

# Hinckley and Bosworth Borough Council

**Disabled Facilities Grant - Internal Audit report**

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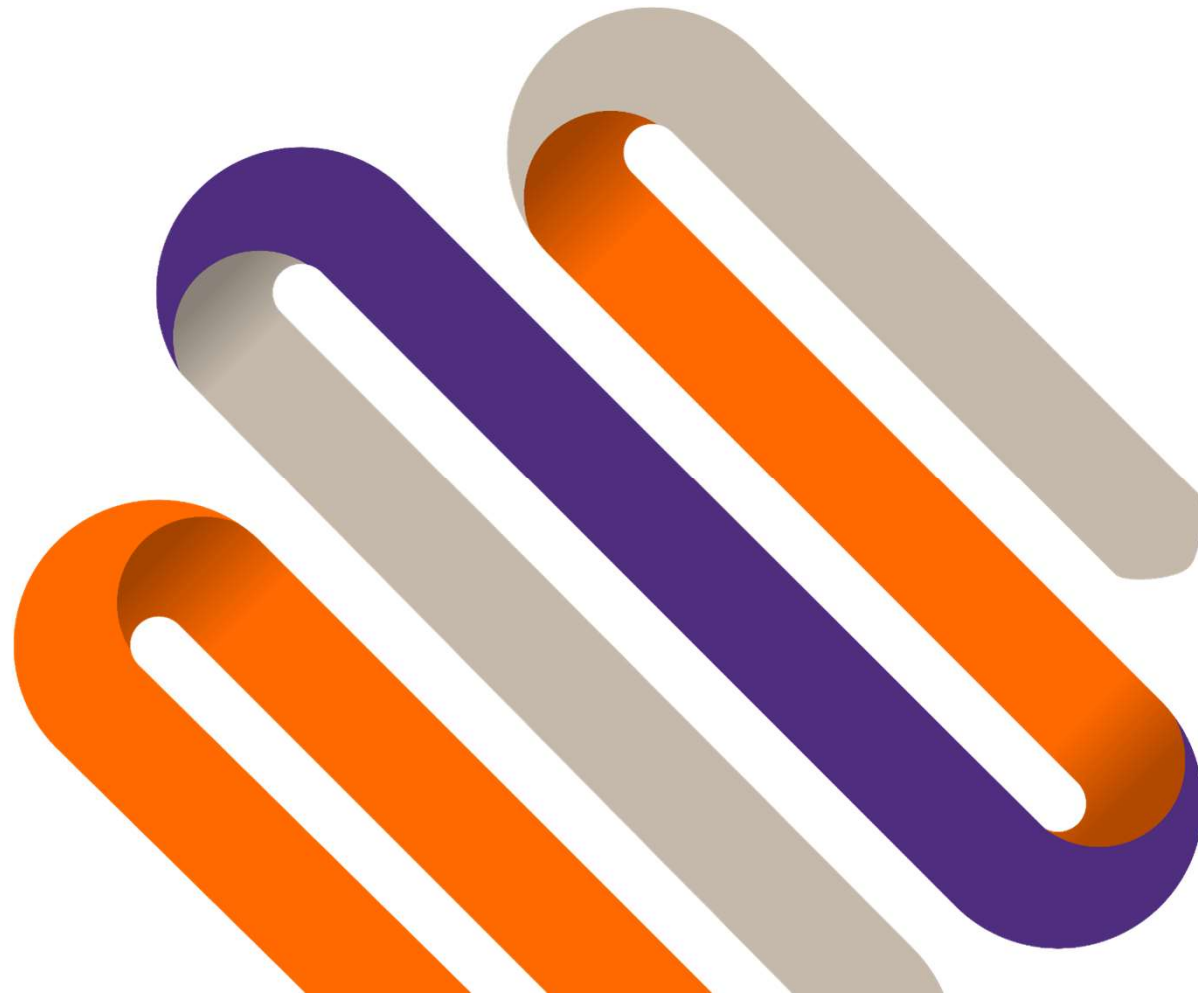
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## Report distribution:

### For action:

- Private Sector Housing Manager

### Responsible Executives:

- Director (Community Services)

This report is confidential and is intended for use by the management and directors of Hinckley & Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Council's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

# Executive Summary

## Background

Disabled Facilities Grants (DFG) are grants for improvement to facilities where someone living in a property is disabled. These are awarded by the Council to help towards the costs of making changes to people's homes so that they can continue to live there. Some of the costs are financed from central government, generally passported via the county council as part of the Better Care Fund. Costs of modification are partly funded by the local district council who have responsibility for managing the grant process.

