

## REPORT TO THE AUDIT COMMITTEE – 1 JULY 2021

### INTERNAL AUDIT REPORTS

#### 1. Reason for Report / Summary

- 1.1 This report advises the Committee of completed audits and of progress with implementing agreed recommendations.

#### 2. Recommendation

**The Committee is recommended to:**

##### **2.1 Review, discuss and comment on the issues raised within this report and the attached appendices**

#### 3. Purpose and Decision Making Route

##### 3.1 Purpose

- 3.1.1 Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Board. In Aberdeenshire Council, this is the Audit Committee. This report helps satisfy the requirement.

##### 3.2 Decision Making Route

- 3.2.1 The results from individual audit activities detailed in Section 4, below, have not previously been considered by this, or another Committee, with the exception of any outputs relating to audits contained in the Aberdeenshire Integration Joint Board Internal Audit Plan. In such cases, the output will have been considered by the Aberdeenshire Integration Joint Board Audit Committee prior to being considered by this Committee.

#### 4. Discussion

##### **Internal Audit Reports**

The following Internal Audit reports have been finalised and agreed with Services since the Audit Committee's last meeting:

- 4.1 **Benefits (Internal Audit Report 2036 – May 2021)** – see Appendix A
- 4.2 **Housing Void Control (Internal Audit Report 2103 – May 2021)** – see Appendix B
- 4.3 **Learning Disabilities (Internal Audit Report 2112 – June 2021)** – see Appendix C
- 4.4 **Duplicate Grant Payments (Internal Audit Report 2116 – May 2021)** – see Appendix D

**4.5 HSCP Financial Assessments (Internal Audit Report 2119 – May 2021)**  
– see Appendix E

**5. Council Priorities, Implications and Risk**

5.1 The work of Internal Audit covers all of the Council’s Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council’s framework of governance, risk management and control, which underpin the delivery of all priorities.

5.2 The table below shows whether risks and implications apply if the recommendation is agreed.

<b>Subject</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Financial		X	
Staffing		X	
Equalities		X	
Fairer Scotland Duty		X	
Town Centre First		X	
Sustainability		X	
Children and Young People’s Rights and Wellbeing		X	

5.3 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.

5.4 There are no staffing or financial implications arising directly from this report other than those implicit in the improvement of internal controls recommended in the Internal Audit reports.

5.5 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

5.6 Recommendations are risk assessed and graded by Internal Audit as set out in Appendix F.

**6. Scheme of Governance**

6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

6.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

6.3 List of appendices.

**CHIEF INTERNAL AUDITOR**

Report prepared by Colin Harvey, Chief Internal Auditor.  
14 June 2021.

**List of Appendices:**

**Appendix A** - Internal Audit Report 2036 – Benefits

**Appendix B** - Internal Audit Report 2103 – Void Control

**Appendix C** - Internal Audit Report 2112 – Learning Disabilities

**Appendix D** - Internal Audit Report 2116 – Duplicate Grant Payments

**Appendix E** - Internal Audit Report 2119 – Financial Assessments

**Appendix F** - Internal Audit Recommendation Gradings

## APPENDIX A

### Benefits

#### Internal Audit Report 2036 – May 2021

##### Background

Housing Benefit (HB) and Council Tax Reduction (CTR) are means tested social security benefits intended to help meet housing costs for rented accommodation and the cost of Council Tax. Currently, the Council manages a caseload of approximately 6,700 Housing Benefit cases, and approximately 12,300 Council Tax Reduction cases. The caseloads are managed by the Aberdeenshire Council Support and Advice Team (ASAT). 8,426 new claims (1,536 HB and 6,890 CTR) and 89,683 changes in circumstances (27,044 HB and 62,639 CTR) were processed by the ASAT in 2019/20.

Local authorities reclaim most of the HB they have paid to claimants from the Department for Work and Pensions (DWP) by submitting subsidy claims certified by the appointed external auditor. Each Local Authority receives funding for the CTR scheme as part of the Revenue Support Grant. In 2019/20, the Council made payments of £34.834 million for HB and £7.904 million for CTR and had a HB subsidy claim for £34.548 million.

##### Objective

The objective of this audit was to consider whether rent allowances, rent rebates and council tax reduction benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, that it has been properly recorded for subsidy purposes and that evidence in support of claims was adequately verified.

