

Summary of 2017/18 Internal Audit Reviews of Anglia Revenues Partnership (ARP) for Joint Committee

1 Introduction

1.1 This was the first year of a joint internal audit approach to review the ARP revenues and benefits systems by East Suffolk, Fenland District Council and West Suffolk Internal Audit teams on behalf of the seven ARP authorities:

- East Suffolk Internal Audit provided the audit review for national non-domestic rates;
- Fenland District Council Internal Audit provided the audit review for ARP Enforcement; and
- West Suffolk Internal Audit provided the audit review for housing benefit, council tax and overpayments.

2. 2017/18 Audit Scope and Objective

2.1 The 2017/18 audit scope was agreed with the S151 Officers, ARP Strategic Managers and Heads of Internal Audit for each of the partner authorities.

2.2 The objective for each audit was to establish if procedures for key controls were being satisfactorily followed to reduce the risk of incorrect processing which could result in loss of revenues, incorrectly awarded benefits or failure to recover monies owed.

2.3 The review included testing the following key control areas:

- System parameters;
- Year end processes;
- Valuation Office amendments;
- Correct billing for council tax and NNDR;
- Appropriate awarding of council tax and NNDR exemptions, reliefs and discounts;
- Payment collection processes for revenues and debts;
- Refund process and appropriateness;
- BACS payments;
- Correct assessment and awarding of housing benefit;
- Debt recovery processes and monitoring of debts;
- Quality assurance processes;
- Financial reconciliations; and
- Access to the ARP systems.

2.4 A cyclical review of non-key control areas was agreed, for 2017/18, this included a review of the following:

- Council tax credit balances;
- Appropriate assessment and approval of write offs;
- Correct awarding of local council tax reduction scheme ;
- Correct assessment of self-employed housing benefit claimants; and
- Alignment of processes across the ARP.

2.5 The audit also included reviewing the progress on agreed actions from previous audits.

3 Audit Opinions

Agreed audit assurance opinions and definitions were decided upon to provide a consistency with terminology used:

Assurance	Definition
Good / substantial	System control objectives are achieved with no significant (medium risk) or fundamental (high risk) control issues or risks raised
Adequate / reasonable	In general, system control objectives are achieved. A number of significant (medium risk) control issues and risks have been raised
Limited	System control objectives are only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised
No assurance	System control objectives are not achieved. Fundamental (high risk) and significant control issues and risks have been raised

4 Audit Outcomes

4.1 System control objectives were considered to be achieved with a total of two high risks and a number of medium risk control issues being raised.

4.2 Findings and actions were discussed with the relevant ARP Team Leaders and Management prior to drafting the reports. The draft reports were then discussed with the Strategic Managers to agree actions and timeframes to implement the actions.

4.3 Audit reports were finalised in March 2018.

4.4 Council Tax

An audit opinion of **adequate / reasonable** assurance was given. Two high risk actions were raised concerning credit balances and year end processes.

4.4.1 A good segregation of duties was observed for the raising, authorising and processing of council tax payment collections. Some aligning of processes is required within the council tax team, whilst these do not pose a risk, alignments could support the operational process. The key observations from the review resulting in findings being raised were:

- Credit balance reports are not routinely produced and the process for identifying, reviewing and taking corrective action for accounts in credit requires reviewing;
- Alignment of record keeping for year end and parameter input processes is required;
- Write offs are not routinely reviewed, resulting in incorrect collectable debt being reported;
- The follow up review concluded that three actions had been implemented, nine actions were superseded by recommendations in the 2017/18 review and one action (concerning the raising of refunds) was considered work in progress.

4.5 Housing Benefit

An audit opinion of **adequate / reasonable** assurance was given with no high risk actions raised.

4.4.1 The housing benefit team continue to work to a good standard with aligned processes evident for processing claims and controls working well. Key observations from the review resulting in findings being raised were:

- Some errors were identified when testing claimant data which occurred through human error; the accounts were rectified during testing which resulted in some minor award amendments. Reminders and training is provided to assist in preventing this and additional checks on earnings have been introduced within the housing benefit team;
- Two high risk claims were put into payment prior to the receipt of supporting information being received. Whilst a process map is in place to prevent this, it appears not to have been followed;
- The follow up review concluded that seven actions had been implemented and one action (concerning user permissions) was considered work in progress.

4.6 Overpayments

An audit opinion of **adequate / reasonable** assurance was given with no high risk actions raised.

