



East Cambridgeshire District Council

Annual Internal Audit Report

2021/22

1. Introduction and context

- 1.1 This report outlines the internal audit work carried out by Internal Audit for the year ended 31st March 2022.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 1.3 Internal Audit is a statutory requirement for local authorities, in accordance with:
- Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
 - The Accounts and Audit Regulations 2018 (England) – which state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.4 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Corporate Management Team (which includes the Section 151 Officer), and the Chair of the Audit Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
- the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - a statement on conformance with the Standards.

2. Head of Internal Audit Opinion 2021/22

2.1 Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinion given in the previous year.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively. An exception related to approval of payments over £50,000 - where it was noted, from follow up testing, that although procedures had been updated to add manual controls following the 2020/21 audit, these were not operating consistently to ensure sign off by a Director or s151 Officer in some cases.

Some areas for improvement have been noted in the audit reports received relating to the delegated revenues and benefits systems, including valuation office reconciliations for business rates and the timeliness of Council Tax refund processing. Assurances have been given over actions being taken to address these areas and this will be followed up in 2022/23.

Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2021/22. The risk register was reviewed by the Audit Committee on a six monthly basis, considering the outcomes of quarterly reviews conducted by the Council's risk management group.

Internal Audit work is targeted upon the Council's key areas of risk, in addition to providing the necessary assurances over the wider governance and control framework. Internal Audit work completed in 2021/22 assessed assurances in relation to controls in some of these key areas.

Internal control

For the audits completed by the delegated service in 2021/22, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. Of these audits, none have resulted in an opinion of 'major' organisational risk, which would impact upon the annual assurance opinion.

Control weaknesses have been reviewed in relation to the ICT outages experienced during the year and an action plan is in place to address the areas for improvement.

Of the recommended actions agreed during 2021/22, and due for implementation, 83% had been completed during the year. There are, however, a further four agreed actions from previous financial years, relating to IT, which remain unimplemented at the time of reporting.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. Assurances are also provided in relation to the Council's revenues and benefits system by the ARP shared audit service.
- 2.3 The assessment has taken account of the relative materiality of areas highlighted for improvement and management's progress in addressing any control weaknesses.

3. Summary of findings

- 3.1 Internal Audit completed 100% of the assignments from the Internal Audit Plan for 2021/22.
- 3.2 All final reports have agreed action plans, dates and responsible officers for improving the internal control environment, where required. A summary of audit opinions arising from the work of the Internal Audit team is shown in Table 1.

Table 1 – Summary of audit opinions 2021/22:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	4	7	3	-	-
Key policy compliance	2	1	1	-	-
Risk based audits	5	1	-	-	-
Total	11	9	4	-	-
Summary	46%	37%	17%	-	-
2020/21 summary – for information	34%	40%	26%	-	-

4. Review of audit coverage

Audit opinion on individual audits

4.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated and either no, or some minor, errors have been detected.
Good	There are minor control weaknesses that present low risk to the control environment. The control environment has largely operated as intended although some errors have been detected.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment. The control environment has mainly operated as intended although errors have been detected.
Limited	There are significant control weaknesses that present a high risk to the control environment. The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. The control environment has fundamentally broken down and is open to significant error or abuse.

4.2 All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

Summary of audit work

4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2020/21 and the date of the Committee meeting at which the outcome of the audit was presented.

4.4 All completed assignments have been delivered in accordance with the agreed terms of reference and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of audit opinions 2021/22:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Anglia Revenues Partnership shared service audits (key findings provided in Appendix C)				
Council Tax, Housing Benefit and Local Council Tax Reduction Scheme (CTRS)	Adequate / reasonable			July 2022
NNDR	Adequate / reasonable			July 2022
Recovery of Council Tax and Benefits overpayments	Adequate / reasonable			July 2022
Enforcement	Good / substantial			July 2022
Financial systems and controls				
Bank Reconciliations	Substantial assurance	Good assurance	Minor	January 2022
Budgetary Control	Good assurance	Good assurance	Minor	July 2022
Creditors	Satisfactory assurance	Good assurance	Minor	July 2022
Debtors	Good assurance	Good assurance	Minor	July 2022
Payroll	Substantial assurance	Good assurance	Minor	July 2022
Treasury management	Substantial assurance	Substantial assurance	Minor	March 2022
Fixed assets	Satisfactory assurance	Satisfactory assurance	Minor	March 2022
Financial Management Code assessment	N/A – consultancy review of Council's self-assessment		N/A	July 2022

