

# Audit and Corporate Governance Committee

Report of Head of Finance

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To: Audit and Corporate Governance Committee

DATE: 14 December 2010

## AGENDA ITEM 6

## Internal audit activity report quarter three 2010/2011

### Recommendation

- (a) That the committee notes the content of the report.

### Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

### Background

2. Internal Audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the councils' objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.
3. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for

considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by internal audit indicate the following:

**Full Assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

**Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

**Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

**Nil Assurance:** Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following risk ratings:

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

## Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

### Planned Audits

Full Assurance: 0

Satisfactory Assurance: 2

Limited Assurance: 2

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
<b>Leader Project Assurance &amp; Verification 10/11</b>	<b>Satisfactory</b>	<b>6</b>	0	0	0	0	6	6
<b>Cornerstones Emergency Planning,</b>	<b>Satisfactory</b>	<b>7</b>	0	0	2	2	5	5

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
<b>Disaster Recovery, Business Continuity Planning 10/11</b>								
<b>DWP: Customer Information Systems - Breach of Security investigation (Capita)</b>	<b>N/A</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Payroll 10/11</b>	<b>Limited</b>	<b>17</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Housing &amp; Council Tax Overpayments &amp; Recovery 10/11</b>	<b>Limited</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>

### Follow Up Reviews

	Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
<b>Cornerstones Membership 09/10 Follow Up</b>	<b>Satisfactory</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VFM in procurement 09/10</b>	<b>Satisfactory</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>6</b>	<b>0</b>
<b>Information Governance 09/10</b>	<b>Satisfactory</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>1</b>
<b>Stock Control 08/09</b>	<b>Satisfactory</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>

7. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee.

8. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
9. A copy of each report has been sent to the appropriate Head of Service, the relevant strategic director, the Section 151 Officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the Council intranet and work is progressing to alert members when reports are published.
10. A six month follow up is undertaken on all non-financial audits undertaken to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.
11. Internal Audit has carried out a joint investigation with Capita regarding a breach of security which related to inappropriate access to DWP: customer information systems data. Whilst this investigation related to data access for the Vale of White Horse District Council, internal audit report on this incident is included at appendix one as it is considers that the investigation and outcome are relevant to the delivery of the service across both councils.
12. Internal audit would also like the audit and corporate governance committee to note that a further investigation has been carried out under the councils' anti fraud and corruption whistleblowing policy which relates to the taxi licensing function carried out at Vale of White Horse District Council. A report regarding this incident is currently in draft and will be included in the next quarter's committee papers.

## **1. DWP: Security Breach of Customer Information System - August 2010**

### **1. INTRODUCTION**

- 1.1 This report details the findings from an investigation that has been conducted by Internal Audit in conjunction with Capita regarding a breach of security relating to access to the Department of Work and Pensions (DWP) Customer Information System. The investigation was instigated on receipt of a letter dated 5<sup>th</sup> August 2010 from the DWP, Housing Benefit Strategy Division alerting the Section 151 Officer to the apparent breach of security relating to an employee's access to the DWP: Customer Information System. The DWP had identified the operator as one authorised by this Council to access the DWP system.
- 1.2 This work has been undertaken as part of the contingency allowance within Internal Audit's 2010/2011 Audit Plan, agreed with the Audit and Governance Committee of Vale of White Horse District Council.
- 1.3 The following areas have been covered during the course of this review:
- To ascertain the person responsible and the circumstances surrounding the breach of security relating to the DWP site.
  - To confirm the process for dealing with a breach of security in relation to access to CIS.
  - To agree the outcome of the investigation.
  - To make recommendations to minimise the recurrence of future security breaches.

### **2. BACKGROUND**

- 2.1 The Section 151 Officer was informed of a breach of security in relation to accessing the Department of Work and Pensions: customer information system. The Vale of White Horse District Council has signed up to the memorandum of understanding between the Department of Work and Pensions which sets out the framework and operation policy through which authorities can access benefit data for the administration of housing and council tax benefit purposes. DWP has rules regarding confidentiality of information. The Council has explicit responsibility for the security of DWP information and is accountable for actions of users with access to the DWP's customer information system. The incident took place on 12 May 2010, and the Council was informed on 5 August 2010.
- 2.2 The DWP requested that the Section 151 Officer investigate accesses to CIS which they considered were unauthorised. They had identified the incident took place on 12 May 2010 and related to five traces that did not appear to be business related. The accesses appear to trace children of the operator and the addresses of these children were outside of the area covered by the Vale of White Horse District Council.

- 2.3 The Section 151 officer delegated the investigation to the Auditor who identified that the alleged perpetrator was a benefits assessor employed by Capita on our contract. Capita Local Government Services as the financial services provider for the Council are required to ensure that users accessing the customer information system comply with the relevant legislation and the conditions of accessing CIS data.
- 2.4 The auditor in conjunction with the Capita Contract Manager (CCMH), who is based at Havant commenced an investigation on Monday 9<sup>th</sup> August 2010.

### **3. MAIN FINDINGS**

#### **3.1 Summary of activity relating to the CIS: breach of security investigation**

- 3.2 Internal Audit identified perpetrator as the Capita employed benefits assessor (BA). The BA has been employed by Capita since January 2009 and has been working on the processing of benefits claims on behalf of the council since June 2009. The BA signed a confidentiality agreement relating to CIS administration on 11 June 2009, a copy of which has been provided to Internal Audit as part of this investigation. On commencement of the investigation, the BA's CIS access and computer access was immediately revoked.
- 3.3 The BA was on annual leave from 6 August to 16 August and returned on 17 August 2010. During this period of absence, Capita's Contract Manager (CCMH) was asked to research the BA's personnel record to ascertain any connection with the traces undertaken on the CIS and obtain work records regarding work being carried out on 12 May 2010. The CCMH gathered sufficient evidence to conclude that the breach of security should be reviewed under Capita's disciplinary procedure.

