

# Carlisle City Council

## Report to Audit Committee

### Report details

Meeting Date:	10 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Disabled Facility Grants
Report of:	Corporate Director Finance & Resources
Report Number:	RD61/21

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Disabled Facility Grants.

### Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. An audit of Disabled Facility Grants was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 3 medium-graded recommendations.

## **2. Risks**

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

## **3. Consultation**

- 3.1 Not applicable

## **4. Conclusion and reasons for recommendations**

- 4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1.

## **5. Contribution to the Carlisle Plan Priorities**

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

### **Contact details:**

Contact Officer: Michael Roper

Ext: 7280

### **Appendices attached to report:**

- **Internal Audit Report – Disabled Facility Grants – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of Disabled Facilities Grants

Draft Report Issued: 11<sup>th</sup> November 2021  
Director Draft Issued: 25<sup>th</sup> November 2021  
Final Report Issued: 25<sup>th</sup> November 2021



## Audit Report Distribution

<b>Client Lead:</b>	Regulatory Services Manager
<b>Chief Officer:</b>	Corporate Director of Governance and Regulatory Services Chief Executive
<b>Others:</b>	Principal Health and Housing Officer Home Improvement Agency Team Leader
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 10.12.21 will receive a copy of this report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.*

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Disabled Facilities Grants (DFGs). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2021.
- 1.2. The provisions governing mandatory DFGs are contained in the Housing Grants, Construction and Regeneration Act 1996; as amended by the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, which extended mandatory DFGs eligibility to those occupying park homes and houseboats. The Council also makes use of the powers provided under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 to broaden the scope of DFGs, offering alternative forms of discretionary grants for disabled, elderly, low income and other vulnerable residents in the Carlisle district.
- 1.3. DFGs are administered by two separate teams within Regulatory Services. The Housing and Pollution Team administer mandatory (and some linked) discretionary DFGs. The Home Improvement Agency separately administers further alternative discretionary grants.

## 2.0 Audit Approach

### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

### Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Regulatory Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
  - Disabled facilities grants' verification process is not robust, leading to ineligible or fraudulent applications
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Disabled Facilities Grants provide **reasonable assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.2)	-	3
3. <b>Value</b> – effectiveness and efficiency of operations and programmes (see section 5.3)	-	-
<b>Total Number of Recommendations</b>	-	<b>3</b>

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

**4.3 Findings Summary (good practice / areas for improvement):**

DFGs are administered to a good standard in both teams with supervisory review helping to ensure accuracy and completeness.

No significant issues relating to the administration of grants or the determination of eligibility criteria for grant applications were found during audit testing.

The Housing and Pollution Team is pro-actively moving towards digital delivery and minimising the use of paperwork.

Procedures for both teams are regularly reviewed and updated. An opportunity exists to further strengthen procedures; documenting the link between eligibility criteria for each grant category, evidence deemed acceptable and completion of the check list. Procedure transparency will be further enhanced with additional detail on supervisory checks undertaken.

Regularly engaging Housing and Pollution Team members in the development of staff procedures will help ensure they remain aligned to current practice.

An arrangement is required to determine that the 15% sample check of Housing and Pollution Team grant applications has been consistently met.

**Comment from the Corporate Director of Governance and Regulatory Services:**

Thank you for the audit and particular thank to those officers in delivering the very important DFG service.

## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The Housing and Pollution Team is pro-actively moving towards digital delivery and minimising the use of paperwork. It is advised that before moving to a fully digital service, management seek assurance that there are no remaining legal or regulatory requirements for specific paper documents to be retained.

### 5.2 Information – reliability and integrity of financial and operational information

- 5.2.1** The Carlisle City Council Housing Renewal Assistance (HRA) policy details the extent of mandatory and discretionary DFGs assistance available to local residents, and the relevant legislation. To further enhance transparency, consideration should be given to including detail of grant administration allocation between Regulatory Services teams. The current policy is dated 2018 and a reviewed and updated policy is due to be presented at Full Council on the 4<sup>th</sup> January 2022.
- 5.2.2** Housing and Pollution Team procedures for mandatory, independent living, relocation and renovation grants are in place and regularly reviewed, although they may benefit from further update for digital delivery. For example, removal of current reference to historic paper file sheet (check list).
- 5.2.3** There is an inherent danger with comprehensive staff procedures of this size (20 pages) that key messages become diluted and management may wish to consider further streamlining of the content.
- 5.2.4** Housing and Pollution Team officers document process completion dates on an electronic checklist in Case Manager (software), as a guide to administering grant applications. This standard checklist is used for all grants although grant eligibility criteria can differ between grant categories. Further strengthening the documented procedural link between eligibility criteria (aligned to legislative requirements) for each grant category, evidence deemed acceptable and completion of the electronic check list, is recommended. Transparency will be further enhanced by fully documenting the extent of supervisory checks undertaken.
- 5.2.5 Recommendation 1 – Review and update Housing and Pollution Team grant procedures for digital delivery.**



