

# Report to Audit Committee

11 July 2019

By the Director of Corporate Resources



## INFORMATION REPORT

Not Exempt

### Internal Audit reviews of Revenues and Benefits 2018/19

#### Executive Summary

This report tells Councillors the outcome of the internal audit reports of Revenues and Benefits completed by LGSS internal audit as part of the agreement in which LGSS manage Horsham District Council's Revenues and Benefits service. All three audits, completed in the fourth quarter of 2018/19, achieved substantial assurance for the control environment. The Benefits audit showed substantial assurance for compliance and the two Revenues audits good assurance for compliance.

#### Recommendations

The Committee is recommended to:

- Note the report and consider any further action required in response to the issues raised.

#### Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's systems of internal control.

#### Background Papers

None

**Wards affected:** All.

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## **Background Information**

### **1 Introduction and Background**

- 1.1 The Northamptonshire based local authority partnership called LGSS started providing Horsham District Council's Revenues and Benefits service in April 2018. This service includes the internal audit of these services.
- 1.2 LGSS internal audit completed the audits of Council Tax, Housing Benefits and Business Rates during the fourth quarter of 2018/19.
- 1.3 LGSS internal audit gave their opinion of the adequacy of the system and the compliance of the service with the system.

### **2 Relevant Policy / Professional Standards**

- 2.1 LGSS Internal Audit follows the mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.

### **3 Conclusion and Reasons for Recommendation**

- 3.1 Key audit findings from final reports are summarised in Appendix A.
- 3.2 LGSS internal audit finalised all three of the Revenues and Benefit audits during quarter four. The two Revenues audits received substantial assurance for the control environment and good assurance for compliance. The Benefits audit received substantial assurance for the control environment and compliance. Management of the Revenues and Benefits Service confirmed they had implemented all recommendations by the end of June.

### **4 Next Steps**

- 4.1 The next internal audit reviews of Council Tax, Business Rates and Benefits will take place in 2019/20.

### **5 Outcome of Consultations**

- 5.1 LGSS Internal Audit consulted Horsham District's Head of Revenues and Benefits, the Operations Manager for and LGSS's specialist officers at the start and throughout the review, including discussion and agreement of recommendations. The Director of Corporate Resources agreed the outline, draft and final reports.

### **6 Other Courses of Action Considered but Rejected**

- 6.1 Not applicable.

### **7 Resource Consequences**

- 7.1 Horsham District Council pays for these audits as part of its fee to LGSS for the Revenues and Benefits service. There are no resource consequences arising from this report.

## **8 Legal Consequences**

8.1 There are no legal consequences.

## **9 Risk Assessment**

9.1 LGSS Internal Audit use risk based approach when carrying out their audit and in evaluating the importance of their finding and recommendations.

## **10 Other Considerations**

10.1 There are no consequences in respect of Crime & Disorder; Human Rights; Equality & Diversity; or Sustainability as a result of this report or the audit reports.

## **Summary of the main findings from the audits completed by LGSS internal audit in quarter four**

### **Council Tax Audit**

Based on the completion of their fieldwork LGSS internal audit gave substantial assurance for the control environment covering Council Tax and good assurance for compliance.

The level of assurance reflects their findings:

- 1) Council Tax was found to be a well-controlled system. Identification and monitoring of new and amended properties is well-managed with the use of new address reports, inspection visits and planning information.
- 2) The process for Council Tax billing was found to be timely with good controls in place within the Academy system ensuring accuracy.
- 3) Council Tax discounts and exemptions were found to have been awarded correctly with entitlement verification procedures in place. However a regular review strategy for Council Tax discounts and exemptions is not currently in place.
- 4) Refunds and write-off transactions are signed off with the appropriate authorisation and with due regard to segregation of duties.
- 5) Recovery and enforcement action is well monitored with processes in place to provide an overview of late payments. Debt recovery action is prompt and effective.
- 6) There is currently a backlog in the process of regular monthly cash and refund reconciliations leaving gaps in the evidence of management accountability.
- 7) System parameters are appropriately maintained requiring secure audited access commensurate with grade and business requirements.

