

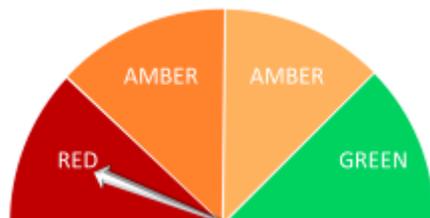
Flintshire Internal Audit

Audit Report

Title: Disabled Facilities Grants
Portfolio: Planning, Environment & Economy
Issued Dated: May 2018
Report No: 16-2017/18
Report Status: FINAL

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

Audit Opinion



1 Executive Summary:

Introduction and Scope:

An audit of the Disabled Facilities Grant (DFG) was undertaken as part of the approved Internal Audit Annual Plan for 2016/17. The audit reviewed and considered:

- Compliance with relevant policies, procedures and regulations;
- Administration of DFG scheme;
- Third parties service level agreements and protocols; and
- Performance monitoring.

A DFG is a mandatory grant to help individuals living with a disability with the cost of adapting their homes to enable them to continue living at their residence with the maximum amount of independence. The administration of the DFG is performed by the Council's Regeneration team following a referral from an Occupational Therapist. The amount of grant will depend on the cost of the approved works and where applicable an applicant's financial circumstances. A means test will be carried out on applications with the exception of child applicants and where the adult applicant is in receipt of Council Tax Reduction and/or Housing Benefit. Depending on the outcome of this assessment the amount of grant payable offered may vary from zero to 100 per cent of the cost. The maximum grant payable in Wales is £36,000.

A Disabled Facilities Discretionary Top up loan will be considered in exceptional circumstances where the required works for the adaptations exceed the statutory limit of £36k. This loan is only provided to owner occupiers and the loan amount is registered as a financial charge against the property at the Land Registry. Additionally, where the adaptations required are unsuitable at the applicant's current residence, a Disabled Facilities Relocation Grant is available to cover the expenses of a disabled persons' move to a more appropriate property. This grant covers expenses such as removal costs and connection of services as well as bridging the affordability gap between the value of the applicant's existing

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
Red - Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> •Key controls are absent or rarely applied •Key management information does not exist •System/process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources <p>Conclusion: a lack of adequate or effective controls.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	2	8	2	12

home and the property to be purchased.

The 2017/18 DFG budget was £1 million. At the time of the review, a budget pressure had been submitted due to the rising costs of adoptions relating to inflationary increase in construction costs and the increase in complex cases. A decision was later made to postpone non-emergency applications. Any emergency adaptation work would be considered via the Capital Asset programme board. Enhancements are to be made to improve budget tracking to ensure the service is not underfunded and the Council meets its statutory duty.

Overall yearly performance data for 2016/17 showed the service performance had improved over the previous year as reflected by the National Performance Indicator for DFG however quarterly performance for 2016/17 was volatile. Currently this is the only performance indicator utilised by the service to monitor DFG performance and it is not effective to support management of service delivery and overall customer satisfaction.

The service has also identified that the nature of the DFG works required are increasingly more complex and thus impacting delivery timescales. The Welsh Government is in the process of consulting on the adequacy of this performance indicator and the Council have requested clarity and guidance on the DFG national PI measurement to ensure performance data comparison with other councils' is fair and accurate.

The review has highlighted a number of opportunities for control improvements relating to the holistic review of service and contract performance in order to reduce delivery timescales and deliver value for money. The DFG Adaptation Framework was devised and due to be implemented in February 2017. This framework set out the procedure for ordering works, the main terms and conditions for the provision of the Works and the obligations of the Supplier. A total of nine contractors form part of this framework. The service was unable to roll out the aforementioned framework due to two related investigations. In both

instances the investigations were conducted internally with the first receiving external independent examination. In both instances, the outcome of the review was there was no case to answer however some opportunities to improve working practices were identified and these have been included within this report. During this interim period the service is currently inviting these contractors to tender for the various DFG work.