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Key policy compliance				
Procurement compliance	Good assurance	Satisfactory assurance	Minor	July 2022
Staff recruitment checks	Substantial assurance	Substantial assurance	Minor	November 2021
Risk based audits				
Covid-19 recovery	Good assurance	Substantial assurance	Minor	March 2022
ICT outages – lessons learnt review	N/A – consultancy review		N/A	March 2022
Environment and climate change strategy	Substantial assurance	Substantial assurance	Minor	March 2022
Development control	Substantial assurance	Substantial assurance	Minor	November 2021
Disabled facilities grants	Verification completed		N/A	November 2021

4.5 In addition to the audit assignments above, Internal Audit has provided support on uploading post payment checks on business grants during the Covid-19 pandemic to the Cabinet Office’s National Fraud Initiative data matching service and providing advice on queries arising.

4.6 A number of these audit outcomes have been reported to the Audit Committee during the 2021/22 financial year. Summaries of those which have been finalised since the last progress report was presented are provided in Appendix A to this report.

Implementation of Internal Audit recommendations

4.7 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a monthly basis and provide a summary to the Audit committee.

4.8 Details of the implementation rate for the audit recommendations made during 2021/22 are provided in Table 4.

4.9 A total of 21 audit recommendations have been implemented by officers during 2021/22. Of those implemented actions, five related to recommendations arising from the 2021/22 audit plan. There remain, however, four actions which are overdue from previous financial years. An overview of all overdue actions is provided in Table 5.

Table 4 - Implementation of audit recommendations agreed and due in 2021/22:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and implemented	-	4	1	5 (19%)
Agreed and not yet due for implementation	5	8	8	21 (78%)
Agreed and due within last 3 months, but not implemented	-	1	-	1 (3%)
Agreed and due over 3 months ago, but not implemented	-	-	-	-
TOTAL	5	13	9	27 (100%)

4.10 A full overview of overdue actions as at 31st March 2022 is provided in Table 5.

Table 5 - Summary of overdue recommendations as at 31st March 2022

Action	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
IT outages – Microsoft support package	2021/22	-	-	-	1	-	-
Disaster recovery plan testing	2020/21	1	-	-	-	-	-

Action	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
IT monitoring strategy	2020/21	-	-	1	-	-	-
IT incident management plan	2020/21	-	-	-	1	-	-
IT Cyber Essentials accreditation	2020/21	-	-	-	-	1	-
Totals		1	0	1	2	1	0

5. Internal Audit contribution

Added value

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers support and advice to assist the Council in new areas of work.
- 5.2 The Council commissioned 200 days from the delegated Internal Audit service to deliver the 2021/22 Audit Plan and a further 10 days to support the drafting of the Annual Governance Statement. This involved delivery of the current year Audit Plan, client liaison, support, reporting and attendance at the Audit Committee.
- 5.3 By 31st March 2022, the delegated Internal Audit service had delivered 100% of the assignments from the 2021/22 Audit Plan to at least draft report stage, against a target of 90%.
- 5.4 Customer feedback is sought at the conclusion of every audit assignment and covers questions on quality of reporting, communication, scope and value added. The target for customer feedback is at least 3.2 (where 4 = Outstanding, 3 = Good, 2 = Satisfactory and 1 = Poor). During 2021/22 the feedback received on the audit assignments delivered averaged 3.7, exceeding the target.

