

MID KENT AUDIT

Discretionary Housing Payments

FINAL AUDIT REPORT

MAY 2020

FINAL

Audit Code	X20-AR10	Service	Revenues & Benefits
Lead Auditor	Martin Wright (Mazars)	Sponsor	Sheila Coburn
Audit Reviewer	Dave Phillips (Mazars)	Director	Steve McGinnes



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Summary Report

The Discretionary Housing Payments policy provides an outline to how the Councils operate the DHP scheme. Although the policy provides the specification, it is ultimately up to the discretion of the business support team's officers to process and award claims based on eligibility criteria. Staff have high levels of autonomy when processing claims; there is no system of management authorisation of claims, even for those of higher value. Audit testing confirmed that all necessary forms of supporting documentation were retained on the document filing system, Anite.

A budget report is run from the Academy system on a monthly basis, however, through testing a sample of six months only two months' worth of budget reports could be provided. Furthermore, the budget reports available displayed no indication of management sign-off or meaningful analysis.

Next Steps

In this report we describe the 2 recommendations arising from our work, and responses from management. We note the service has agreed to carry out the recommendations. We will follow them up as they fall due in line with our usual approach.

We have prioritised our recommendations as below:

Critical (Priority 1)	0
High (Priority 2)	0
Medium (Priority 3)	0
Low (Priority 4)	2
Advisory	1

We provide the definition of our recommendation priorities at appendix II.

Independence

We are required by Public Sector Internal Audit Standard 1100 to act at all times with independence and objectivity. Where there are any threats, in fact or appearance, to that independence we must disclose the nature of the threat and set out how it has been managed in completing our work.

We have no matters to report in connection with this audit project.

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Acknowledgements

We would like to express our thanks to Liz Norris (Technical Support Manager) and all other officers who helped completion of this work.

Distribution

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Detailed Findings

This detailed report sets out our results and findings from testing each agreed objective, risk and control.

Objective 1 - To review the effectiveness of controls for ensuring that claims are assessed and processed in a correct manner.

Legislative, Organisational and Managerial Requirements

Both Maidstone Borough Council (MBC) and Tunbridge Wells Borough Council (TWBC) benefits web pages provide information to the public on how to apply for a discretionary housing payment (DHP). The web pages also provide a link to the standard DHP application form that is required for submission in all instances.

The DHP policy applicable to both MBC and TWBC claims provides an overview of procedures including the objective of the scheme, the eligibility criteria, and how claims are processed. Through examination of the policy and the activities undertaken as part of the audit we established that the policy accurately reflects existing practices. However, we identified that the policy had not been reviewed and approved by the Members since March 2017 at MBC and August 2017 at TWBC. **R1**

Receipt and Assessment of Applications

The assessment of DHP cases begins with the receipt of an application form. The form requires the applicant to indicate the nature of the applicants' financial hardship and the period of payment requested. The application also asks for a summary of weekly income and expenditure. We tested a sample of 15 DHP awards across both MBC and TWBC and found all had an application form present on Anite.

As evidence to support the income, expenditure and rental arrears/payments declared, a bank statement and rent statement or tenancy agreement are required. If the applicant claims a means tested benefit (i.e. Job Seekers Allowance or Universal Credit) a bank statement is not required as part of the application. Our testing identified all 15 cases had a bank statement or screenshot of jobseeker's allowance award as well as either a rent statement or tenancy agreement available on Anite.

Using income and expenditure values declared by the applicant, the business support team use the DHP Calculation Sheet to determine the shortfall of income to expenditure which determines the value of the final award. The calculation sheet is also used to compare

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expenditures to market rates. With such an analysis, Business Support are able to suggest areas where the applicant can save on their weekly expenditure.

For our sample, we found 12 had a completed DHP calculation sheet available to view on Anite. In the remaining three cases the application was either an emergency, or the award was used to aid expenditure savings (i.e. to clear arrears in preparation for the applicant to downsize). Furthermore, in all cases tested applicants were notified of the outcome of their claims including the value of payment awarded.

