit is no longer a statutory requirement and whilst visits have not taken place during the period of service redesign, the service has continued to deal with HBMS and NFI data matches which have been robustly managed. This will negate the need for intensive intervention activity. This said, a new approach to visits has been established to identify cases based on risk and these cases are the ones that will have action taken on them, whether office based or visit. This approach has already started but due to year end priorities, will not be fully embedded until April 2010.	Business Support Manager, Revenues & Benefits Admin  Apr 2010

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
2	<p>Intervention visits were carried out through to October so a sample of 20 was reviewed. From this sample there were 2 cases where the visitor did not obtain the correct information - in both cases there were underlying issues with the data provided in the visit request.</p> <p>In all cases the visit record was signed and dated by the claimant.</p> <p>In 13 out of 20 cases the information received was incorrectly processed. 9 of these 13 resulted in financial errors (a further 1 would have probably also resulted in a financial error but has not been re-evaluated to confirm this). The 9 financial errors were overpayments of between £0.33 and £1301.62.</p> <p>The main processing errors were not carrying out a CIS check to confirm payment cycles, payment composition, and payment dates for payments from state agencies (11 cases including all financial errors), and either failing to update or not updating correctly capital, earnings or other details (5 cases), there were 2 cases where information provided was not sufficiently up to date but was not queried. In 1 case child benefit payable for a child resident elsewhere in the EC was incorrectly disregarded.</p> <p>Verification framework was not updated in 9 out of 20 cases.</p> <p><b>Risk</b> Incorrect benefit, overpayment and subsidy claim</p>	<p>Training should be provided to key staff in each team on correct application of change of customer circumstances information. A process reminder note should be sent to all processing staff suggesting working through such cases initially with the key staff or a member of the Training &amp; Support team. Both the training and process reminder note should include:</p> <ul style="list-style-type: none"> <li>• purpose of CIS check</li> <li>• how to do a CIS check</li> <li>• effective date to apply changes</li> <li>• purpose of updating capital and other details</li> <li>• using up to date information and what to do if it is not up to date</li> <li>• treatment of child benefit for non-resident child</li> <li>• purpose of updating verification framework and how to update it</li> </ul>	High	<p>Training has been ongoing as part of the service redesign and it will be an ongoing process. The visiting role is now integrated into the 8 teams responsible for Revenue and Benefit administration. The training and support team are also checking the change of circumstances, team by team, in order to feedback and train on a one to one basis, where necessary.</p>	<p>Business Support Manager, Business Services (Reminder note)</p> <p>Feb 2010</p> <p>Business Support Manager, Revenues &amp; Benefits Admin: (Training and development)</p> <p>Sep 2010</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
3	<p>A random sample of 6 LHA claims was checked in May09 but no other checking of data processed by Mouchel had been carried out in 2009-10 up to Nov 09 – the Audit Commission consider that a key control is that “Procedures are operated to ensure controls exist over processing of data by external processors”.</p> <p><b>Risk</b> Incorrect benefit, overpayment and subsidy claim</p>	<p>A quality standard should be set and a programme of quality checks should take place to provide sufficient assurance that the contractor processes benefit claims accurately.</p>	Medium	<p>The use of Mouchel as an external contractor from April 2010 is reduced significantly and will only be used on a contingency basis. Where external contractors are used, Quality checking will be built in as part of contractual arrangements and consideration of financial penalty clauses where appropriate.</p>	<p>Business Support Manager, Business Services (Contract management and Quality Assurance)</p> <p>Apr 2010</p>
4	<p>A sample of 20 diarised changes was reviewed – where an assessor had either identified or had been informed of a change to a claim occurring in the future – 10 by imaged memo and 10 by outlook task. This showed that prospective changes of circumstances were being put forward for review and were being followed up either at the set date or shortly afterwards and to a conclusion. The changes identified were being actioned in the benefits system. The sample showed 2 examples of a document not being scanned onto the images system when it should have been.</p> <p><b>Risk</b> Duplicate demand created due to non-scanned document</p>	<p>Ensure that documents are scanned appropriately.</p>	Low	<p>All staff are aware and have been trained in the scanning requirements and processes associated with scanning. The staff have responsibility for case ownership and therefore the risk of cases not being scanned is remote.</p>	<p>Business Support Manager, Revenues &amp; Benefits Admin: (Training and development)</p> <p>Mar 2010 (Ongoing throughout the year)</p>



Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
5	<p>High value cheques (&gt;£1000) payable to claimants are subject to residency checks before being released, but high value BACS payments are not subject to residence checks. Since less than 20% of payments are by cheque this control has limited effect. There are only 2-3 checks per month. A sample of 5 was reviewed. All had a signed copy of the visit record on Images which provided evidence of the visit having taken place and establishing residence.</p> <p>Over the period Sep09-Dec09 the database had not been consistently updated with action taken in respect of the high value cheques.</p> <p><b>Risk</b> Paying benefit to non-resident claimant. Duplicated work due to non-update of the cheques database.</p>	<p>a) High value BACS payments should be subject to residence checks.</p> <p>b) The progress of residence checks should be updated promptly on the cheques database.</p>	Low	<p>a) There is no window of opportunity between BACS generation in order to allow a visit. There is not the facility to hold one BACS payment from the rest of the schedule. We will however, look to introduce residency checks post high value payments being made via BACS.</p> <p>b) At the time of the audit the database had not been updated, due to strategic choices reducing resources. This has now been resolved and the database is up to date.</p>	<p>Business Support Manager, Business Services June 2010</p> <p>Business Support Manager, Business Services Feb 2010</p>
6	<p>Access to specific claims or council tax accounts can be restricted currently only access to claims is restricted where a declaration of interest is made. Benefits Administration sends and receives declaration of interest correspondence; this is recorded on a spreadsheet, and the spreadsheet is passed to system support to update access restrictions. 50 staff (including Benefits staff) didn't reply to the last declaration of interests request. The most recent exercise took place in June 2008</p> <p><b>Risk</b> Claims or accounts are accessed inappropriately.</p>	<p>Management should arrange for all declarations of interest to be completed and received.</p> <p>An exercise to request declarations of interest should take place within the 2009-10 financial year.</p>	Low	<p>There will be a refresh of the declaration of interest spreadsheet. However, it should be noted that all staff are aware of the requirements to declare an interest and are aware that if they access accounts inappropriately they would be subject to formal disciplinary action.</p>	<p>Benefits Officer Admin Jun 2010</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
7	<p>A sample of 10 fraud cases was selected from cases closed in the previous 3 months. Filing - Within the sample of 10 there was 1 file missing (not subsequently found), 1 file which had been lost then subsequently found, and 1 file with misfiled items on it. There had been an office move earlier in the year and storage was previously split.</p> <p>Case review on FIMS - understandably as this has just been restarted only 2 out of 10 cases had evidence of review.</p> <p><b>Risk</b> Delay or missing information prevents sanction from being applied</p>	<p>The Team Leader's FIMS review of cases should be continued to ensure that investigators maintain progress on cases.</p>	<p>Low</p>	<p>The team leader is carrying out reviews every month now via FIMS and outlook prompts review for each case.</p>	<p>Team leader Benefit Investigation Team</p> <p>Mar 2010 (This is ongoing and therefore will continue through out the financial year)</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
8	<p>There is a deterrent effect of regularly publicising sanctions applied. We understand that historically publicity given to sanctions applied has not been prioritised, is dependent on available advertising budget, but can be time consuming to authorise. We believe that there is scope to obtain regular (say quarterly) publicity through news articles e.g. in the Evening Post. If this idea is developed then it would require a single person at either Director or Head of Service level, acting as an authoriser for particular cases to be publicised, to work alongside the Team Leader - Investigations and a press officer. The process should clarify responsibility and ensure timescales are kept to a minimum (it would be difficult to obtain this free publicity from news organisations if the timescales are not in line with what they consider to be news). It would be preferable to have a news release available on the date of the court judgment should it be favourable.</p> <p>We are aware of the publicity currently being given to benefit and other fraud internally, arranged between the Team Leader and Internal Audit.</p> <p><b>Risk</b> Opportunities to deter fraud are not taken</p>	<p>Either the Director or Head of Service (acting as an authoriser for particular cases to be publicised), should work alongside the Team Leader - Investigations and a press officer. The process should clarify responsibility and ensure timescales are kept to a minimum. It would be preferable to have a news release available on the date of the court judgment should it be favourable.</p>	Low	<p>We agree that publicising sanctions is desirable. A process exists which will be shared with Internal Audit. There have also been press releases regarding the joint working with the DWP – there have been several news worthy cases that have been prepared through appropriate channels but did not get publicised through the local media. We will continue to push news worthy cases through but cannot be held responsible for whether the press choose to publish or not.</p>	<p>Head of Contact Centre &amp; Welfare Rights</p> <p>Feb 2010</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
9	<p>Quality testing for accuracy of processing has virtually ceased during the phased implementation of the revised system this is considered a key control by the Audit Commission.</p> <p>Acceptance testing of the accuracy of a sample of payments for each run is carried out at levels too low to be effective and for 21% of runs in 2009-10 there was no such testing – acceptance testing for payments forms part of what is considered a key control by the Audit Commission.</p> <p>Housekeeping reports have been ceased because they were not being used by managers including claims suspended for more than 4 weeks.</p> <p>No evidence to support assessors' competence in applying ESA was provided.</p> <p><b>Risk</b> Incorrect benefit, overpayment and subsidy claim</p>	<p>The implemented process should be revised to include quality assurance in the form of</p> <ul style="list-style-type: none"> <li>• random sample of claims checked by quality assessors as part of payment run acceptance test (sample size of around 35 for main runs and 25 for additional runs if determined statistically)</li> <li>• a programme of quality assurance testing to identify training and performance issues</li> <li>• housekeeping reports to correct errors</li> </ul> <p>This will also provide evidence helping managers to understand the system.</p>	High	<p>The priority during the roll in of the new system design has been to ensure that staff are equipped with the relevant knowledge to fulfil the new role.</p> <p>It will take some time and practical application for the staff to embed their skills. Now that all teams have rolled in (December 2009) the training and support team has worked with all 8 processing teams to develop a checking process. This process is broader than when the payment run is generated, and is intended to look at start of process through to payment and therefore will ensure a response on a one to one basis in a “real time” environment.</p>	<p>Business Support Manager, Revenues &amp; Benefits Admin (Core Team) Business Support Manager, Business Services (Training and Support checking)</p> <p>Feb 2010 to March 2011 ( this is an ongoing piece of work)</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
10	<p>Each of the reconciliations was up to date with the exception of the returned rent allowances reconciliation. The reconciliation of two reports dated 27Oct09 and 06Oct09 were not complete on 16Dec09. This reconciliation process could also be improved by changing the parameters of one report so that it compares like with like (a database table with all current year cheques recorded as returned on RBLive was being compared to a report from One World showing returned cheques over more than one financial year). These were cumulative matching processes - the Structured Query Language (SQL) used to match the files was reviewed.</p> <p>SQL used in the other reconciliations was also reviewed. Sample testing confirmed that the reconciliations were accurate.</p> <p>Reliance has been placed on work carried out in the Rents audit for reconciliation of benefits paid in respect of council housing to the benefit credited to the rent account.</p> <p><b>Risk</b> Incorrect benefit, overpayment and subsidy claim</p>	The returned rent allowances reconciliation should be brought up to date and be carried out on at least a monthly basis in line with other reconciliations.	Low	Rent allowance reconciliation will be brought up to date. Staff capacity increased due to return of member of staff from long-term sick and the purchase of a folding machine has released capacity to maintain this activity.	Business Support Manager, Business Services  31 Mar 2010