#### **3.4 Disciplinary Hearing**

- 3.5 The BA returned from annual leave on Tuesday 17 August 2010 and was immediately suspended from duties by Capita Team Leader. The BA was informed of the reasons for his suspension, provided with a letter confirming his suspension, provided with a copy of his signed CIS: administration confidentiality agreement dated 11 June 2009 and given a further letter informing the BA to attend a disciplinary hearing on Friday 20<sup>th</sup> August 2010.
- 3.6 The disciplinary hearing took place on Friday 20 August at 2pm. The BA chose not to be accompanied by a Trade Union representative or work colleague. The BA confirmed that it must have been him who did the traces; the dates of birth were that of the BA's children but the BA would not disclose his reasons for undertaking the traces.

#### **Outcome of Disciplinary Hearing**

- 3.7 Capita's Contract Manager, Havant (CCMH) has concluded that the BA used CIS for unauthorised non-work related purposes, which constitutes gross misconduct and the CCMH's decision was immediate dismissal. A letter to confirm the decision was sent on 23 August and the recipient had 5 days in which to appeal the decision. An appeal has not been lodged and Capita has

confirmed the dismissal is concluded.

- 3.8 Internal Audit having taken advice from Thames Valley Police Authority and DWP, who have suggested that the incident constitutes a criminal offence under Section 55 of the Data Protection Act 1998 and section 1(1) of the Computer Misuse Act 1990 and should therefore, be reported to Hampshire and Isle of Wight Police Authority.
- 3.9 Following the conclusion of the audit investigation Internal Audit notified the Hampshire and Isle of Wight police, who confirm they would investigate the potential criminal offence.
- 3.10 **Prevention Measures**
- 3.11 Five recommendations have been made to address the issues arising from this investigation.

#### **4. CONCLUSIONS**

- 4.1 Internal Audit would conclude that control weaknesses have been identified, which are as follows:
- A significant delay occurred before the Section 151 officer was informed of the CIS: Breach of security by the DWP. The incident took place on 12 May and the Council was not informed until 5 August 2010.
  - Capita did not have adequate processes in place to detect the breach by its employee and did not alert the Council's section 151 officer of this particular breach of security.
  - Internal Audit was unable to establish if user permissions are reviewed periodically to ensure compliance with the DWP rules and regulations.
  - Assurance should be provided that Capita have undertaken periodic security check as required by the Council's section 151 officer and submit to the Council information to confirm these arrangements.
- 4.2 Effective remedial action was taken in that the Capita employee has been dismissed. This is the first incident requiring a joint investigation and the collaboration worked very effectively. The investigation was initiated immediately, the fieldwork was completed within days and the offender was dismissed within a minimum timescale.
- 4.3 Internal Audit recommends that Capita should inform all staff with similar access rights of the circumstances relating to their colleague's dismissal to serve as a deterrent to all employees working with confidential data.

## **RECOMMENDATIONS**

Internal Audit has made a number of recommendations to improve control processes relating to accessing data for the administration of the housing benefit service.

To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

**High**            Fundamental control weakness for senior management action

**Medium**        Other control weakness for local management action

**Low**            Recommended best practice to improve overall control

## **PREVENTIVE MEASURES**

### **1. Notification of Breach of Security incident (High Risk)**

<b>Recommendation</b>
The Section 151 officer should request that Capita introduce measures to alert the Council's section 151 officer of any breach of security relating to accessing benefit data via the DWP: Customer Information Systems in a timely manner.
<b>Management Response</b>
Recommendation is <b>Agreed</b>  Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 30 October 2010.  Management Response: Strategic Director and s. 151 officer

### **2. Proactive checks regarding breach of security issues (High Risk)**

<b>Recommendation</b>
The Section 151 officer should request that Capita adopt a process for undertaking adequate proactive checks to regularly detect any breach of security rules.
<b>Management Response</b>
Recommendation is <b>Agreed</b>  Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.  Management Response: Strategic Director and s. 151 officer

### **3. User permissions (Medium Risk)**

<b>Recommendation</b>
The Section 151 officer should request that Capita review user permissions to access DWP data periodically to ensure compliance to the DWP rules and regulations.
<b>Management Response</b>
Recommendation is <b>Agreed</b>



Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.

Management Response: Strategic Director and s. 151 officer

#### **4. Confirmation of periodic review on security checks**

**(Low Risk)**

##### **Recommendation**

The Section 151 officer should be provided with assurances that Capita have undertaken periodic security checks as required by the Council's section 151 officer and submit information to confirm these arrangements.

##### **Management Response**

Recommendation is **Agreed**

Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 31 December 2010, if possible.

Management Response: Strategic Director and s. 151 officer

#### **5. Publication of information relating to security arrangements**

**(Low Risk)**

##### **Recommendation**

The Section 151 officer should request that Capita inform all staff with similar access rights of the circumstances and consequences relating to their colleague's dismissal to serve as a deterrent to all employees working with confidential data.

##### **Management Response**

Recommendation is **Agreed**

Capita will be reminded of this requirement and an implementation timescale will be agreed. The intention would be to implement by 30 October 2010.

Management Response: Strategic Director and s. 151 officer

Internal Audit will undertake a follow-up review of control processes operating within Capita regarding the access to DWP customer information systems in March 2011.