Discussion with the Technical Support Manager and the wider team established that officers have high levels of autonomy in processing and approving DHP awards. Although caseloads are monitored by the Technical Support Manager, high value claims, that increase the Council's exposure to risk, have no system of formal review or authorisation before being paid out. **R2**

DHPs should only be awarded as assistance for rent, deposit or removal costs. Furthermore, claimants should be able to evidence either a clear shortfall in income to expenditure, or significant rent arrears. For our sample we identified all cases tested had met this eligibility criteria based on evidence retained on Anite.

Payments

Payments to DHP claimants can either be set as a one-off amount or as weekly sums. We found that all weekly claims sampled had a payment stop date programmed into Academy. Furthermore, the payee module on Academy demonstrated that in 13 out of the 15 cases tested, payment had been made directly to the landlord. The Technical Support Manager advised that due to some landlords not accepting occupants in receipt of housing benefits, DHPs cannot be paid directly to the landlord in all cases. We confirmed this was the situation for the remaining two cases tested.

Conclusion: We found DHP claims are being administered in line with current policy and procedures, however there is opportunity to strengthen existing controls in relation to DHP policy and the approval of higher value claims.

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Objective 2 – To assess the effectiveness of the information management and management reporting arrangements.

Budgetary Control

Each month a report is run on Academy calculating the DHP totals paid out for the year to date and the remaining funding left in the annual DHP budget. This budget provides a means for the business support team to review their approach to awarding claims. We requested budget reports for the six months between July and December 2019, but only two were provided. The Technical Support Manager advised that it is not current practice to retain the budget report for previous periods.

The December 2019 reports showed a remaining budget of £105,803 against a budget of £302,510 for MBC and a remaining budget of £43,377 against a budget of £163,575 for TBWC. We found no sign-off by the Technical Support Manager, or evidence of commentary on the budget position. **R3**

Management Reporting

A log of DHP awards, non-awards and reconsiderations is maintained via spreadsheets by the service for each Council. The logs are available for update by all business support officers and is monitored by the Technical Support Manager. Informal ad-hoc team meetings are held within the business support team to discuss developments and issues, while joint meetings across Revenues and Benefits, and Business Support are held twice a year.

The DWP year-end 2018-19, mid-year 2019-20 and year-end 2019-20 estimate returns were evidenced as calculated and signed off by the s151 Officer at each site.

Conclusion: DHP awards are being adequately monitored and team meetings held. However, not all monthly DHP budget reports are being retained. Furthermore, there was no evidence of meaningful analysis to the monthly budget reports obtained.

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Recommendations and Action Plan

01 - Review & Approve DHP Policy	Low (Priority 4)
<p>Finding Description: The policy was last reviewed in February 2017.</p> <p>Cause: Ineffective arrangements to trigger policy review.</p> <p>Effect: Implementation of this recommendation would ensure the DHP policy remains current and effective.</p> <p>Recommendation: Review the DHP policy, submit for approval by Members and establish a policy review interval.</p>	
Management Response	
<p>Response Type: Agreed</p> <p>Response Comments: None</p>	
Agreed Action	
<p>DHP policy will be reviewed on an annual basis, a designated officer will be responsible for the policy and the policies within.</p>	
Responsible officer: Sheila Coburn	Implementation date: 07 May 2020

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02 - Management Authorisation of High Value Claims	Low (Priority 4)
<p>Finding Description: High value DHP claims are not subject to separate management approval and staff have high levels of autonomy for processing and approving claims.</p> <p>Cause: Control design does not distinguish secondary checks for high value claims where the risk exposure to the Councils is greater.</p> <p>Effect: Implementation of this recommendation would provide assurance on high value claims meeting eligibility requirements.</p> <p>Recommendation: Review and authorise DHP awards exceeding a predetermined value.</p>	
Management Response	
<p>Response Type: Agreed</p> <p>Response Comments: This has been identified previously and officers currently check with their line manager for any payment over 2k, unfortunately there is no audit trail of these discussions.</p>	
Agreed Action	
<p>Officers will discuss with their line manager any case that payments are expected to reach £2,000 or over, the discussion will be confirmed in an email. The line manager will either allow or refuse payment in an email which will be filed in a named folder on the Business Support Team site.</p>	
<p>Responsible officer: Sheila Coburn</p>	<p>Implementation date: 07 May 2020</p>