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
11	<p>Overpayments are not reviewed after creation. Overpayments are automatically created, but if the claim is processed incorrectly the overpayment will not be created correctly. Incorrect overpayments can affect the level of subsidy claimed. A sample of 20 overpayments was reviewed of which 5 were incorrectly calculated.</p> <ul style="list-style-type: none"> <li>• 3 had the wrong reason code <ul style="list-style-type: none"> <li>○ 2 due to non-input of a date from which the reason was no longer claimant error, and</li> <li>○ 1 due to incorrect process on a previously suspended claim.</li> </ul> </li> <li>• 1 of the other two was not desuspended so the overpayment did not post,</li> <li>• the other 1 was a split overpayment but was split from the wrong date.</li> </ul> <p>There is no example on the benefits online manual to show how overpayments are split.</p> <p>10 of the 20 overpayments had been set for recovery at the default rate. Recovery is not linked in to the reassessment process because of the statutory right to appeal within 14 days.</p> <p><b>Risk</b> Incorrect benefit, overpayment and subsidy claim</p>	<p>Initially on a quarterly basis quality assessors should review a random sample of overpayments created as a result of a reassessment (sample size of around 35) to identify training and performance issues and provide evidence helping managers to understand how the system is working. Training should be provided on</p> <ul style="list-style-type: none"> <li>• splitting an overpayment</li> <li>• reassessing a suspended claim</li> <li>• dates when overpayment reasons are effective</li> <li>• determining an initial recovery rate</li> </ul>	High	<p>We agree that checking overpayments will be undertaken as part of the ongoing check described in earlier recommendations and not in isolation. Where identified training will be delivered to enable accurate creation of overpayments.</p>	<p>Business Support Manager, Business Services</p> <p>Feb 2010 to March 2011 ( this is an ongoing piece of work)</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
12	<p>The Audit Commission identified overpayment classification errors in the subsidy claim which may reduce the amount paid depending upon the Department for Work and Pensions decision (our unconfirmed estimate is a reduction of £1.6m). We have copies of the last 2 claims – it seems that we normally expect to receive 100% subsidy on Local Authority (LA) Error overpayments as the value claimed falls below the threshold set by government. There is a risk that these subsidy levels and thresholds provide a politically acceptable target for government cuts. For 2008-9 we claimed £0.5m LA Error but would receive no subsidy if the figure exceeded £0.7m. Failure to follow proper procedures result in incorrect subsidy classification – we understand that, despite training, experienced staff continue to shortcut such a procedure. Our testing of 20 overpayments showed 25% where failure to follow procedure led to overpayment classification errors. Overpayment classification has not been checked since Jun08.</p> <p><b>Risk</b> Budget pressures arise due to DWP revision of incorrect subsidy claim. Incorrect benefit, overpayment and subsidy claim.</p>	<p>The responsible accountant should make a provision in the budget for revision of overclaimed subsidy.</p> <p>Overpayment quality assessments throughout the year (see 11 above) should be used to determine whether, what type and to what extent overpayments may need to be reviewed prior to submission of the initial or revised subsidy claim.</p>	High	<p>Accountant should make provision in the budget, although final determination of the outcome of the qualification letter will not be known until the Summer.</p> <p>In addition we will aim to set up quarterly meetings with accountancy to work through subsidy position and discuss any areas of risk/potential to ensure that this feeds into the budget planning process.</p> <p>This will be discussed in more detail by the Accountants concerned with the Director Strategic Finance.</p>	<p>Head of Finance &amp; Principal Accountant, Adult Support &amp; Health</p> <p>31 Mar 2010</p> <p>Head of Contact Centre &amp; Welfare Rights and Head of Finance, Adult Support &amp; Health</p> <p>Mid May 2010</p>