## **2. Payroll 2010/2011**

### **1. INTRODUCTION**

- 1.1 The fieldwork for this audit was undertaken in September 2010, and the final report issued on 2 December 2010.
- 1.2 The following areas have been covered during the course of this review:
- To ensure that roles, responsibilities and authorities for payroll are appropriately documented;
  - To ensure that payroll records (electronic and paper hard copy) are secure;
  - To ensure amendments to payroll standing data are appropriately authorised, documented and actioned in a timely manner, including:
    - ensuring starters and leavers have appropriate authorisation, additions and deductions to pay and these are processed in a timely manner to avoid over/under payment;
    - ensuring variations to pay (i.e. expenses, overtime, changes to salary), are authorised, documented and processed in a timely manner; and
    - ensuring that only the employee can access the part of the HR system to amend personal data.
  - To ensure employees are paid in a timely manner;
  - To ensure payroll data is transferred between payroll, HR and finance systems in an accurate and timely manner, as appropriate;
  - To ensure payroll records are reconciled with the council's establishment list and general ledger, as appropriate;
  - To ensure the contractor (capita) has an adequate audit trail and authorisation procedures in place for authorisation of and amendments to payroll;
  - To ensure that adequate system back-up arrangements are in place to ensure business continuity;
  - To ensure staff are up-to-date with the latest laws and regulations surrounding payroll, thus avoiding incorrect payments and penalties; and
    - To ensure the actions taken as part of the Payroll Action Plan are embedded.

### **2. BACKGROUND**

- 2.1 In addition to its own payroll, since the 1 February 2008, South Oxfordshire District Council (SODC) has also provided payroll services to the Vale of White Horse District Council (VWHDC). The current payroll system used is known as Ingenuity@Work (I@W) and was implemented in January 2007. The system is managed through an agreement with capita.
- 2.2 From 1<sup>st</sup> April 2009, the management structure of the Council has been revised. As a result of this restructure, the payroll team have transferred from human resources (HR) into finance. There is currently a review of the payroll function being undertaken within the council to determine the future placement of the payroll function within the management structure. At present, the payroll manager position is filled by a member of staff on a

temporary contract.

- 2.3 The payroll audit has been completed by Mazars LLP on behalf of SODC. Mazars provide support to VOWHDC and SODC under a framework contract. All work completed was conducted by Mazars staff during September 2010.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Payroll was last subject to an internal audit review in November 2009 and thirteen recommendations were raised. A limited assurance opinion was given.
- 3.2 As part of the current audit work performed a follow up of the recommendations made in the previous report has been undertaken. Six recommendations are seen to be implemented. One recommendation is seen to be partially implemented. Our review identified six recommendations which although they had been reviewed are considered as not implemented.
- 3.3 The six recommendations from the previous report which are not seen to be fully implemented relate to the use of procedure notes, the capita service level agreement, the monitoring of monthly pay, the evidence of review procedures, evidence of requests to recruit and the review of calculations. The recommendation which is partially implemented relates to the requirement for staff to confirm that their vehicle is insured for business purposes. Council policy has been updated to reflect this requirement, however, we did not see evidence that this was being completed. These have been included in our recommendations raised in the current year.

### 4. 2010/2011 AUDIT ASSURANCE

- 4.1 **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Eighteen recommendations have been raised in this review. One high risk, nine medium risk and eight low risk.

### 5. MAIN FINDINGS

#### 5.1 Roles and Responsibilities

- 5.2 As part of the Payroll Action Plan (PAP), the current operational procedure notes have been revised along with job roles. At the time of the audit, these were at draft stage and were being distributed to all payroll staff.
- 5.3 Additionally, it has been identified that while a draft document detailing the responsibilities for each payroll function has been prepared, during testing the HR department were unable to provide written job descriptions for any member of the payroll team.

5.4 Three recommendations have been made as a result of our work in this area.

#### 5.5 **Secure Payroll Records**

5.6 All payroll records are maintained at the SODC site. The majority of these are stored electronically within the I@W system. A further hard copy audit trail is maintained in the department. All hard copy documents are kept in secure filing cabinets within a restricted area of the office. Access to these documents is restricted to payroll and HR staff.

5.7 Electronic records are secured by passwords to allow users access to the system. In all cases users must be established users of the Council network and the payroll system, with separate passwords required to access each of these systems. Following a previous internal audit recommendation, staff are now regularly prompted to change their passwords. However, it was noted during our testing that two staff members no longer employed by the Council had continued access to the HR Pro system.

5.8 One recommendation has been made as a result of our work in this area.

#### 5.9 **Amendments**

5.10 From the samples tested, the documentation of changes to payroll details appears to be adequate with independent checks included as part of the review of data input into the payroll system. Our testing concluded that these checks have been performed on a consistent basis.

5.11 The testing undertaken on changes to standing data did not identify any issues of non compliance with council policy, with all amendments being authorised and supported by an adequate audit trail. There was evidence of review of amendments made following input to the system.

5.12 No recommendations have been made as a result of our work in this area.

#### 5.13 **Starters and Leavers**

5.14 Procedures are in place covering the process for recording and processing starters and leavers within the payroll system. In all cases examined during testing, supporting documents were retained on file or on the HR system to support the starter and leaver post. The audit trail for the sample selected was appropriately authorised.

5.15 During our review we noted that HR records are only reconciled to the payroll system on an annual basis. While no issues were identified in the integrity of the data tested on these systems, it is good practice to perform a monthly reconciliation of these systems. Additionally it was identified that for two starters, no request to recruit form was retained on file.

5.16 Two recommendations have been made as a result of our work in this area.

#### 5.17 **Variations**

5.18 Testing was undertaken on variations to pay to ensure they were appropriately calculated, authorised and supported by an appropriate audit

trail. In general, the majority of variations were found to be correctly calculated and paid, however, a number of minor issues have been identified with some calculations and the use of source data.

5.19 It is noted that the Council has drafted a “driving at work” policy to inform staff and service managers of the need to provide annual confirmation that their vehicle is insured for business purposes. The HR system has been adapted to record confirmation of this purpose however there was no evidence that the confirmation had been recorded.

5.20 Testing also identified that multiple input forms are still in use across the two Councils. HR is moving towards providing information electronically to payroll, however, many paper input forms are still being received by the payroll department.

5.21 Nine recommendations have been made as a result of our work in this area.

#### 5.22 **Timely Payment**

5.23 The payroll section have a cut off date of the 4<sup>th</sup> working day of each month to submit changes to payroll. To ensure payments are made in a timely manner, payroll use a checklist to ensure all processes and checks are completed by the payment deadline.