Internal Audit contribution in wider areas

- 5.5 Key additional areas of Internal Audit contribution to the Council in 2021/22 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Delivering fraud awareness training to new starters.	Embedding a counter fraud culture and awareness of ethical policies.
Sharing advice and fraud alerts in relation to the Covid-19 business grants.	Pro-active counter fraud support and learning from other authorities.
Maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero tolerance culture.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.

Professional Standards

- 5.6 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.7 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.8 During 2021/22, the Internal Audit service was delegated to a shared service led by Milton Keynes Council. A detailed self-assessment against the PSIAS was completed by the Chief Internal Auditor and the outcome of the assessment was that the Internal Audit service was operating in general conformance with the Standards.
- 5.9 From 1st April 2022, the Internal Audit service is delegated to North Northamptonshire Council and a Quality Improvement Plan is being drafted by the current Chief Internal Auditor to support continuous development, in line with the Standards and the Internal Audit Charter.

Appendix A: Limitations and responsibilities

Limitations inherent to the Internal Audit's work:

Our work has been performed subject to the limitations outlined below:

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our agreed annual programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the areas audited is for the period 1st April 2021 to 31st March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities.

However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix B: Internal Audit reports finalised since the last committee meeting

Budgetary control

The public sector continues to face many challenges due to the way in which services are delivered and ongoing reductions in government funding. Therefore, it is necessary to have effective governance and budgetary control arrangements in place to ensure probity and sound financial management. Internal Audit reviewed the design of, and compliance with, key controls within the budgetary control process.

The Council's Medium-Term Financial Strategy 2021/22-2024/25 is to set a robust financial framework for the Council's plans over the next four years which support the delivery of the Council's priorities within the context of an annual balanced budget. The 2021/22 budget was approved by Full Council on 23rd February 2021.

In order to consider and assess the Council's budgetary control procedures, the audit included an anonymous survey of all 22 Budget Holders, of which 15 responded.

It was confirmed that budgetary control procedures, roles and responsibilities are clearly documented and 93% of budget holders surveyed fully understand their role and responsibilities. The 2021/22 budget was uploaded promptly with all cost centres assigned to a nominated budget holder and no virements have been processed during the year.

Budget monitoring and reporting controls are operating well. Testing confirmed that effective processes are in place for the management of quarterly monitoring reports, including clear explanations for significant variances.

Generally, budget holders felt that they received regular budget monitoring reports and had access to specialist finance support, however the survey highlighted the need for further budget training and guidance including how to access up to date financial information on the finance system (Unit 4-Agresso).

Based on the work performed during the audit, the assurance opinions were given as follows:

Assurance Opinion		
Control Environment	Good	●
Compliance	Good	●
Organisational Impact	Minor	●

Creditors

The audit of creditor payments forms part of the 2021/22 suite of annually performed key financial system reviews and is undertaken in order to inform the Chief Internal Auditor's overall opinion on the financial control environment, which supports the Annual Governance Statement. All creditor payments are processed through the Unit4 (Agresso) system and administered by the Finance Team.

The objective of the audit was to review the design of, and compliance with, key controls within the creditor payments system, and to provide assurance over the controls to prevent and detect fraud and error. This year's review focused on policies and procedures and supplier payments controls.

Appropriate, accessible and up to date policies and procedures are in place to govern the creditor process and creditor payments are operating as intended, although the control environment should be strengthened to further reduce the risk of fraud or error by segregating the signing and the submission of BACS payments.

Creditor control account reconciliations are currently only performed at year end due to system limitations, however it is recommended that more frequent reconciliations are carried out to provide greater assurance over the accuracy of the finance system.