The service is in the process of fully implementing the adaptation work framework as this will address the tendering issue relating to the process for work allocation identified in the review. Those DFG cases deferred during 2017/18 will be considered in quarters 1 and 2 of 2018/19 under the new framework agreement.

There have been a number of changes to the management structure within the service over the last year and this combined with a number of open positions within the adaptation team has led to some areas for improvement identified throughout the review and mentioned above. It should be acknowledged that some of the DFG processes are currently under review since the audit commenced by the Regeneration Programme Lead who was recently appointed in July 2017. Due to his time in role, his knowledge of the systems and processes were still developing at the time of the audit.

2 Summary Findings:

Areas Managed Well	Areas for Further Improvement
<ul style="list-style-type: none"> • Adaptation referral forms submitted by Occupational Health were available for all approved DFG applications. • Evidence was available to support the approval of the DFG applications based on the current financial criteria and means test. • The Housing and Regenerations Programme Board meetings are being held as per the agreed frequency to provide oversight over the DFG delivery. 	<ul style="list-style-type: none"> • Management oversight of the work completed by staff relating to the full end to end grant process is not undertaken. Additionally there are limited controls to ensure contractors invited to tender are rotated under the current process. • Land charges are not always being placed against the property as per the Disabled Facilities Grant conditions. Also, there are limited controls to demonstrate the conditions of the Disabled Facilities Grant, Disabled Facilities Relocation Grant and the Disabled Facilities Top up loan are met. • The Private Sector Housing Renewal and Improvement policy was last reviewed in 2015. The policy is also not fully aligned to current practices in operation within the service. • A process has not been defined to deal with applications where the work amount exceeds the DFG statutory limit and below the minimum for the Disabled Facilities Discretionary Top up Loan. • Income eligibility amount for child tax credit and working tax credit within the DFG application form is out of date which is issued to assess the affordability of the application. Additionally, the privacy notices contained within the application form are not compliant with the current Data Protection Act and future GDPR requirements. • Documented procedures for the current DFG processes is not in place to assist new staff in dealing with the complex DFG process. Inconsistencies in process delivery have been identified through the testing. • Management information is not maintained to review contractor performance. • The DFG spreadsheet utilised to track application progress and budget spend is not complete and up to date. Also, the current national performance indicator utilised by the service to monitor performance of DFG delivery is not sufficient to assist with the identification of delivery

Areas Managed Well	Areas for Further Improvement
	<p>issues.</p> <ul style="list-style-type: none">• Not all DFG Top Up Loan applications had been signed and dated.• Means test data is not always available to support the decline of a DFG application.• The Stannah Lift Services Framework Agreement was not available for review to demonstrate value for money.• Grant approval letters including grant amount and client contributions are not always being sent to the client.

3 Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (R)	<p>Since 2016/17, the staffing costs within the adaptations team has a reduction of £95k. Consequently there are key officers within the team whom are responsible for the majority of stages involved in an adaptation process.</p> <p>Although the review has not identified inappropriate practice, management oversight is not undertaken of the work completed by staff relating to the end to end grant allocation process.</p> <p>Where monitoring in place to track the rotation of contractors invited to tender as part of the current process, this was found to be incomplete and had not been adhered to since 2015. It is recognised the latter will be addressed with the implementation of the new DFG framework as long as the process is being adhered to and compliance monitoring is reintroduced.</p> <p>In January 2017 the Regeneration Manager left the Council and the role remains vacant. A Regeneration Programme Lead was assigned to post six months after the departure of the Regeneration Manager. This contributed to both of these issues and prevented the facilitation of a handover between managers to ensure controls operated effectively.</p> <p>This poses a risk that the Council does not obtain value for money by utilising the DFG Adaptation framework and through the rotation or selection of contractors.</p>	<p>Instigate documented review process of individual cases to monitor system compliance and progress.</p> <p>Full implementation of the new DFG Framework and continuous monitoring to demonstrate procedural adherence whilst monitoring budget spend and value for money.</p> <p>URN 02075</p>	Joseph Muxlow	31 May 2018