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03 - Management Commentary on Budgetary Position	Advisory
<p>Finding Description: In response to a request for budget reports for the six month period July to December 2019 only two monthly reports could be provided. There was no evidence of the monthly budget reports being signed off to evidence review or with a commentary on the budgetary position.</p> <p>Cause: Control design does not require retention of monthly budget reports or review.</p> <p>Effect: Implementation of this recommendation will facilitate effective management of the DHP budgets.</p> <p>Recommendation: Retain monthly budget reports and document progress against budget, noting and explaining any variances.</p>	

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Appendix I: Audit Brief (As Originally Issued)

About the Service Area

Discretionary Housing Payments (DHPs) are an emergency fund to be used to alleviate hardship and to allow applicants time to find alternative solutions to housing issues and/or shortfalls in income.

The DHP scheme was introduced on July 2001 and granted all local authorities power to make a discretionary award to top up the Housing Benefits and Universal Credit (HB/UC) statutory schemes.

Maidstone Borough Council and Tunbridge Wells Borough Council operate a shared service of assessing DHP applications and processing DHP payments under the guise of Mid Kent Revenues & Benefits.

About the Audit

This audit is an **operational review** meaning that we will focus on the objectives and risks of the service and the effectiveness of associated controls.

This audit seeks to provide assurance over the adequacy and effectiveness of the management and operation of processes and procedures exercised by the Revenues and Benefits Service specifically in relation to Discretionary Housing Payments.

Our findings in this review will contribute towards the **internal controls** aspect of the Head of Audit Opinion, to be issued in July 2020.

Evaluation Criteria

Management currently base their assessment on performance of the service on

- Discretionary Financial Assistance Regulations 2001
- Internal criteria (Council's policies and procedures)

We are satisfied this is appropriate criteria and so will use the same to guide our review.

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Audit Objectives

1. To review the effectiveness of controls for ensuring that claims are assessed and processed in a correct manner.
2. To assess the effectiveness of the information management and management reporting arrangements.

Audit Testing

Audit Tests	Sample Size
Obtain and review the policies and procedures that relate to the Discretionary Housing Payments function, and information available to the public. Establish whether they <ol style="list-style-type: none"> a) Provide adequate guidance; b) Are regularly updated, and c) Have been communicated to relevant staff and the public. 	-
Test a sample of processed DHP claims between November 2018 and October 2019 and establish whether the <ol style="list-style-type: none"> a) Application has been fully completed on the standard application form; b) Applicants provide supporting documentation to prove eligibility, and where appropriate, copies are retained; c) All details are recorded on the benefits service software system (Capita); d) Applications have been approved by an appropriate officer; and e) Applicants have been informed of the outcome of assessments. 	15
Test a sample of DHP payments and confirm that <ol style="list-style-type: none"> a) The customer meets the DHP eligibility criteria and b) Payments cease on DHP end date. 	15
Check that exception reporting is conducted to ensure compliance with policy, confirmation that changes in BACS payment details are valid, and to identify duplicate payments.	-
For a sample of months occurring between November 2018 and October 2019, confirm that <ol style="list-style-type: none"> a) A budget monitoring exercise has been conducted, and 	6 months

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Audit Tests	Sample Size
b) Remedial action has been taken on any variances identified.	
Confirm that the mid-year and year-end return DHP monitoring forms have been completed and submitted to the DWP	-
Verify that there are performance management procedures in place, potentially including but not limited to, periodical team meetings and monitoring reports.	-

Audit Resources

Based on the testing identified we expect this review will need 12 days of audit time.

Audit Timeline

- Fieldwork Begins: w/c 02/12/2019
- Draft Report Issued: w/c 05/05/2020

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Appendix II: Assurance & Priority level definitions

Assurance Ratings

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>
<p>Note for reports issued during the COVID-19 Emergency</p> <p>During this period we have temporarily moved away from giving a single word assurance rating back to a narrative conclusion balancing the strengths and weaknesses of controls in a service. The aim is to streamline discussion at the point of closing a review and allow the discussion to move swiftly on to implementing the agreed actions.</p>	

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Recommendation Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.