In addition, Internal Audit followed up on a recommendation raised in the 2020/21 audit of Creditors relating to the approval of spend above £50k. Testing of 20 transactions above £50k, processed 2021/22, found that 45% were not evidenced as authorised by a Director or the S151 Officer as required in the Council's Financial Procedure Rules - therefore this shall remain subject to ongoing audit follow up in 2022/23. It should be noted that all invoices highlighted in testing as not subject to Director/s151 Officer approval were reviewed by the s151 Officer and assurance was provided that payments were in line with approved contracts / budgets, as applicable.

Based on the work performed during the audit, the assurance opinions were given as follows:

Assurance Opinion		
Control Environment	Satisfactory	
Compliance	Good	
Organisational Impact	Minor	

Debtors

All transactions are processed through the Council's finance system, Unit 4 Business World (Agresso). The objective of the audit was to review the design of, and compliance with controls to prevent and detect fraud and error covering debt recovery, write offs and reconciliations.

Appropriate policies and procedures are in place for the recovery of debt and adequate separation of duties has been established relating to the identification of debt, receipt of income, reconciliations and debt write offs.

Testing of 25 debtor accounts confirmed that debt recovery is broadly operating as intended, however further action is required to pursue the debts that have been referred to the Council's Legal department. There was a lack of evidence of recent recovery action for nine accounts that had been referred to legal, however it was asserted that actions had been taken (evidence was not available) and it is acknowledged there will be a dedicated resource within the Legal department to oversee sundry debt from 1st April 2022.

All write offs performed in 2021/22 were authorised in line with the Council's Financial Procedure Rules and debtor control account reconciliations were accurately completed and independently reviewed each month.

Aged debt reports are reviewed monthly and debtor days are regularly monitored, however there is scope to develop additional key performance indicators for sundry debt collection, to ensure sufficient priority and management oversight of the effectiveness of debt recovery actions is maintained.

Based on the work performed during the audit, the assurance opinions were given as follows:

Assurance Opinion		
Control Environment	Good	●
Compliance	Good	●
Organisational Impact	Minor	●

Payroll

The audit of payroll forms part of the 2021/22 suite of annually performed key financial system reviews and is undertaken in order to inform the Head of Internal Audit's overall opinion on the financial control environment, which supports the Annual Governance Statement. Staff costs account for a significant proportion of the Council's total annual spend, therefore it is important to ensure that a sound framework of controls is in place to manage this expenditure effectively and minimize the risk of fraud or error. Responsibility for administering the Council's payroll was transferred to MHR (a specialist HR and Payroll Software and services provider) with effect from 1st April 2018. The Council has retained an in-house Payroll Officer post and the Human Resources service.

The objective of the audit was to review the design of, and compliance with, key controls within the payroll and HR system, and to provide assurance over the controls to prevent and detect fraud and error. This review focused on controls over contractual changes, new employees, leavers, payroll processing and control account reconciliations.

Audit sample testing for 2021/22 has confirmed accurate and timely payments to staff and that key controls in relation to administering starters, leavers and contractual changes are robust and operating effectively. All control account reconciliations are up-to-date with only a small number of reconciling items that will be cleared.

MHR are responsible for running the payroll calculation process and producing and distributing standard control and exceptions reports prior to processing the payroll payment. All payments reviewed by internal audit were appropriately authorised and the Payroll Officer confirmed that control and exception reports are reviewed, however there is no evidence retained to demonstrate that those checks have taken place.

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Good	●
Organisational Impact	Minor	●

Procurement compliance

The Council's Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the Council's needs and comply with legal requirements. Issues and shortcoming in procurement documentation have been reported by Internal Audit in previous years and have been reviewed again as part of the 2021/22 audit. The audit was carried out to provide assurance that officers are complying with the approved rules and practices.

To comply with the Local Government Transparency Code the Council publishes all expenditure over £500 on its website together with a link to the online contracts register. Concerns regarding the completeness of the contracts register have been reported in previous years. As a result, last year's report included a recommendation to prioritise proposed work to review all contract spend over £5,000 to ensure the completeness and accuracy of the contracts register. At the time of this year's audit, the analysis of spend against contract entries was complete and all identified contracts had been added to the register. The exercise had identified two suppliers with whom total spend exceeds the value where a contract is required but contracts were not in place. It is understood that work was underway to rectify this going forward. Given the significant improvement and ongoing work in this area, no further formal recommendation has been made regarding the contract register this year to allow time for this work to be completed. Internal Audit will continue to monitor progress at future audits.