No.	Findings and Implications	Agreed Action	Who	When
<p>2 (R)</p>	<p>Land charges are not always being placed against the property at the time of work completion as stipulated in the conditions for the Disabled Facilities Grant and DFG Top Up Loan. One of the conditions of the DFG grant is the repayment of grant if the applicant chooses to move within 10 years of the completion date for any grant above £5,000, up to a maximum repayment of £10,000.</p>	<p>Controls to be introduced to verify the conditions stipulated for the Disabled Facilities Grant, Disabled Facilities Relocation Grant and the Disabled Facilities Discretionary Top Up Loan in line with policy review.</p>	<p>Niall Waller</p>	<p>30 July 2018</p>
	<p>The DFG Top Up Loan amount is also registered as a financial charge against the property at the land registry to ensure the Top Up Loan is repaid in the event of a sale or property transfer. From a sample of 5 applications, it was identified in all cases land changes had not been placed against the respective properties totalling £107K.</p>	<p>A review to be completed of all DFGs and DFG Top Up Loan which have been completed to ensure land charges have been placed against the relevant properties, where required.</p>	<p>Joseph Muxlow</p>	<p>30 June 2018</p>
	<p>Additionally, there are limited controls to ensure all Disabled Facility Grant, Disabled Facilities Relocation Grant and Disabled Facilities Discretionary Top up Loan conditions are met. Testing has identified limited controls are in place to meet the following conditions:</p> <ul style="list-style-type: none"> • Relocation Grant - a condition of the grant is that the purchased property must have no category 1 hazards present. Testing has identified that there is no evidence on file to demonstrate this is being checked this is largely due to the grant being award prior to the purchase of the property. It is acknowledged the volume of relocation grants is minimal (only 3 have ever been awarded). • Discretionary top up loan - one of the loan conditions is that the property must be covered by buildings insurance until the loan is repaid. A process is not in place to check this information. <p>Whilst these grant conditions need to be verified, the grant application form does not stipulate these requirements and</p>	<p>Check list for all DFGs to be put in place to ensure all process controls used and recorded on FLARE.</p> <p>URN 02066</p>	<p>Joseph Muxlow</p>	<p>31 May 2018</p>

No.	Findings and Implications	Agreed Action	Who	When
	<p>the applicant’s responsibility to adhere to these terms and conditions. As a consequence it may be difficult to enforce compliance or seek reimbursement.</p>			
3 (A)	<p>The current Private Sector Housing Renewal and Improvement Policy is out of date and was due for review by 30 June 2015. The policy also does not align to current practices in operation within the service. An example of this is the condition of the DFG Relocation Grant where the property must be occupied by the applicant as their main residence for a period of 5 years. Currently there is no process to facilitate the measurement or assessment of this condition.</p>	<p>The policy context remains unchanged. However, the details of each programme of work changes frequently as funding programmes change. A simple programme summary with eligibility criteria will be created and approved to replace this section of the policy.</p> <p>URN 02024</p>	Niall Waller	30 June 2018
4 (A)	<p>A process has not been defined to deal with clients where the value of the eligible work exceeds the DFG amount and is below the Disabled Facilities Discretionary Top Up Loan value.</p> <p>Although these cases are reviewed on a case by case basis, this may lead to an inconsistent approach to clients’ needs and a potential reputation impact for the Council should it be challenged.</p>	<p>A process to be defined on how to deal with client cases which exceed the DFG grant (36K) amount but are below the Disabled Facilities Discretionary Top Up Loan (Minimum loan amount of £3K). Officers will have discretion to manage these cases within new guidelines.</p> <p>URN 02028</p>	Niall Waller	30 June 2018
5 (A)	<p>The income eligibility amount for child tax credit and working tax credit within the DFG application form is out of date. Specifically, the eligibility amount is understated by £1055 and used to determine eligibility. This poses a risk that applicants may be declined due to the incorrect criteria.</p> <p>Additionally, the privacy notice on the Disabled Facilities Grant application is not compliant with current Data Protection Act and future GDPR. Specifically it does not advise the applicant on why and how the Council will be processing their information, the legal basis for processing the information, the retention period for the personal information, and whether the provision of personal data is</p>	<p>A review to be completed of the application form to ensure it is in line with all current regulatory and legal requirements.</p> <p>URN 02055</p>	Joseph Muxlow	31 May 2018