### **Main Recommendations by Internal Audit and the Management Response**

- 1) Recommendation: A process should be introduced to ensure that a monthly control sheet for cash and refund reconciliations is completed as from the June 2019 reconciliation. The Revenues & Benefits Team Leader should then verify the reconciliation each month.

Response: Horsham District's Revenues and Benefits Operations Manager confirmed the Revenues and Benefits systems team put a process in place to ensure that a monthly control sheet for cash and refund reconciliations were completed from June 2019 and the Team Leader started verifying this monthly from June.

- 2) Recommendation: An annual review strategy for Council Tax discounts and exemptions should be introduced allowing revaluation of customer eligibility on regular basis.

Response: LGSS will commence a full review of all 'Single Person Discounts' for Horsham District Council later in 2019. This will be an extensive review and will be conducted with the support of externally provided credit reference data. LGSS are currently in the process of procuring the services of a credit data company to support this review.

The Revenues and Benefits Operations Manager has introduced a calendar of reviews for Council Tax discount/exemptions for 2019. The reviews have been scheduled around the annual peaks and troughs of customer demand.

### **Benefits Audit**

Based on the completion of our fieldwork LGSS internal audit gave a substantial assurance opinion for both the control environment covering the management of Benefits and for compliance.

The level of assurance reflects their findings:

- 1) Working practices were found to be compliant with legislation with information detailing policies and procedures disseminated to staff.
- 2) New claims had been processed under newly introduced Risk Assessment and Quality Assurance (QA) Processes.
- 3) Housing Benefit claims were compliant with published Local Housing Allowance (LHA) rates with good rationale detailing higher rates paid to a small number of exceptions.
- 4) Benefit claim changes of circumstances had been actioned in line with regulations, procedures and within target times.
- 5) Backdated benefit claims were found to be correctly authorised and paid in accordance with DWP regulations and had evidence supporting the payment.
- 6) Regular checks and reconciliations were being carried out to verify and monitor payments made.
- 7) Action taken to recover overpaid benefit payments was prompt and well documented with system processes in place to minimise loss.
- 8) Access to the Benefits systems were securely controlled with key parameters restricted to senior level.
- 9) Procedures were in place to report suspected cases of benefit fraud.

There were no recommendations arising from this internal audit.

### **Business Rates audit**

Based on the completion of their fieldwork LGSS internal audit gave substantial assurance for the control environment covering business rates and good assurance for compliance.

The level of assurance reflects their findings:

- 1) Control over identification and monitoring of commercial properties at the planning/construction stage is well managed.
- 2) The process for NNDR billing was found to be timely with good controls in place within the Academy system ensuring accuracy.

- 3) NNDR reliefs are awarded correctly with effective entitlement verification procedures in place. Reviews of entitlement are carried out to verify that ratepayers are still entitled to a relief.
- 4) Refunds and write-offs were found to be appropriate and clearly documented. Transactions are signed off with due regard to separation of duties.
- 5) Recovery and enforcement action is well monitored with good controls in place to provide an overview of late payments. Debt recovery action is prompt and effective.
- 6) The process of regular monthly cash and refund reconciliations is not up to date as the control sheet for 2018/19 has not been fully completed and verified.

### **Main Recommendations by Internal Audit and the Management Response**

- 1) Recommendation: A process should be introduced to ensure that a monthly reconciliation control sheet for cash and refund transactions is completed. The Revenues & Benefits Team Leader should evidence that they have reviewed the reconciliation for accuracy.

Horsham District's Revenues and Benefits Operations Manager confirmed the Revenues and Benefits systems team put a process in place to ensure that a monthly control sheet for cash and refund reconciliations are completed as from the June 2019 reconciliation. The Revenues & Benefits Team Leader should then verify the reconciliation each month.