Detailed compliance testing was carried out on a sample of seven contracts this year. Due to the limited number of contract awards that took place in 2021/22, the sample contained five contracts awarded on the basis that they were exempt from CPR requirements, one contract award under £25,000 and spend against one existing contract. Of the six new contracts tested, five were awarded in compliance with Contract Procedure Rules. In one case it was found that the contract was treated as exempt from CPR requirements (value of £6k), although no contract exemption form had been completed or authorised. In this case a retrospective approval has since been obtained. Based on the findings, it is recommended that any managers who have not attended to date must attend procurement training in 2022/23 and then on a rolling basis they must all attend at least every three years (unless a significant change in procurement rules requires specific (earlier) updates).

It was noted that there had been regular use of the contract exemption route within the selected sample and exemptions should be applied only in exceptional circumstances. It is noted that there was clear justification provided in each of the selected cases, and these were approved in line with delegated powers.

In the case of spend against the one existing contract, this was confirmed as paid in line with a valid, active contract.

Assurance Opinion		
Control Environment	Good	●
Compliance	Satisfactory	●
Organisational Impact	Minor	●

Appendix C: Summary of findings of ARP audits

Council Tax, Housing Benefit and Local Council Tax Reduction Scheme (CTRS)

Based on audit testing, it was considered that risks were being well managed for the period tested in relation to:

- changes in legislation and system parameters continue to be correctly actioned;
- council tax property bandings are updated correctly and in a timely manner;
- the awarding of council tax discounts and exemptions is occurring in a timely manner and planned reviews take place periodically;
- council tax recovery is taking place in the correct manner to mitigate failure to collect and recover monies due to the authorities;
- no significant concerns to raise regarding the processing of new housing benefit and CTRS applications which would indicate fraudulent activity or significant impacts on the subsidy claim;
- the risks associated with the administration of housing benefit were observed to be managed, with a small number of minor isolated incidents raised;
- the risk of fraud and error is considered to be managed in the processing of BACS payments and direct debit collections; and
- a sound system is in place to record and report on the quality assurance checks.

The key observations from the review are:

- no fraudulent actions, housing benefit claims or payments were identified
- work has continued to review system user permissions and groups and improvement is evident, however, the process needs to be more robust to prevent errors in the applying of new permissions
- there were no fraudulent issues identified with council tax refund and credit testing. However, the process needs to be more robust to ensure that refunds are actioned in a timelier manner and where direct debit details are held refunds are processed in a timely manner
- no significant concerns were raised in the testing of housing benefit overpayments and classification, however, some improvements in the manual processes could assist in identifying overpayments in a timelier manner.

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
CT Precept Input and Year End Procedures	Adequate / Reasonable	0	0	0	1 (M)
HB Parameter Uprating Input	Adequate / Reasonable	0	1	0	0
CT Valuation Office Amendments	Adequate / Reasonable	0	1	0	0
Awarding of Exemptions and Discounts	Good / Substantial	0	0	1	0
CT Arrears, Reminders and Debt Recovery (to 2 nd reminder stage)	Good / Substantial	0	0	0	0
CT Credits and Refund Process	Limited	0	3	0	1 (M)
Financial Reconciliations &	Adequate / Reasonable	0	0	0	1 (M)