##### Assurance

Internal Audit tested a sample of new claims; changes in circumstances; overpayments; and back-dated claims. All claims tested were calculated correctly and were appropriately recorded within the Benefits system for subsidy purposes based on the claimant applications / identified changes in circumstances. In addition, all claims reviewed were adequately supported and verified with the exception of one new claim where rent had not been verified.

Recommendations have been made in relation to the verification of rent, recording the outcomes of intervention reviews of existing claims and the reconciliation of rent rebates and rent allowances.

##### Findings and Recommendations

Of a sample of new claims from financial year 2019/20 reviewed, one exception was noted, where a non-passported applicant did not provide evidence of rent liability. In the absence of rent verification, it was not possible to confirm the applicant was eligible for the level of Housing Benefit awarded. A recommendation graded Important within the audited area was raised with the Service to ensure claims are not authorised until evidence of eligibility is obtained.

Intervention reviews to identify fraud and error in benefit payments were taking place however outcomes, such as an increase or decrease in benefits, had not been recorded in the Benefits system for a number of these (52 of 160 between 1 April 2019 and 6 July 2020). If interventions are not fully recorded, the DWP will not be made aware of their impact as required for monitoring purposes. A recommendation graded Important within the audited area was raised with the Service to ensure that intervention outcomes are recorded.

Rent Rebates reconciliations are carried out on a weekly basis involving a three-way reconciliation between the Benefits system (report RBE250), the Housing Rent system (HRA044), and the interface file between the two (RBE342). One rent rebate reconciliation reviewed reported nil rent rebate values in the Benefits system due to a technical issue with the necessary report. Since the reconciliation was not completed it was not confirmed rent rebates had been transferred to the Housing Rent system as expected. Reconciliations of rent allowances recorded in the Benefits system and BACS payment were being completed on a weekly basis. However, Strategic Finance had not evidenced monthly review of rent rebate and rent allowance reconciliations as required. If there is insufficient oversight of Service reconciliations, there is a greater risk of unexplained reconciling differences at year-end and therefore a greater risk of misstatement. A recommendation graded Significant within the audited area was raised with the Service to ensure reconciliations are completed in line with guidance and adequately reviewed.

#### Management Response

The Service has agreed actions in response to each of the recommendations raised. The Service intends to remind staff of verification requirements in relation to rent and staff will be required to complete a refresher of the ALDO verification course. Staff will also be reminded to complete intervention outcomes. In relation to reconciliations, the Service will formalise review procedures and the Benefits system provider will be contacted to resolve the issue in relation to the rent rebates report.

## APPENDIX B

### Housing Void Control

#### Internal Audit Report 2103 – May 2021

##### Background

The Council has a stock of approximately 13,000 dwellings as at December 2020, with a waiting list of over 6,000. The majority of its stock was built between 1930 and 1999 (93%). Since 2010 further new building programmes have been implemented with 3% of stock built within the last ten years. The Council allocates approximately 1,100 properties per year, with turnover being low, particularly for family homes. The management of void properties is important in maximising the rental income receivable by the Council.

As at 31 March 2021 there were 523 void properties, 371 of which (70.9%) were available for let. Between 1 April 2020 and 31 March 2021 there were 1,258 properties reported void, compared to 1,410 in 2019/20. The percentage of rent loss due to voids, based on the Council's own internal performance measure, was 2.75% in 2020/21 (financial year 2019/20, 2.26%), above the target of 2.06%.

Monitoring of Void timescales is reported as part of the Scottish Social Housing Charter (SSHC) annual report produced by the Scottish Housing Regulator (SHR). The figure reported to the SSHC for average days to re-let a property within Aberdeenshire (excluding properties under repair and temporary accommodation) during 2019/20 was 56.2 days, compared to the Scottish Local Authority average of 31.8 days. In addition, in 2019/20 rent lost to voids reported to the SSHC was 2.1% for the Council, compared to 1.2% nationally.

##### Objective

The objective of this audit was to provide assurance that adequate procedures are in operation relating to the control of void properties.

##### Assurance

The Council's Annual Assurance statement for 2020/21 to the Scottish Housing Regulator confirmed the outcomes relating to voids are not currently being met and whilst Covid-19 has affected performance, this is a pre-existing issue which will be addressed through changes to the Council's lettable standard; a revised streamlined lettable standard was approved by the Council's Communities Committee in September 2020.

Void control procedures were on the whole clear and comprehensive, accessible to staff and covered changes due to the impact of Covid-19 on service delivery, however some procedures were historic and required to be reviewed.