4.6.1 The overpayments review concluded that good practice controls were in place for the electronic collection of overpayment monies and issuing of refunds. Observations were noted during testing which identified that

there are differences in working practices across the Overpayments Team but these have been recognised by ARP and are being addressed. Key observations from the review resulting in findings being raised were:

- Write offs are not routinely reviewed for WDC and SCDC resulting in a backlog and incorrect reporting of collectable debt;
- Regular review and monitoring of overpayment account debt recovery stages should be introduced;
- Process efficiencies were recommended to include removing the need for approval if writing a debt back onto an account and aligning write off delegations for ARP Strategic Managers for all authorities;
- The follow up review concluded that four actions have been implemented and two actions are superseded by recommendations in this 2017/18 review.

4.7 NNDR

An audit opinion of **adequate / reasonable** assurance was given. No high risk actions were raised.

4.7.1 Year end processes were observed to be well controlled and evidenced, resulting in accurate billing for the 2017/2018 financial year. The key observations from the review resulting in findings being raised were:

- Valuation office schedule reconciliations are to be completed and checked more frequently to ensure that all income due is being requested timely;
- Improvements could be made to the empty property inspection regime as there is no empty property inspection timetable and some properties had not been inspected for some time which could result in loss of income;
- Evidence should be retained to confirm that all exemptions, discounts and reliefs have been correctly awarded;
- Delays with debt recovery were identified, further monitoring is required and debt monitoring reports are to be re-introduced to ensure debt recovery is timely and appropriate;
- Evidence could not be provided to support all write offs sampled to confirm that there was a valid reason for the debt being written off;
- A follow up review was undertaken to ensure that recommendations agreed in previous audits had been implemented. This review concluded that seven actions have been implemented and four actions have been superseded. Four actions were considered to be work in progress, concerning credit balance processes, debts which had been passed to an external collection agency, write off reports for ECDC and the review of discretionary relief awards for West Suffolk.

4.8 ARPE

An audit opinion of **adequate / reasonable** assurance was given. No high risk actions were raised.

4.8.1 The Enforcement Team has good working practices in place that appear to be working effectively and efficiently with a good rate of successful collection of debt. By the end of the audit process, arrangements were in place for ARPE to collect overpayment debts for all seven authorities. The key observations from the review resulting in findings being raised were:

- Financial reconciliations showed a variance;
- The process for unallocated payments requires reviewing;
- The process for amending permissions, adding and removing users for the ARPE system is required to provide a management trail;
- The follow up review concluded that the one action remains outstanding; this concerns the timely communication of debtor changes from revenues teams to ARPE.

4.9 General

Actions were raised in the audit reports regarding revenues and benefits system user permissions which require reviewing across the partnership. This review will ensure that users, which include non-ARP Service staff (i.e. housing, elections, customer services, finance), only have access to view customer and claimant data appropriate to their role.

5 Progress on Actions

- 5.1 ARP Management have provided, in Appendix A, a summary (unaudited) of the progress being made on the reported medium and high risk actions and agreed recommendations.
- 5.2 The target date for many recommendations has not yet been reached but, as Appendix A demonstrates, good progress is generally evident on the agreed actions.
- 5.3 There are a small number of actions where limited progress has been reported, as set out below:

Audit	Actions on track / completed	Actions with no progress / not on track
Council Tax	13	<ul style="list-style-type: none"> • Revised target date of 30/06/18 for resolving historic Valuation Office queries (original target date 31/05/18). • No progress yet made on identifying processes by Customer Service staff which may be subject to Quality Assurance– target date 31/08/18. • No progress reported on the debt process or the 4 accounts which were identified during

		audit testing which required further action to address historic debts - target date 31/08/18. <ul style="list-style-type: none"> No progress made on introducing electronic documents (as opposed to hard copies) for write off approvals – target date 31/08/18.
Housing Benefit	14	All actions on track
Overpayments	9	<ul style="list-style-type: none"> No progress made on introducing electronic documents (as opposed to hard copies) for write off approvals – target date 31/08/18.
NNDR	9	All actions on track
ARPE	5	All actions on track

A quarterly monitoring process is in place to review this.

6 Audit Process

- 6.1 This was the first year of the joint audit approach with the Head of Internal Audit concluding that the process has worked well, completing the audits within the agreed timeframe, raising meaningful actions for ARP and reducing duplication of the audit process for ARP.
- 6.2 Audit Leads have met to discuss the audit process in respect of ARP and have suggested the following changes could be made for the 18-19 audits:
- Overpayments and Council Tax audits to be a combined report with separate assurance levels;
 - Include non-alignment of processes as a risk with the 2018/19 audit terms of reference;
 - With agreement of ARP management, monthly or quarterly audit testing throughout the year to be introduced.
- 6.3 Feedback is welcomed regarding the joint approach process.

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