5.24 Capita provide detailed reports to the Payroll section which are then reviewed and authorised before the final payment is sent. All dates are communicated to the HR department to ensure they are aware of the required timescales.

5.25 No recommendations have been made as a result of our work in this area.

#### 5.26 **Data Transfer**

5.27 The Council use I@W as the payroll system, which is maintained independently from the general ledger and HR system. There is therefore no automated transfer of data between systems.

5.28 Capita are responsible for uploading the payroll data into Agresso (general ledger). Our testing has identified one issue with the notification of data transfer between the payroll system and Agresso.

5.29 One recommendation has been made as a result of our work in this area which has been included with the recommendation regarding the Capita contract.

#### 5.30 **Reconciliations**

5.31 Reconciliations between the information recorded in the HR system and the payroll system are conducted annually to ensure all data is matched and no ghost records exist. Reconciliations are also performed between dummy and final runs to ensure all data is accurate.

5.32 Payroll transactions within the General Ledger are reconciled by Finance,

with clear documentation and assignment of ownership. This information is communicated to payroll on a monthly basis with a collaborative effort undertaken to resolve any issues. Our testing has identified an issue with the timeliness of the reconciliation between the payroll and HR systems.

- 5.33 One recommendation has been made as a result of our work in this area and included in the starters and leavers section.

5.34 **CAPITA**

- 5.35 Capita do not maintain significant records in respect of payroll as they do not input data. All Capita processes are subject to periodic spot checks by team managers and Capita are regularly subject to ISO Quality Audits to review their procedures.

- 5.36 Our review examined the contract between the Council and Capita and found that there is no service level agreement covering the provision of payroll. As a result it was noted that the Council may not have a service specifically tailored to its needs.

- 5.37 One recommendation has been made as a result of our work in this area.

5.38 **System Back-up Arrangements**

- 5.39 The council has an overall Business Continuity Plan in place which is designed to ensure the provision of key services in the event of a number of critical situations.

- 5.40 The Corporate Crisis Management Plan was also reviewed, which identifies key system requirements to provide key services. These have been updated in the light of recommendations raised in the previous internal audit reports and now make specific reference to the payroll service and system.

- 5.41 No recommendations have been made as a result of our work in this area.

5.42 **Laws, Regulations and Current Guidance**

- 5.43 The council has ensured staff are given sufficient training to complete their tasks. It has however been noted that with the exception of the temporary payroll project lead, no other staff member in the payroll department has an accredited payroll qualification.

- 5.44 While payroll staff have undertaken on the job training provided by the payroll manager, testing revealed that no evidence of this training was retained by the HR department.

- 5.45 Two recommendations have been made as a result of our work in this area.

5.46 **Embedding of actions from Payroll Action Plan**

- 5.47 Since 2008 the council have put in place a payroll action plan to capture and assess the progress against key milestones and targets set for the improvement of the payroll function.

- 5.48 This plan was reviewed in the previous internal audit of payroll. As part of the work undertaken in the current year, an assessment has been performed over whether actions noted on the Payroll Action Plan have been implemented in the council and the degree to which these actions may be considered embedded in the payroll culture. Given the current review of the payroll service, the actions included in the plan have been prioritised and resources focussed on the key issues.
- 5.49 No recommendations have been made as a result of our work in this area.

# **OBSERVATIONS AND RECOMMENDATIONS**

## **Roles and Responsibilities**

### **1. Client Procedure Notes**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u></p> <p>Formal procedure notes are in place that will ensure continuity in the case of staff absence.</p> <p><u>Findings</u></p> <p>We noted that while there are operational notes on the input of data, there are no formal procedure notes for the payroll department. These are currently in the process of being prepared.</p> <p><u>Risk</u></p> <p>The resilience of the payroll process cannot be assured in the event of staff loss/illness.</p> <p>Inconsistent practices may be applied within the payroll team.</p>	<p>Priority should be given to completing the procedure notes to replace the current data input notes. These should be distributed to all staff involved in the payroll department.</p>	<p>Payroll Project Lead</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Payroll Project Lead</p>		<p>31 January 2011</p>

### **2. Documented Roles and Responsibilities**

**(Low Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u></p> <p>Roles and responsibilities are documented to ensure staff awareness of their position and function within the team.</p> <p><u>Findings</u></p> <p>A document has been produced that outlines all the payroll related tasks that each member of the team undertakes. However, it gives no indication of the line management responsibilities or the hierarchy of the payroll process.</p> <p><u>Risk</u></p> <p>Aspects of the payroll function may not be delegated or undertaken resulting in delays in the payroll process.</p>	<p><b>The current roles and responsibilities document should be revised to include the roles of each member of the payroll team.</b></p>	<p>Payroll Project Lead</p>
<b>Management Response</b>		<b>Implementation Date</b>



<p>Recommendation is <b>Agreed</b></p> <p>A hierarchy chart will be included in the Payroll Procedure Manual and this will also be included in the roles and responsibilities document.</p> <p>Management Response: Payroll Project Lead</p>	31 January 2011
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### 3. Job Descriptions

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All staff have documented job descriptions.</p> <p><u>Findings</u></p> <p>During testing, the HR department were unable to provide job descriptions for any member of the payroll team.</p> <p><u>Risk</u></p> <p>Staff may not be fully aware of their function within the department.</p>	Job descriptions for payroll staff should be prepared and agreed. These should be retained on employee files.	Payroll Project Lead/Shared HR Manager
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>As and when the decision is made to retain an in-house payroll team Payroll and HR will collaborate to prepare and agree the necessary job descriptions for the team.</p> <p>Management Response: Payroll Project Lead/Shared HR Manager</p>		31 March 2011

## Secure Payroll Records

### 4. HR Pro User Access

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Only relevant and current employees have access to the HR Pro system.</p> <p><u>Findings</u></p> <p>During testing it was noted that one staff member who was no longer a member of the HR team still had access to the HR Pro system.</p> <p><u>Risk</u></p> <p>Inappropriate access to payroll data.</p>	Access rights to the back office HR Pro system should be reviewed on a regular basis to ensure only relevant employees have access.	Shared HR Business Support Manager
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Shared HR manager</p>		30 November 2010