During 2017, the Council changed its approach to its management of disabled facilities grants. This was done in conjunction with the other councils in Leicestershire, with the aim of making the process for approving and processing works more efficient and effective and making it a smoother, more joined up customer focussed service for claimants. The new delivery model, focused on delivering a streamlined county wide model, is known as the Lightbulb Project.

Over the four years of the capital programme from 2017/18, Hinckley and Bosworth Council has committed over £2.5 million to disabled facilities grants, of which £1.7 million will be funded from government grant.

In June 2017, PWC as part of the annual programme, undertook a review of the controls the Council has in place for responding to requests for DFG adaptations and the subsequent payment mechanism. They concluded that arrangements were strong, well designed, and operating well. The report acknowledged that with the introduction of the new delivery model it was important that the council maintained its strong procedures, whilst recognising that different arrangements were in place at other councils.

Now that the new model has been in place for a year, officers are seeking assurance that under the new arrangements the Council continues to operate strong controls in its management of DFG grants.

## Objectives

Our review will focus on the following potential risks:

- There are no clear policies and procedures in place for responding to requests for disabled facilities adaptations.
- Grants are awarded to ineligible claimants or where works do not achieve the objectives of the project.
- Grants awarded are not supported by appropriate evidence of costs incurred.
- Management does not receive adequate information to be assured that appropriate governance arrangements are in place over grant expenditure.

## Limitations in scope

Please note that our conclusion is limited by scope. Our findings and conclusions will be limited to the risks outlined above. The scope of this audit does not allow us to provide an independent assessment of all risks and across the entire debt recovery process.

Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary

## Conclusion

### Significant assurance

We have reviewed the Council's processes and controls around the issue of Disabled Facility Grants (DFG). The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **SIGNIFICANT ASSURANCE WITH SUGGESTIONS TOWARDS BEST PRACTICE** to the Committee.

## Good practice

1. The Council have sufficient safeguards in place from the new process to ensure that only eligible grants are approved and the amounts paid are correct.
2. The Council conduct a search on applications to ensure that claimants cannot claim the same/additional work to the same property within the 10 year period as per the grant conditions.
3. By having Lightbulb staff located at the Council ensures efficiency and good communication between each Lightbulb and Hinckley & Bosworth Borough Council.
4. Two quotes are required for planned works. Which we believe demonstrates good stewardship of grant expenditure.
5. The Council have appropriate approval limits, based on management level.

## Areas for development

The previous Internal Audit report highlighted that the Council should aim to strike the right balance between efficiency and legislation. The Council have responded to this recommendation by cutting down on the number of checks they carry out at each stage. However, there remain some procedures (see page 6) in the DFG process that Lightbulb carry out which the Council duplicate.

## Recommendations

Based on the findings set out in the table below where we identify 2 improvement points, we feel that significant assurance can be provided to the committee.

	High	Med	Low	Imp
Detailed findings	-	-	-	2

## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

# Key Findings & Recommendations

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2

Risk Area	Findings and Recommendation	Action Plan
There are no clear policies and procedures in place for responding to requests for disabled facilities adaptations.	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>The Council have a formal policy in place with Lightbulb which is current and was last updated in October 2018.</li> <li>A Collaboration Agreement exists between Blaby District Council (The Host) and Hinckley &amp; Bosworth Borough Council to ensure that Lightbulb has the appropriate powers to deliver the Lightbulb programme.</li> <li>The Council have established and agreed the DFG procedure with Lightbulb, which we have reviewed and consider to be thorough and robust.</li> <li>The Council ensure appropriate funding is available from their allocation of Better Care Fund before accepting DFG applicants.</li> </ul> <p>We are satisfied that set policies and procedures were in place and followed based on the sample of 7 DFG cases we had tested.</p>	<p><b>Actions:</b></p> <p>Continue to review and amend the policy/ procedure notes as changes are made</p> <p><b>Responsible Officer:</b> Rosemary Leach</p> <p><b>Executive Lead:</b> Sharon Stacey</p> <p><b>Due date:</b> Ongoing.</p>
	<p><b>Improvement</b></p> <p><b>Issue identified:</b> New arrangements/ best practices are still evolving.</p> <p><b>Root Cause:</b> The process under the Lightbulb arrangement are still relatively new.</p> <p><b>Risk:</b> That as the process and procedures develop, policies will not be current or relevant.</p> <p><b>Recommendations:</b> We recommend that the Council continue to review and amend the policy/ procedure notes as changes are made.</p> <p><b>Overall Conclusion:</b> We are satisfied that adequate policies and procedures are in place which are followed by the teams.</p>	

# Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
	<p><b>Improvement</b></p> <p><b>Issue identified:</b> Our review of the process for DFG indicates that some key controls undertaken by the Lightbulb team have been reperformed by the Council. These include:</p> <ul style="list-style-type: none"> <li>• Calculating the eligible expense and service user contribution</li> <li>• Assessing the cost of works back to an expected range</li> <li>• Reviewing the service users financial assessment</li> <li>• Approval of additional works</li> </ul> <p><b>Root Cause:</b> Arrangements at Lightbulb are still bedding in. The Council remains responsible for payment of grants and therefore have judged that officers will undertake additional checks to be satisfied that grant is being awarded appropriately.</p> <p><b>Risk:</b> This will impact on efficiency and potential cost savings.</p> <p><b>Recommendations:</b> The Council should keep procedures undertaken by Lightbulb under review and look to reduce the number of duplicate procedures through working with the Lightbulb team.</p> <p><b>Overall Conclusion:</b> The current process is thorough and robust. Further efficiencies could be achieved through reducing duplicate procedures, although we recognise that the council is being prudent in its approach.</p>	<p>Actions:</p> <p>Keep procedures undertaken by Lightbulb under review and look to reduce the number of duplicate procedures through working with the Lightbulb team</p> <p>Responsible Officer: Rosemary Leach</p> <p>Executive Lead: Sharon Stacey</p> <p>Due date: Ongoing</p>

# Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>There is a lack of key controls when determining eligible claimants.</p>	<p><b>Key findings</b></p> <p>We selected a sample 7 DFG cases in year, to test whether adequate controls are in place and that these are working effectively.</p> <p>The results were as follows:</p> <ul style="list-style-type: none"> <li>• Each DFG case tested demonstrated that a financial assessment was carried out by obtaining appropriate evidence from the applicant.</li> <li>• Each case we sampled also stated that the applicants needs were assessed as being “necessary and appropriate” which is line with DFG eligibility criteria.</li> <li>• All DFG cases that we tested met the DFG eligibility criteria</li> </ul> <p>We are therefore satisfied that there are appropriate key controls in place regarding the eligibility of DFG applicants and these are operating effectively.</p>	<p>Not applicable.</p>
	<p><b>Recommendations</b></p> <p>None.</p>	

# Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Appropriate controls are in place to ensure that the costs of works are reasonable and payments are made without obtaining sufficient evidence.</p>	<p><b>Key findings</b></p> <p>We picked a sample 7 DFG cases in year to test whether controls are in place and working effectively.</p> <p>The results were as follows:</p> <ul style="list-style-type: none"> <li>• Two quotes were obtained per application (where applicable). A reasonableness check was carried out on the quotes, only then were they approved.</li> <li>• Any amendments to works or cost required approval prior to changes being made.</li> <li>• Invoices are collated and matched with quotes and filed until the work before payment can be made.</li> <li>• Final grant payment is only made once the file is signed off. This includes assessing whether the works are complete and meet the required standard.</li> </ul> <p>All cases tested confirmed that all of the above controls were in place and operating. We are satisfied that there are appropriate controls around the cost of works and they payments made in respect of these.</p> <p><b>Recommendations</b></p> <p>None.</p>	<p>Not applicable.</p>



# Key Findings & Recommendations

Risk Area	Findings and Recommendation	Action Plan
<p>Management does not receive adequate information to be assured that appropriate governance arrangements are in place over grant expenditure.</p>	<p><b>Key Findings</b></p> <ul style="list-style-type: none"> <li>• Performance management of lightbulb is through the joint Performance Board, on which the Director of Community Services sits. The Delivery Board focusses on operational performance and the Private Sector Housing Manager sits on this. Through these, the Council obtains overall assurance over delivery and performance and is able to monitor and influence improvements in performance. (The scope of these bodies is wider than disabled facility grants)</li> <li>• The Director of Community Services reviews departmental performance through Service Assurance Agreements formally annually, and this is regularly monitored in 1:1s. We have viewed the most recent agreement self-assessment which states that department is able to give 'high assurance' due to the robustness of their internal controls.</li> </ul> <p>The Council retains the overall responsibility of DFG expenditure, even though some of the procedures sit with Lightbulb as part of the overall Lightbulb project. Appropriate arrangements are in place through the Performance Board, the Delivery Board and the operation of local procedures for management to be assured that there are appropriate governance arrangements in place over grant expenditure.</p>	<p>Not applicable.</p>
	<p><b>Recommendations</b></p> <p>None.</p>	

# Appendices

# Appendix 1 – Staff involved and documents reviewed

## Staff involved

- Ashley Wilson – Section 151 Officer;
- Sharon Stacy – Director (Community Services)
- Rosemary Leach – Private Sector Housing Manager

## Documents reviewed

- Private Sector Housing Assistance Policy 2019 – 2024.
- Lightbulb Process Manual
- Lightbulb DFG workflow
- Collaboration Agreement in relation to the Lightbulb Programme
- Completed files for sample including financial and file checklists

# Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>