No.	Findings and Implications	Agreed Action	Who	When
	<p>part of a statutory or contractual requirement. The consequence to the Council of non-compliance will be greater with the introduction of GDPR in May as the Council may be subject to fines.</p>			
6 (A)	<p>There are currently 24 stages within the current DFG process. Documented procedures are not in place to provide guidance on the various DFG processes such as tendering, means test documentation, variation of orders, payments, etc. This has led to inconsistencies in approach and documentation retained for the various DFG applications processed.</p>	<p>A process review should be completed to identify areas where improvements can be made or the process could be streamlined.</p> <p>Documented procedures (desk instructions) for all DFG processes to be drafted.</p> <p>URN 02078</p>	Joseph Muxlow	31 May 2018
7 (A)	<p>Contractors are monitored on a case by case basis, however management information is not maintained to provide oversight of all contractor performance including variation of work and costs, timescales for completion, customer satisfaction survey, etc. Manual spreadsheets have been subsequently developed as the current Flare system does not support reporting capability.</p> <p>Control improvements would assist in identifying poor contractor performance, emerging trends in variation costs and evaluating whether value for money is achieved and service delivery improved.</p>	<p>Management information to be developed to report on contractor performance. Management to investigate system requirements to eliminate the need for manual spreadsheets and the potential to use Proactis, the Councils' contracts management system.</p> <p>URN 02079</p>	Joseph Muxlow	31 May 2018
8 (A)	<p>Not all DFG applications which have been approved are reflected in the DFG spreadsheet which is utilised to track application progress and budget spend. Internal audit were provided with a list of all approved DFGs which was generated from the FLARE system. This list formed the basis for the sample testing selection.</p> <p>Sample testing identified that some applications which had been approved had not been reflected in the DFG</p>	<p>Monthly reconciliation to be completed between DFG spreadsheet with the information provided by finance to ensure budget spend is accurately reported and managed as well as providing an accurate overview of all grants in process.</p> <p>Following the review of the current process in an attempt to streamline, target dates to</p>	<p>Joseph Muxlow</p> <p>Joseph Muxlow</p>	<p>31 May 2018</p> <p>31 May 2018</p>

No.	Findings and Implications	Agreed Action	Who	When
	<p>spreadsheet. This spreadsheet was recently introduced by the Regeneration Programme Lead as the current Flare system are not adequate to track application progress. This spreadsheet is populated with data extracted from 2 main sources: P2P and FLARE.</p> <p>There are currently 24 steps within the current process to deliver a DFG. Reporting is not available to demonstrate the volume of applications at each stage of the process. The current national performance indicator utilised by the service to monitor performance of DFG delivery is not sufficient and there are no internal indicators to assist with the identification of issues leading to delay in service delivery and contributing to customer dissatisfaction. Additionally, agreed time frames have not been defined for each step of the delivery process for which delivery can then be measured against.</p> <p>The service is missing an opportunity to measure service performance, manage budget spend and identify service process improvements.</p>	<p>be assigned to all process steps.</p> <p>Monthly reporting to be generated to review progress of delivery against agreed SLAs.</p> <p>Review of cases where SLAs have not been achieved to understand reasons for delay and opportunities for process improvements.</p> <p>Internal KPIs to be established to monitor DFG delivery.</p> <p>URN 02058</p>	<p>Joseph Muxlow</p> <p>Joseph Muxlow</p> <p>Joseph Muxlow</p>	<p>31 May 2018</p> <p>31 May 2018</p> <p>31 May 2018</p>
9 (A)	<p>Not all DFG Top Up Loan applications were complete. From a total of 17 DFG Top Up Loans, 5 applications were sample tested. Of the 5 applications tested, 4 (80%) had not been signed and dated by the applicant.</p> <p>As such, the Council may not be able to evidence the applicant has agreed to the terms and conditions of the grant.</p>	<p>A completed DFG application form to be required in all instances to evidence agreement by the service user to the terms and conditions of the grant.</p> <p>URN 02060</p>	Joseph Muxlow	31 May 2018
10 (A)	<p>Means test data is not always available to support the decline of Disabled Facilities Grant Application. Of a sample of 10 applications tested, 3 (30%) did not have the means test data available. A decline letter to advise the applicant they have been unsuccessful is not always sent. The</p>	<p>Means test data to be retained on file to evidence the decline of a Disabled Facilities Grant Application.</p>	Joseph Muxlow	31 May 2018