## Starters and Leavers

### 5. Reconciliation of Starters and Leavers to HR Records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>A reconciliation between amendments to the payroll records and the establishment list are completed on a monthly basis.</p> <p><u>Findings</u></p> <p>During our testing we noted that HR records are only reconciled to the payroll system on an annual basis.</p> <p><u>Risk</u></p> <p>Errors on the HR or Payroll systems may not be detected resulting in under or over payments to employees.</p>	<p>A reconciliation of starters and leavers per the payroll and HR systems should be completed on a monthly basis.</p>	<p>Payroll Supervisor/Shared HR Manager</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>A decision regarding the future direction of the payroll service is required; if payroll is outsourced there will be an opportunity to integrate the HR and payroll systems. Payroll and HR will agree and document a formal procedure to enable a monthly reconciliation.</p> <p>Management Response: Payroll Project Lead/ Shared HR Manager</p>		<p>01 December 2010</p>

### 6. Retention of Supporting Documentation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All source documentation for payroll is filed on a timely basis.</p> <p><u>Findings</u></p> <p>During sample testing of starters, 2 of the 5 tested did not have a request to recruit form on their personnel file.</p> <p><u>Risk</u></p> <p>Incomplete audit trail and/or an unauthorised starter could be set up on the system.</p>	<p>All permanent staff positions should be supported by a request to recruit form.</p>	<p>Shared HR Business Support Manager</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Shared HR Manager</p>		<p>31 March 2011</p>

## Variations

### 7. Insurance Records

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Employees are adequately insured when conducting Council basis.</p> <p><u>Findings</u></p> <p>We noted that the Council has updated its Driving at work policy to include the need for service managers to ensure staff provide an annual confirmation that they retain car insurance for business purposes. We were informed that the facility to record this has been incorporated into the HR Pro system but has not been used to date.</p> <p><u>Risk</u></p> <p>Employees may be driving on Council business when not adequately insured, which may expose the council to legal action.</p>	<p>A record of the annual confirmation that staff retain car insurance for business purposes should be retained by the Council on the HR Pro System.</p>	<p>Shared HR Business Support Manager</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Shared HR Manager</p>		<p>30 June 2011</p>

### 8. Multiple input forms

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>There is a standard set of payroll input forms used across both Councils.</p> <p><u>Findings</u></p> <p>During testing it was noted that SODC and VWHDC use different payroll input forms for most of their processes. Payroll are moving towards receiving this information electronically from HR, however, many paper input forms are still being received.</p> <p><u>Risk</u></p> <p>The current system is inefficient in the use of payroll staff time and may lead to confusion amongst staff.</p>	<p>Consideration should be given to adopting a common format for payroll input forms across both Councils.</p>	<p>Payroll Supervisor/Shared HR Business Support Manager</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p>		

Management Response: Payroll Project Lead/Shared HR Manager	30 June 2011
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## 9. Payroll Audit Trail

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All payroll amendments are checked to provide errors are minimised and an adequate audit trail exists.</p> <p><u>Findings</u></p> <p>Amendments to payroll data can be checked by two methods:</p> <p>1) The paper amendment form is grid stamped by payroll, signed as checked/input and then countersigned as reviewed.</p> <p>2) The paper form is grid stamped by payroll and signed as checked/input. An audit report is then produced from the I@W system detailing the amendment which is then countersigned as reviewed.</p> <p>During testing it was identified that some amendments had not been countersigned as reviewed on either the payroll grid stamp or the audit report.</p> <p><u>Risk</u></p> <p><b>Incomplete audit trail.</b> Payroll staff may be unable to substantiate when changes were received and input.</p>	<p>All amendments to payroll data should be reviewed after input either via the payroll grid stamp or audit report.</p> <p>In addition, a standardised method of reviewing amendments to the payroll system should be introduced to prevent confusion arising over where the amendment has been checked.</p>	Payroll Supervisor
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Payroll Project Lead/Shared HR manager</p>		31 December 2010

## 10. Monitoring Monthly Pay

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>An exception report is produced of all amendments to payroll standing data is produced on a monthly basis. This is reviewed and agreed to source documentation.</p> <p><u>Findings</u></p> <p>We noted that a 100% check of all variances over £20 between the monthly payrolls is carried out, however this is not traced back to supporting documentation. A</p>	<p>Consideration should be given to using an audit trail report for permanent changes to payroll standing data and agreeing all changes to source documentation.</p>	Payroll Project Lead

<p>separate check of all amendments to temporary data (i.e. expenses) is also carried out as this accounts for the majority of month on month differences.</p> <p><u>Risk</u></p> <p>A standard monetary amount does not provide adequate assurance over the integrity of the payroll. The benefit of this check is further reduced by the presence of expense payments in each payroll run.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>Research to date with the current payroll providers (Capita) has established that the current payroll providers (I@W) is unable to produce the required report.</p> <p>Management Response: Payroll Project Lead</p>		N/A

## 11. Overtime Claims

(Low Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u></p> <p>All payroll source documents are date stamped when received</p> <p><u>Findings</u></p> <p>During testing we noted that many overtime forms had not been date stamped when received by the payroll department.</p> <p><u>Risk</u></p> <p>It may not be possible to identify which overtime payments are due for the current month or validate why payment was not made for forms received after the cut-off date.</p>	Overtime forms should be date stamped when received by the payroll department to identify those received before and after the cut off dates.	Payroll Supervisor
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management Response: Payroll Project Lead</p>		Immediate

## 12. Authorised Signatory List for Members' Expenses

(Low Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u></p> <p>An approved signatory list is in place to which approval of all amendments is agreed.</p>	An authorised signatory list should be created to ensure variations to pay have been approved by an appropriate person.	Payroll Supervisor

