

WELLAND INTERNAL AUDIT CONSORTIUM
Harborough District Council

INTERNAL AUDIT REPORT



Welfare Reform
2014-15

<i>Issue Date:</i>	3 rd November 2014	<i>Issued to:</i>	Beverley Jolly	Corporate Director – Resources
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			Councillor Neil Bannister	Chairman of Governance & Audit Committee

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Welfare Reform

EXECUTIVE SUMMARY

1. INTERNAL AUDIT OPINION

The Revenues & Benefits Service seeks to focus resources on supporting its most vulnerable clients. There is also a need to accurately model and effectively monitor the financial impact of welfare reform. The government's welfare reforms have introduced a number of fundamental changes to the benefits system. Key changes impacting on councils include:

- replacement of the national council tax benefit scheme with a local scheme funded at 85% of the previous scheme;
- introduction of an under-occupancy charge for tenants of social landlords; and
- introduction of caps and limits to restrict the maximum benefit payable.

If not managed effectively, these changes could have a major impact on the welfare of some of the most vulnerable people in the area. There could also be a significant financial impact for the Council in terms of income collection and potential additional costs.

Testing confirmed that the Council has undertaken a range of activities to communicate with groups affected by the welfare reforms and has used appropriate media to do so. Published schemes that have been agreed by Members exist for Discretionary Housing Payments and the Local Council Tax Support Scheme. Criteria included in the schemes are designed to assist and support the most vulnerable. Appropriate financial modelling has been undertaken to monitor the financial implications, and each year the criteria has been reviewed to ensure it is both appropriate in providing support to those most in need, and that the schemes are affordable. One low level recommendation has been made around ongoing publicity about the schemes.

It is, therefore, the Auditor's Opinion that the design and operation of controls provides **Substantial Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record. The Opinion is based upon testing of the design of controls to manage the three risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls.

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	New area of legislation				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 Failure to identify and communicate with benefit recipients, landlords and other stakeholders impacted by the reforms.	Substantial Assurance	Substantial Assurance	0	0	0
Risk 2 Failure to develop appropriate arrangements to support those most in need of help.	Substantial Assurance	Sufficient Assurance	0	0	1
Risk 3 Inadequate modelling and monitoring of the financial impact of welfare reforms.	Substantial Assurance	Substantial Assurance	0	0	0
Total Number of Recommendations			0	0	1

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2. ISSUES REQUIRING MANAGEMENT ATTENTION

The following issue was identified and one low level recommendation made:

- Publicity about welfare reforms was wide ranging during 2012 and 2013 in the lead up to the implementation of the reforms. There was however, limited evidence of more recent and targeted publicity in 2014 about the schemes available to support people affected by the welfare reforms. Without adequate and regular publicity, there may be a risk that the Council may not reach people who have become vulnerable and in need more recently.

3. AREAS WHERE CONTROLS WORKED AS DESIGNED

On the basis of the information provided by service managers, the Auditor has concluded that the following issues should be acknowledged:

- The Council has undertaken appropriate work to identify vulnerable people and publicised how and where to obtain assistance.
- The Council has worked well with partners to develop consistent criteria for its policies across the area, and liaison with voluntary groups to support those in need.
- The Council has appropriate monitoring arrangements to assist in budget monitoring, and ensuring that support payments are made to those who are most in need.

4. LIMITATIONS TO THE SCOPE OF THE AUDIT

The audit addressed controls regarding the following risks:

- Failure to identify and communicate with benefit recipients, landlords and other stakeholders impacted by the reforms
- Failure to develop appropriate arrangements to support those most in need of help
- Inadequate modelling and monitoring of the financial impact of welfare reforms

The Audit Opinion relates only to those areas of risk. The audit does not guarantee that fraud or errors do not exist.

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ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date	WP Ref
Risk 2: Failure to develop appropriate arrangements to support those most in need of help							
1	The Council did identify the most vulnerable people and sign-post them to assistance in late 2012 and early 2013. However, it is likely that some affected tenants did not engage in the first year, and possible that there are still vulnerable people who are unaware of assistance available.	The Partnership Manager considers undertaking a second wave publicity campaign to help ensure the most vulnerable are reached.	The Partnership Manager does not consider it cost effective to do a full scale repeat of the original publicity exercise. Arrears have not been materially affected by the changes so far and there would be significant costs (>£5k) in obtaining a similar baseline report from Capita. In mitigation, other activities continue to be undertaken to publicise the schemes available such as: <ul style="list-style-type: none"> Quarterly meetings with landlords with information exchange about who is claiming and who potentially needs help Calling customers directly to advise on help available when a liability order has been issued for Council Tax, and assistance with completing forms Contacting LHA recipients who fall into arrears of > 8 weeks to offer assistance New claimants advised about schemes and offered help to complete application forms Referral to CAB for additional assistance 	Low	Partnership Manager (Revenues & Benefits)	N/A implemented	02.02.01

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GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendation

The Auditor categorises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Category	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met. Recommendation to be implemented immediately with explanation to Governance & Audit Committee should timeframe extend beyond three months.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives Recommendation should be implemented as soon as possible with explanation to Governance & Audit Committee should timeframe extend beyond six months
LOW	Management action will enhance controls or improve operational efficiency. Recommendation should be implemented within six months but Governance & Audit Committee will be advised where the client specifies that a longer delivery time is necessary and / or justified.

Limitations to the scope of the audit

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.