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
13	<p>Debt is the sum of overpayments shown in Benefits (31Mar09 £1.95m) plus debtors on the recovery module (31Mar09 £3.74m). An additional £0.9m was recorded on Aviion (a former system) a signed authorisation to write off this debt has not been received by the Principal Accountant (Housing).</p> <p>The amount used is the full recoverable amount from these sources but a provision for bad debts exists and for recovery module debts is based on a sliding percentage scale on age multiplied by the value of debt of that age (see email attachments), while for benefits system debts the provision is based on applying a percentage to totals of bands by value.</p> <p><b>Risk</b> Misstatement of accounts</p>	A signed authorisation to write off the additional £0.9m debt recorded on Aviion (a former system) should be prepared and sent to the Principal Accountant (Housing).	Low	This authorisation was provided in approximately 2003. Bev Angell to action recommendation.	Head of Finance, Adult Services & Health 31 Mar 2010
14	<p>A write off policy exists and write offs are subject to appropriate recovery action and oversight by management. However, the write off policy and the On-line Benefits manual and the write off form are not consistent with current practice.</p> <p>The Recovery Team Leader considers that this needs to be done alongside an update of the thresholds and responsibilities in the write off policy.</p> <p><b>Risk</b> Write off responsibilities are unclear</p>	Update the write off policy, on line benefits manual and write off form.	Low	The write off policy, on line benefits manual and write off form will be updated.	Team Leader Training & Support Apr 2010



Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date																		
15	<p>Payment by BACS has been increased and is over 75% for claimants, the rate of cheque payments for the main runs over the period July to the end of November and beginning of December 2009 are</p> <table border="1"> <thead> <tr> <th colspan="3">Cheque Payment Rate</th> </tr> <tr> <th>Main Run</th> <th>July 2009</th> <th>Nov / Dec 2009</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>26%</td> <td>28%</td> </tr> <tr> <td>5</td> <td>15%</td> <td>12%</td> </tr> <tr> <td>6</td> <td>14%</td> <td>14%</td> </tr> <tr> <td>7</td> <td>22%</td> <td>19%</td> </tr> </tbody> </table> <p><b>Risk</b> Payments do not reach the claimant. Creation of unnecessary work dealing with recording lost cheques and replacing cheques.</p>	Cheque Payment Rate			Main Run	July 2009	Nov / Dec 2009	4	26%	28%	5	15%	12%	6	14%	14%	7	22%	19%	<p>Efforts to increase the number of claimants paid through BACS should be continued.</p>	Medium	<p>The service will continue to promote BACS and embed as a preferred method of payment for our customers, although it should be recognised that we must continue to provide choice to customers as they do not always have access to appropriate financial services.</p> <p>Promotion will be ongoing we expect an increase in BACS uptake by March 2011.</p>	<p>Business Support Manager, Business Services</p> <p>Mar 2011</p>
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16	<p>Benefit Recovery actions take place on or start after the following timescales</p> <table border="1"> <thead> <tr> <th>Day</th> <th>Action</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Overpayment created</td> </tr> <tr> <td>15</td> <td>Invoice raised and issued</td> </tr> <tr> <td>29</td> <td>Invoice due date</td> </tr> <tr> <td>43</td> <td>Automated reminder issued</td> </tr> <tr> <td>70</td> <td>Automated final reminder issued</td> </tr> <tr> <td>84</td> <td>Recovery options considered</td> </tr> </tbody> </table> <p>The 'Systems Thinking' process does not cover negotiation of repayments or recovery processes.</p> <p><b>Risk</b> Overpaid benefit is not recovered promptly. Delay in identifying debt as unrecoverable.</p>	Day	Action	1	Overpayment created	15	Invoice raised and issued	29	Invoice due date	43	Automated reminder issued	70	Automated final reminder issued	84	Recovery options considered	<p>The recovery process should be reviewed with the aims of</p> <ul style="list-style-type: none"> <li>reducing the timescale over which the process operates</li> <li>negotiating recovery earlier</li> <li>making use of the information obtained and claimant relationships formed with the assessment team members</li> </ul> <p>to maximise recovery levels and identify unrecoverable debt promptly.</p>	Medium	<p>The Benefit recovery team has transferred line management responsibility due to a reduction in business managers. The work has commenced with the new line manager to understand the current service delivery model and will be amended once demand analysis and the check process has concluded.</p>	<p>Business Manager Income Collection &amp; Recovery</p> <p>Sep 2010</p>				
Day	Action																						
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Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
17	<p>Access to the benefits system was well-controlled with the exception of notification of leavers, long term sicknesses, maternity leave, secondments and career breaks.</p> <p><b>Risk</b> Claims or accounts are accessed inappropriately.</p>	Team managers should notify the Systems Support Team promptly regarding leavers, long term sicknesses, maternity leave, secondments and career breaks.	Low	Review of current staff access to be matched to structure.	<p>Business Support Manager, Business Services , Business Support Manager, Revenues &amp; Benefits Admin , Business Manager Income Collection &amp; Recovery</p> <p>31 Mar 2010</p>

Signed..... Date.....  
(3<sup>rd</sup> tier manager or above)

## Responsibilities

Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested.

Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.

The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary. As a consequence we provide details of each final audit and recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken

Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

## Glossary of Terms

### Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

**High Assurance** High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.

**Significant Assurance** Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.

**Limited Assurance** Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.

**No Assurance** No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

### Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

**High Priority** A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.

**Medium Priority** A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.

**Low Priority** The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.