<p><u>Findings</u></p> <p>Members do not have the facility at present to submit expenses electronically and return paper forms which contain an 'authorised signature'. During testing it was highlighted that there is currently no authorised signatory list in place against which payroll can verify the 'authorised signature' to ensure that the expenses have been appropriately approved.</p> <p><u>Risk</u></p> <p>Amendments to pay may be processed without the required authorisation.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>All members/councillors claims are authorised for payment by one individual (or their substitute) from democratic services and a list of specimen authorised signatories from democratic services will be obtained and held within the payroll. Work has been completed to provide members/councillors with access to submit claims electronically, only a few member are unable to use this format. Access and authorisation rules are built in to the electronic process.</p> <p>Management Response: Payroll Project Lead/Shared IT Applications manager</p>		<p>31 December 2010</p>

### 13. Processing of expenses

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Expenses are only approved when processed electronically.</p> <p><u>Findings</u></p> <p>With the exception of members' expenses, amendments to payroll are authorised electronically via the HR Pro system. However, some staff are still using the paper forms.</p> <p><u>Risk</u></p> <p>Amendments to pay may not be processed in a timely manner or be appropriately authorised.</p>	<p>Staff should be reminded that amendments to pay and expense claim forms will only be processed if received electronically.</p>	<p>Shared IT Application Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Work has commenced to provide access for all casual staff so they are able to submit claims electronically. ICT confirmed progress is being made to enable electronic submission of all travel claims.</p> <p>Management Response: Shared IT Application Manager</p>		<p>01 February 2011</p>

## 14. Maternity Calculations

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>All members of the payroll team are able to proficiently perform maternity pay calculations.</p> <p><u>Findings</u></p> <p>Internal audit noted that maternity pay calculations are currently being performed by only two members of the payroll team. One employee is responsible for completing the calculations and the other responsible for checking the accuracy of the calculations. One of these members of staff is the temporary Payroll Project Lead.</p> <p><u>Risk</u></p> <p>Maternity calculations may not be able to be completed or incorrectly calculated in the event of staff absence.</p>	<p>Additional members of the payroll team should be given training on the process for calculating maternity payments to prevent over reliance on individual payroll staff.</p>	<p>Payroll Project Lead</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b></p> <p>An ongoing training need has been identified by the payroll project Lead. (see rec 18) 2 substantive and 1 temporary member of staff received in house training on 23 March 2010. The 3<sup>rd</sup> substantive post holder that will be returning to work from maternity leave in January 2011 is already trained and holds a payroll qualification. A refresher in house training session has been arranged and all in house training is notified to HR for training record purposes.</p> <p>Management Response: Payroll Project Lead</p>		<p>31 January 2011</p>

## Capita

## 15. Capita Contract

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>A detailed service level agreement is in place setting out the roles of each organisation, with service standards included.</p> <p><u>Findings</u></p> <p>The current contract between the Council and Capita is extremely limited in detail of the service to be provided and effective monitoring arrangements.</p> <p><u>Risk</u></p> <p><b>The Council may not be achieving value for money.</b></p> <p>There is little recourse against poor or</p>	<p>The council should ensure that the service level agreement (SLA) currently under preparation is implemented as soon as possible. This should include specific monitoring arrangements, measurable service standards and agreed facilities to include but not be limited to the following:</p> <ol style="list-style-type: none"> <li>1) An exception report is generated that details all amendments made to standing data on a regular basis for payroll staff to agree to source documentation.</li> <li>2) A list of standard monthly reports required from Capita to ensure all relevant monthly reports</li> </ol>	<p>Payroll Project Lead</p>

inefficient service.	are received.  3) The Council are notified when Capita upload the payroll payment details to the finance system.	
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed in Principle</b>  Unfortunately, Finance has inherited a poor contract and they are working with Capita to prepare a detailed SLA.  Management Response: Payroll Project Lead		31 March 2011

## Laws, Regulations and Current Guidance

### 16. Training Records

(Medium Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<u>Best Practice</u>  Up-to-date training records for payroll staff are maintained  <u>Findings</u>  Internal audit noted that although staff had received training on specific payroll areas no records of receiving this training were maintained.  <u>Risk</u>  Staff training needs cannot be effectively addressed.  The current payroll team may not have appropriate skills for accurate completion of payroll function.	Training records should be maintained for all payroll specific training received by the payroll team.	Shared HR Business Support Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>  Management Response: Shared HR Manager		31 March 2011



## 17. Staff responsibilities

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Up-to-date training records for payroll staff are maintained</p> <p><u>Findings</u></p> <p>When the Payroll service was established it was intended to be simply an input function. This has meant that the majority of staff do not hold a payroll related qualification. Under the current payroll service set-up, Capita is responsible for keeping up to date with all changes to laws and regulations and ensuring that these are accurately implemented.</p> <p><u>Risk</u></p> <p>An error made by Capita may not be identified.</p> <p>Current payroll team may not have appropriate skills for accurate completion of the payroll function.</p>	<p>Staff within the payroll section should be aware of all changes to laws and regulations and their implications for the payroll.</p>	<p>Payroll Project Lead</p>
Management Response		Implementation Date
<p>Recommendation is <b>Agreed in Principle</b></p> <p>The implementation of this recommendation is determined by the future direction of the payroll service. The current team are not experienced and only 1 member of the team holds a payroll qualification. In house training is currently being provided on a temporary basis and a longer term solution is being considered.</p> <p>Management Response: Payroll Project Lead/Shared HR Manager</p>		<p>31 March 2011</p>

### **3. Housing & Council Tax Benefits Overpayments & Recovery 2010/2011**

#### **1. INTRODUCTION**

- 1.1 The fieldwork was undertaken in September and October 2010 and the final report was issued on 1 December 2010.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- overpayments are supported by documentary evidence, are adequately recorded and correctly calculated;
  - housing and council tax benefits are correctly classified for Housing Benefits Subsidy purposes;
  - the recovery of overpaid benefits is prompt, efficient and effective from initial billing to legal action if required;
  - a management review process has been established to monitor the level of overpayment.