A sample of terminations, with and without notice, were reviewed to establish if void control procedures were complied with and the properties concerned were re-let in a timely manner. Delays were identified at a number of stages, including completion of the necessary property inspections, completion of repairs, and in signing leases with new tenants once repairs were completed. In addition, record keeping was not always complete, affecting the ability to monitor performance and ensure delays are addressed.

##### Findings and Recommendations

Pre-Termination Inspections (PTI) should be carried out for all properties where notice has been given, within the first week after notification or as soon as possible thereafter. A number of

cases reviewed had no PTI date input to the Housing rent system as required, while some had a date input which was after the tenancy was terminated. The Service advised that it is not possible to gain access for Pre-Termination Inspections if tenants do not cooperate with Service requests and that the 15-20% of tenants who allow these inspections, is in line with other Local Authorities. The Service is considering tenant incentives to address this. A recommendation graded Significant within the audited area was raised with the Service to ensure that Pre-Termination Inspections are carried out wherever possible and recorded in the Housing Rent system when they could not be carried out.

The Service records items left behind where a tenant has been evicted or a property has been abandoned. The applicable forms must be authorised by a senior Housing Officer prior to disposal of the items concerned. Instances were identified where these forms had not been used as required and in one case reviewed, the required form had not been signed as witnessed and approved. If the relevant inventory records are not completed and appropriately verified Housing staff may be at risk of accusations of theft or fraud. A recommendation graded Significant within the audited area was raised with the Service to complete these forms as required.

A post-termination inspection of a property should be carried out to ensure the property is in a suitable condition to re-let. Sixteen of fifty properties reviewed were identified where an inspection had not been carried out in a timely manner which contributed to the overall target date for completion of void works being missed. In addition, instances were identified where reasons for repair delays had not been recorded. Recommendations graded Significant within the audited area were raised with the Service to ensure that staff carry out inspections of new voids timeously and record reasons for void path targets being missed for monitoring purposes.

Delays were also noted in passing keys to the Options team once repairs had been completed and properties were ready to be occupied. A recommendation graded Significant within the audited area was raised with the Service to ensure that keys are returned promptly after repairs are completed.

The Service has procedures in place to ensure the integrity of void properties, including turning off the heating and water supply and regular inspections. Despite this, instances were noted where substantial damage was caused by water leaks due to inspections not taking place as expected and supplies being left on. A recommendation graded Significant within the audited area was raised to ensure that procedures to ensure the integrity of void properties are followed.

#### Management Response

The Service has agreed to ensure inspection outcomes and reasons for void targets being missed are recorded correctly and promptly by staff and anticipates an upgrade to the Housing Rent system will improve workflow management and task flagging to address this. The Service will also prioritise inspections in future through a revised process to ensure they occur timeously. The Service has advised keys will no longer be handed to tenants, avoiding associated delays, and instead will be held in a key safe at the property following repairs. In relation to former tenant possessions, the Service has agreed to instruct relevant officers to complete a new inventory form and take photographic evidence of items left by tenants. In addition, the Service has agreed to ensure the integrity of void properties is preserved, with all properties having their water drained down and utilities switched off when work is not being carried out on them.

## APPENDIX C

### Learning Disabilities

#### Internal Audit Report 2112 – tbc 2021

##### Background

The Social Work team supports a variety of service users with a variety of needs. When a person applies to get care or support, an assessment is carried out and a support plan is agreed between them or their representative and a Practitioner stating what they would like to be able to do/achieve with the assistance provided by the Council, either through providing the support or providing the funds to get the support elsewhere. Around 1,250 adults with learning disabilities receive health and social care services in Aberdeenshire from a revenue budget of £51m, including £7.5m resource transfer from NHS Grampian.

Aberdeenshire Council alongside NHS Grampian as the Aberdeenshire Health and Social Care Partnership provide Learning Disabilities services aiming to improve the quality of life for people with learning disabilities.

##### Objective

The objective of this audit was to provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled.

##### Assurance

In general, rules had been applied consistently and payments were appropriately controlled.

##### Findings and Recommendations

Recommendations graded as Important within the audited area were agreed with Aberdeenshire Health and Social Care Partnership to update procedures to reflect the current structure; and to ensure reviews of care packages which might have been delayed by Covid-19 restrictions are progressed.

##### Management Response

Aberdeenshire Health and Social Care Partnership has agreed actions in response to each of the recommendations. Procedures will be updated to reflect current organisational management structures. Reviews have taken place for all people living in care settings, and Team Managers will be reviewing further records to ensure they have taken place as planned.