No.	Findings and Implications	Agreed Action	Who	When
	Council may be unable to evidence a DFG decision has been communicated to the applicant including the reason for the decline.	URN 02061		
11 (G)	<p>Grant approval and amount letter is not always sent to applicant; although no instances have been identified where contributions had not been made as a result of this. Of a sample of 9 applications tested, one (11%) was not sent the grant approval letter with the agreed amount.</p> <p>In the event of a dispute, the Council is unable to evidence what contribution had been agreed with the applicant and the terms of repayment.</p>	<p>DFG approval letter to be sent to the client to inform of the grant approval amount, client contribution if applicable and the terms and conditions of the grant.</p> <p>URN 02063</p>	Joseph Muxlow	31 May 2018
12 (G)	<p>Whilst it has been confirmed that the contract for the Stannah Lift Services is part of a Framework Agreement procured by another authority, a copy of the contract could not be provided to Audit to demonstrate value for money.</p> <p>As such, the current agreement may be out of date or not in line with CPR procedures.</p>	<p>Stannah Lift Services Framework agreement to be reviewed for adequacy in line with the Council's CPR procedures.</p> <p>URN 02071</p>	Joseph Muxlow	31 May 2018

4 Additional Audit Comments:

The purpose of this section is to inform Managers of those areas where:

- A finding has been discussed but which has not been included within the overall audit opinion.
- Value for money has been considered and areas of opportunity for further improvement have been identified.

No.	VFM Findings/Suggestions	Management Comment
Value for Money:		
1	<p>There is a significant variation in cost between the various approved contractors as part of the new DFG Adaptation Framework Agreement for the provision of adaptation work through Flintshire. By allocating work on a rotation basis, there is a risk that the council may not be able to demonstrate value for money and the higher costs will have an impact on the Councils' ability to fulfil a larger number of DFG requests.</p> <p>The new framework to be rolled out and value for money/ impact to DFG to be monitored and amendments made to comply with Terms and Conditions of the Grant.</p>	<p>The service will maintain detailed records of work allocated to contractors, the cost of completed works and any variations from contract price. These will be analysed and benchmarked against historic costs and also costs from other services and areas wherever relevant.</p>
Suggestion:		
2	<p>The Council does not independently validate the financial information provided by a DFG applicant. The service have advised the validation of the DFG financial information provided to support the application will now be conducted by the Housing Benefits team from the beginning of the financial year. As a consequence, Disabled Facilities Grants may be offered to individuals who have the means to pay for the work required.</p>	<p>The DFG application data validation will be completed by the Housing Benefits Team from 1 April 2018.</p>

5 Distribution List:

Name	Title
Andrew Farrow	Accountable Officer Responsible for the Implementation of Agreed Actions
Colin Everett	Chief Executive
Andrew Farrow	Chief Officer – Planning and Environment
Niall Waller	Service Manager- Enterprise and Regeneration
Joseph Muxlow	Regeneration Manager

Appendix A – Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
<p>Green - Substantial</p>	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
<p>Amber Green – Reasonable</p>	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
<p>Amber Red – Some</p>	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
<p>Red – Limited</p>	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>