#### **2. BACKGROUND**

- 2.1 The Council delegated the service of administering housing and council tax benefits to Capita in July 2006. Internal Audit recognises that since the introduction of the payment and performance mechanism with regards to the recovery of housing benefit overpayment, Capita has brought the recovery arrangements back in house under the control of the senior benefit officer, who is currently supported by two part time officers (VWHDC 2 days, SODC 3 days). The service was previously administered from Capita's Mendip offices.
- 2.2 Internal Audit still considers it is early days to summarise how effective the current recovery arrangements are, but acknowledges that a clear process has been established in recent months for all relevant staff to follow.

#### **3. PREVIOUS AUDIT REPORTS**

- 3.1 Housing & council tax benefits was last subject to an annual assurance internal audit review in December 2009 and housing and council tax benefit overpayments and recovery were included as part of that review. Ten recommendations were raised, of which four recommendations related to overpayments and recovery. A limited assurance opinion was issued against the overpayment and recovery process.
- 3.2 All areas of the overpayment and recovery process have been reviewed as part of this follow up review and where appropriate, recommendations have been restated or modified to reflect the current arrangements.

## **4. 2010/2011 AUDIT ASSURANCE**

- 4.1 **Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Seven recommendations have been raised in this review. One High risk, Three Medium risk and Three Low risk.

## **5. MAIN FINDINGS**

### **5.1 Calculation of Overpayments**

- 5.2 From the review of system records and documentation in relation to housing benefit overpayment, Internal Audit is satisfied that overpayments are supported by documentary evidence, are adequately recorded and the cases reviewed were correctly calculated. The checking and subsidy claim classification process undertaken by Capita has been the subject of concern however it is anticipated that improvement in this area will become evident throughout 2010/2011. A further commentary regarding the accuracy of the processing of benefits claims will be made in the annual assurance audit undertaken for the housing and council tax benefit service. No recommendations have been made as a result of the work undertaken in this area.

### **5.3 Classification of Overpayments**

- 5.4 Internal Audit and the Council recognise that there are ongoing issues with regards to the accuracy of benefit assessments and classification of errors for subsidy purposes. The service is being closely monitored by the Housing Benefit Client Team for improvements. This six month review undertaken by Internal Audit can demonstrate that processes have been put in place to facilitate robust recovery arrangements; however the staff resources currently allocated by Capita to housing benefit overpayments are inadequate. In addition, Internal audit is of the opinion that high value overpayments should be targeted for recovery and/or write off as a matter of priority. Whilst Internal Audit recognises there has been some improvement in the HB overpayment arrangements, there is still significant progress to be made. Two recommendations have been made as a result of the work undertaken in this area.

### **5.5 Recovery Process**

- 5.6 Internal Audit acknowledges that the overall position with the recovery of housing benefits has not changed significantly since the last audit took place in December 2009, other than the introduction of a clear process for officer to follow with regards to pursuing the recovery of housing benefit overpayments. The compliance testing demonstrated that numerous reminders/final notices have been sent over the course of the last few years with limited response. Internal Audit considers that recovery should be carried out in accordance with the stated timetable and followed through in the appropriate manner to County Court judgement if necessary. To assist the process Internal Audit considers that further members of Legal Services should be granted access

to the Academy system to enable them to track recovery and intervene when necessary. Regular meetings between all relevant parties (Capita, Legal Services and Revenues and Benefits client team) should be introduced to assist with the development of robust recovery arrangements. Three recommendations have been made as a result of the work undertaken in this area.

## **5.7 Management Review**

- 5.8 Internal Audit has concluded that significant improvements have been made in the level of detail provided as part of the management reporting information to the Ridgeway Shared Service Partnership board. The monitoring arrangements for housing benefit overpayments continue to improve in response to the incentives applied, however Internal Audit noted a requirement to inform and train officers within Legal Services of the classification of the recovery status on the Academy system following referral to Legal Services as both parties need to process this information. In addition, Internal Audit would advocate that Legal Services adopt spreadsheets for the recording and tracking of the recovery process after debts have been referred by Capita to facilitate the ease of reporting the information to management. Two recommendations have been made as a result of the work undertaken in this area.

# **OBSERVATIONS AND RECOMMENDATIONS**

## **CLASSIFICATION OF OVERPAYMENTS**

### **1. High Value Overpayment Cases**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> All old and historical debts should be rigorously pursued or written off whichever is considered appropriate.</p> <p><u>Findings</u> Whilst the high value cases reviewed registered some recovery activity, IA noted write off's with relatively small values were being processed, it is IA opinion that high value debts in excess of £5K should be prioritised for recovery purposes.</p> <p><u>Risk</u> If older debts are not rigorously pursued, it may not be possible to recover the debt due to the person moving or the debt becoming time barred.</p>	<p>That high value overpayment cases reviewed by Internal Audit should be referred to legal services or written off if considered appropriate. Internal Audit would advocate that high value overpayment debts in excess of £5k should be prioritised for recovery and/or write off purposes to enable the Council to state an accurate bad debt provision.</p>	<p>Capita Benefits Manager &amp; Revenues and Benefits Client Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in principle</b></p> <p>The work to review all debts over £5K had already been done prior to the latest IA review. Of those debts some were awaiting write off but this process takes longer as a different format is followed; more detail is required; and, they must be signed off at councillor level. Some high value cases may sit with the client longer than others, but this will be because every avenue will explored to recover the debt before it is authorised for write – off. If any money can be gleaned it benefits the council and Capita. For information this approach has now also been applied to debts of £3K and over and will continue to focus on lower levels of debt as the higher amounts are appropriately resolved.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		<p>Already done prior to latest IA review.</p>

### **2. Staff Resources**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Adequate staff resources are allocated to the recovery process to ensure sustained effort and reduction of debts.</p>	<p>Capita should increase the staff resource attached to the recovery of housing benefit overpayments for a specified period to assist with the reduction of housing benefit overpayments.</p>	<p>Capita Benefits Manager</p>