## APPENDIX D

### Duplicate Grant Payments

#### Internal Audit Report 2116 – May 2021

##### Background

All grant payments are required to be made in compliance with the Council's Scheme of Governance and Following the Public Pound Policy.

In September 2020 Internal Audit was made aware that a duplicate grant payment had been made to an external organisation. It was then alleged that the organisation attempted to make a further claim using duplicate documentation to claim from two different funding sources within the Council, however this was identified by Finance and the claim was not paid.

##### Objective

Internal Audit reviewed the circumstances and evidence in support of the allegation and sought to identify whether procedures for the administration and payment of grant funding were sufficiently robust to avoid similar instances should they reoccur.

##### Assurance

The existing process for recording grant awards and payments contains weaknesses including inconsistent and incomplete data, and inadequate cross-checks to detect and avoid duplicate or erroneous payments. Steps are being planned to enhance the recording process and to facilitate cross-checking.

##### Findings and Recommendations

The duplicate payment made was reviewed with the applicant and deducted from subsequent claims. The unpaid duplicate claim was rejected and the claims process has been reiterated to the applicant.

As there are multiple funding streams managed across the Council, applicants may be entitled to apply for and receive funding from more than one source, for the same or different activities. To facilitate appropriate checks the Council's Following the Public Pound procedures require the use of the Council's Grants Register. Whilst this was being used, it was not complete, descriptions of the same applicants and projects varied, and there was no requirement to check other entries prior to registering a new grant or payment.

Recommendations graded as Significant within audited area have been made in respect of ensuring the Register is complete and up to date, that checks are carried out prior to making new payments, claim procedures are clear and consistent, and that a process is developed and implemented to confirm the authenticity of grant claims before they are paid.

Further recommendations graded as Important within the audited area included review of existing data to ensure consistent recording of new grants, and reconciliation to payment data to ensure all grants paid have been recorded.

##### Management Response

Finance guidance will be updated to reflect a new Grants Register and associated processes for populating it using an online form. Access will be made available to financial reporting tools to allow those processing grant applications and claims to review previous payments and ensure the potential for duplication, or payment in excess of award, is identified, and discussed

with other funders within the Council where appropriate, in advance. Services will be provided with guidance to update their claims processing procedures to reflect the new facilities available.

## APPENDIX E

### HSCP Financial Assessments

#### Internal Audit Report 2119 – May 2021

##### Background

Under Social Work legislation there is an option for the Council to charge adult users of Non-Residential social work services for services provided. These services include care and support, housing support, warden charges, community alarms and day care. A charging policy is in operation, with contributions based on the ability of the service user to pay, as determined by a financial assessment of their income, capital and specified outgoings, which is based on COSLA guidance.

Similarly, service users who require full time Residential care or respite in excess of 8 weeks are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property. This follows the Charging for Residential Accommodation Guidance (CRAG) issued by the Scottish Government.

##### Objective

The objective of this audit was to provide assurance that adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.

##### Assurance

Financial assessments are generally being concluded accurately and efficiently. However, some improvements have been recommended.

##### Findings and Recommendations

With limited exceptions written procedures were up to date and comprehensive. Additional instructions require to be drawn up to supplement these in specific areas, and to update links to current documentation. A recommendation graded as Significant within the audited area was raised to address these.

Service users are supported by Practitioners to complete applications for financial support, however not all forms submitted to the finance teams evidence full completion prior to processing. If details have been omitted, calculations could be based on incomplete data. Where there was full data, figures were accurate, but calculations had not always been retained. In two recommendations, graded as Significant within the audited area, Internal Audit recommended incomplete information is confirmed, and calculations recorded, prior to concluding assessments.

Where possible, supporting financial information is sought from banks through the use of a signed mandate completed by applicants. However, application of this process is inconsistent as in some cases bank statements from varying periods are obtained direct from the applicant, and in others the banks do not return information promptly or at all. A recommendation, graded as Significant within the audited area was made that the Service review how an appropriate level of suitable, verifiable, information can be obtained regarding service user finances.

##### Management Response

The Service has agreed to update procedures and links between them.

Where forms are incomplete, finance teams will liaise with Practitioners to resolve any queries

before finalising assessments. Notes regarding calculations will be retained on the system where necessary.

The Service will review the use of mandates and bank statements when verifying financial assessments. There remains a risk that incomplete financial information may be difficult to identify.

**APPENDIX F**

**Grading of Recommendations**

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level / within audited area</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.