- 5.2.6** Housing and Pollution Team grants are sample checked (15%) for accuracy and completeness. Completion of the sample check is noted electronically on individual applications. Verifying all applications which have been sample checked historically is not straightforward, increasing the difficulty in determining if the 15% target is consistently met.
- 5.2.7 Recommendation 2 – Put an arrangement in place to demonstrate that 15% of Housing and Pollution Team grant applications are consistently sample checked.**
- 5.2.8** The percentage of grants sample checked in the Housing and Pollution Team (15%) is relatively low and management may wish to consider a further supplementary review to determine if digital checklists are completed in line with staff guidance (5.2.4). This is considered a time-effective review because potential issues may be identified without the need for a detailed Case Manager evidence check.
- 5.2.9** During audit testing it was noted that some Housing and Pollution Team officers had not seen or read the staff procedures for a considerable length of time. It is advised that team members are kept fully engaged in the regular development and testing of DFGs staff procedures, helping to ensure narrative remains aligned to current practice.
- 5.2.10** A Housing and Pollution Team spreadsheet entitled, 'Framework master 2019-20' details key information and dates for mandatory grant applications. The spreadsheet is maintained to a satisfactory standard, although occasional application data is missing and there are examples of unused column headers. Case Manager is being pro-actively developed to remove the requirement to maintain this spreadsheet (and a separate finance spreadsheet), although this may not have progressed with a key partner in a timely manner. It is advised that an interim arrangement is put in place to review unused column headers and ensure that the framework master spreadsheet is consistently maintained to a high standard.
- 5.2.11** Home Improvement Agency grant procedures for safe and warm, energy efficiency and dementia grants are in place and regularly reviewed. Clarification of acceptable evidence for each category of grant will further enhance the procedures. For example, during audit testing for a dementia grant, receipt of council tax reduction due to significant impairment was accepted as evidence of dementia diagnosis. This judgement was made using officer knowledge and experience, although acceptable alternative evidence is not explicit in the procedures.

**5.2.12** Home Improvement Agency officers complete a paper file sheet (check list) as a guide to administering grant applications. This standard checklist is used for all grants although eligibility criteria can differ between grant categories. Strengthening the documented procedural link between eligibility criteria for each grant category, evidence deemed acceptable and completion of the paper file (check list), is recommended.

**5.2.13** Officers regularly meet with the Home Improvement Agency team leader to verify and evidence eligibility criteria for all grant applications, and completion of the check is noted on individual applications in Case Manager. Transparency will be further enhanced by fully documenting the extent of supervisory checks undertaken.

**5.2.14 Recommendation 3 – Review and update the Home Improvement Agency grant procedures.**

### **5.3 Value – effectiveness and efficiency of operations and programmes**

**5.3.1** Approval notices for Home Improvement Agency grants are passed to one of several managers with delegated authority to sign. The signatories are not fully involved in the supervisory checks for eligibility criteria so approval is largely based on trust, introducing a level of risk exposure. It is advised that management further consider if approval notices should be delegated to the Home Improvement Agency Team Leader to sign, or if they wish to continue accepting the current level of risk exposure.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Review and update Housing and Pollution Team grant procedures for digital delivery.	M	Reduced level of direction on how management wish officers to administer grants.	Review and update the staff guidance to demonstrate for each type of grant, a clear link between: <ul style="list-style-type: none"> <li>• eligibility criteria to be met</li> <li>• evidence that will be accepted for each of the eligibility criteria</li> <li>• items on the electronic check list.</li> </ul>	Principal Health and Housing Officer	March 2022
			Detail in staff guidance, what supervisory checks have been undertaken for each grant application to determine they are complete and eligibility criteria has been met.		March 2022
Recommendation 2 – Put an arrangement in place to demonstrate that 15% of Housing and Pollution Team grant applications are consistently sample checked.	M	Management unable to identify grants that are not administered to a satisfactory level.	Explore how to create an electronic audit record with system operator, to demonstrate which grants have had a supervisor review. If this is not possible, ensure that another arrangement is put in place to demonstrate which grants were selected for a supervisory check.	Principal Health and Housing Officer	April 2022  April 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – Review and update the Home Improvement Agency grant procedures.	M	Reduced level of direction on how management wish officers to administer grants.	<p>Review and update the staff guidance to demonstrate for each type of grant, a clear link between:</p> <ul style="list-style-type: none"> <li>• eligibility criteria to be met</li> <li>• evidence that will be accepted for each of the eligibility criteria</li> <li>• items on the paper file (check list).</li> </ul> <p>Detail in staff guidance, what supervisory checks have been undertaken for each grant application to determine they are complete and eligibility criteria has been met.</p>	Home Improvement Agency Team Leader	<p>December 2021</p> <p>December 2021</p>

**Appendix B – Advisory Comments**

Ref	Advisory Comment
5.1.1	Before the Housing and Pollution Team moves to a fully digital service, seek assurance that there are no remaining legal or regulatory requirements for any specific paper documents to be retained.
5.2.1	Detail allocation of grant administration between teams to further enhance HRA policy transparency.
5.2.3	Streamline the content of Housing and Pollution Team grant procedures.
5.2.8	Introduce a supplementary review to determine if Housing and Pollution Team digital checklists are completed in line with staff guidance.
5.2.9	Keep Housing and Pollution team members fully engaged in the regular development and testing of staff procedures.
5.2.10	Review unused column headers and ensure that the framework master spreadsheet is consistently maintained to a high standard.
5.3.1	Consider if delegated authority for approval notices should be assigned to the Home Improvement Agency Team Leader.

## Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<b>Limited/None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).