<p><u>Findings</u> The current resource attached to Housing Benefit overpayments is one full time senior benefit officer and two part time employees, (Vale 2 days) and (SODC 3 days).</p> <p><u>Risk</u> Inadequate staff resources could result in an increase of overpayment debt and difficulty in recovery due to the person moving or the debt becoming aged barred.</p>		
Management Response		Implementation Date
<p>Recommendation is <b>Not Agreed</b></p> <p>The existing resource is perfectly adequate to facilitate the effective recovery of outstanding debts. The fact that there are many years of unrecovered debts to tackle is due to previous inactivity. However, Capita is now incentivised to recover overpayments and as such the necessary staffing is used to maximise collections and any potential bonus Capita may earn from this work. At present, for your information it is possible that up to 4 other full time staff can be working on overpayment recovery at any one time which further re-affirms Capita's commitment to reducing this aged debt position.</p> <p>Management Response: Capita Benefits Manager</p>		N/A

## RECOVERY PROCESS

### 3. Recovery Timetable

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All old and historic debts should be rigorously pursued.</p> <p><u>Findings</u> The compliance testing noted that the housing benefit system had registered up to 10 final notice/reminders being sent to the claimant before the issue of the legal letters. Repeated reminder/final notices sent to housing benefit claimants had failed to produce or enlist any significant response in the majority of cases.</p> <p><u>Risk</u> If the Council's timetable</p>	That recovery of housing benefit overpayments are pursued in accordance with the Council stated timescale.	Capita Benefits Manager & Revenues and Benefits Client Manager

for recovery action is not adhered to, cases may not progress fast enough to allow repayments to be sought.		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>Due to the lack of activity on many accounts it was necessary to re-start the recovery process to ensure that the customer had been given a recent opportunity to rectify the debt position. This will of course vary from the timetable agreed between Capita and the councils. At present there will be inevitable delays in sending all relevant cases to Legal Services and we have agreed which cases (over £5k and older cases for example) that they wish to have first. If all cases which could be sent to Legal Services were forwarded in line with the timetable then the sheer volume of work could prove to be problematic at this point in time. Therefore a sensible volume of traffic is managed to take account of current priority cases. This will be reviewed on an ongoing basis at our regular meetings with all concerned parties.</p> <p>Management Response: Capita Benefits Manager</p>		Ongoing

#### 4. Access to the Academy System

(Medium Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Access to the Academy system would enable officers to assess the next appropriate recovery action.</p> <p><u>Findings</u> Members of the Legal team have access to the Academy system at Vale and undertake reviews of cases which have been referred to legal prior to any significant action to ascertain if the recovery action is still appropriate. Internal Audit noted the same access rights to the Academy system is not given to legal staff based at SODC.</p> <p><u>Risk</u> Failure to track payments/recovery status could result in the Council not taking appropriate recovery action when due and which could make the debt harder to recover.</p>	Legal Services officers working on the recovery of housing benefit overpayments should be given access to the Academy system to assist them in the tracking of payments with regards to recovery of overpayments.	Capita Benefits Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		Already done

The system access already exists at SODC and the staff concerned have been active users for a long time. Appropriate training was given to them by Capita well over a year ago.	
Management Response: Capita Benefits Manager	

## 5. Progress Meeting

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All officers involved in recovery meet on a regular basis to progress recovery of HB overpayments cases.  <u>Findings</u> There is no established structure for regular meetings to discuss the recovery of housing benefit overpayment case.  <u>Risk</u> Failure to ensure that recovery cases are actively progressed and monitored could result in difficulty in collecting the debt.	Officers from all the relevant parties, (legal services, Capita and client team) should meet on a monthly/regular basis to agree the cases which could be passed to legal services for recovery of the overpayment to facilitate a robust ongoing recovery process.	Revenues and Benefits Client Manager
Management Response		Implementation Date
Recommendation is <b>Agreed</b>  Whilst informal meetings have been held regularly it is true that the process may benefit from a more formal approach. The first meeting has already happened and will continue until further notice.  Management Response: Capita Benefits Manager		Already in place

## MANAGEMENT REVIEW

### 6. Tracking Mechanism

(Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The use of spreadsheets would facilitate the ease of retrieval of information for management review purposes.  <u>Findings</u> Internal Audit found it difficult to establish from the information provided by Legal Services what progress was being made on the individual HB overpayments cases. The information is recorded on the Legal	Legal Services should adopt an excel spreadsheet as a mechanism for recording and tracking the recovery of housing benefit overpayments after they have been referred by Capita to facilitate the ease of reporting the information to management and other interested parties.	Legal Services



<p>framework register which doesn't readily state the value of debts and/or status of recovery without significant research and interrogation of records.</p> <p><u>Risk</u> Failure to maintain accurate recovery status records could result in inaccurate management information being produced.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> The spread sheet has been set up and is updated by Legal as cases progress. This arose as part of the FFTF review.</p> <p>Management Response: Revenues and Benefits Client Manager</p>		Already in place – from early October 2010

## 7. Academy Training for legal Staff

(Low Risk)

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Recovery status on the Academy system should be kept up to date to enable accurate management reports.</p> <p><u>Findings</u> Legal services were not aware that additional codes/descriptions had been introduced to denote recovery status whilst cases were being pursued by legal services.</p> <p><u>Risk</u> Failure to keep the recovery status updated could result in inaccurate management information being produced.</p>	That legal services undertake training to enable them to amend the academy system to denote the overpayment recovery status whilst the debt is under their control.	Capita Benefits Manager
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>I agree that additional training should be given to Legal Services to enable them to ensure that their actions are properly recorded within the Academy system. New codes were in fact agreed following consultation with the Legal Services to ensure that their processes could be effectively recorded within Academy and we now need to ensure they are utilised.</p> <p>Management Response: Capita Benefits Manager</p>		1 February 2011