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Management of The Suspense Accounts					
Direct Debit Collection and Payments (BACS)	Good / Substantial	0	0	0	0
High Value HB Payments / Creditor Changes	Adequate / Reasonable	0	3	1	0
Quality Assurance Processes	Good / Substantial	0	0	0	0
New HB & CTRS Application Assessment	Adequate / Reasonable	0	2	1	0
Overpayment Identification, Classification and Recovery from Ongoing Benefit	Adequate / Reasonable	0	1	1	0
Rental Values for HB Claimants	Adequate / Reasonable	0	1	0	0
Self-Employed Claimants	Adequate / Reasonable	0	2	0	0
System (Academy & Civica) Access	Adequate / Reasonable	0	2	0	0
Total		0	16	4	3
OVERALL OPINION	Adequate / Reasonable				

NNDR

The majority of systems were seen to be functioning reasonably well, with most control areas in the scope of this audit functioning adequately but able to benefit from making some improvements. ARP Management have advised that there continues to be a lasting impact from the COVID-19 pandemic and associated government policy, such as the use of NNDR data as the basis for supporting COVID-19 business grants and amendments to NNDR relief schemes.

No new high risk priority actions were identified during the 2021/22 audit review. However, a number of high priority risks identified in previous years remain, as detailed below.

The key observations from the review identified in previous years but still current are:

- Valuation Office (VO) reconciliations show inconsistencies and for three of the five councils were seen to contain errors or omissions. Delays may exist in the reconciliation process depending on Council and time of year;
- Debt recovery management has not progressed significantly;
- Awards of Small Business Rate Relief are currently being reviewed to reduce the risk of SBBR being applied to accounts where it is no longer appropriate: the project is in progress; and
- Although progress has been made in resolving a key risk relating to access by local authority staff via user reviews, equivalent periodic reviews for ARP users have not been scheduled.

Control Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Parameter Bandings and Annual Billing	Good / Substantial			1	
Valuation Office (VO) Reconciliations	Limited				1
Reliefs, Exemptions and Discounts	Adequate / Reasonable			1	6
Payment Collection	Adequate / Reasonable		1	2	
Control Accounts Reconciliations	Adequate / Reasonable		1		1
Refunds, BACS and Credit Balances	Adequate / Reasonable		3	1	
System Access	Adequate / Reasonable		2		1
Arrears, Reminders and Debt Recovery	Adequate / Reasonable				1
Write Offs	Adequate / Reasonable		1	1	
Previous Audit Actions	-				1
OVERALL OPINION	Adequate / Reasonable				

Enforcement

It was noted that the Enforcement Team has good working practices in place that work effectively with a successful collection rate across all areas of debt. A sound control process is in place for case histories within the One Step system, good audit trails and records kept of all interactions, including the status and progress of the accounts. Working practices were noted to have been adapted as a result of the COVID-19 pandemic.

Agents were found to be sympathetic to circumstances customers may find themselves and all methods of payments were promoted.

The key observations from the review were:

- As a result of the ongoing COVID-19 pandemic, Agents are now permitted to enter domestic properties. The Agents remain sympathetic due to the current situation and are engaging with customers offering them long-term payment arrangements and assisting customers wherever possible. Following periods of national lockdown, the Team continued to adhere to the government guidance and advice and enforcement action was suspended when required.
- The published performance report for September 2021/22 stated that the team have collected £1.47m compared to £1.36m at the same time the previous year.
- The Team have taken on parking enforcement for East and West Suffolk, this accounts for 3% of cases.
- A number of unallocated payments have been actioned and allocated to relevant accounts. The allocation of historic debt has improved with payments being returned to clients' accounts if they cannot be applied to the correct account.
- A 'standard action' was set up within CAPITA to improve the communication channels for key information. The Billing Team must complete and advise the Enforcement Team of any change of circumstances. This does not appear to have improved change

of address/gone away details and has resulted in substantial postal costs and Enforcement Agent visits.

- Although collection rates have been affected by the COVID-19 pandemic, a gradual increase in collection rates can be seen
- The Enforcement Team has not yet had the need to recover goods; therefore, there were no records to review for seized goods and compliance with requirements.

Control Area	Opinion	Number of Actions Raised		
		High	Medium	Low
Control Account Reconciliation to Ledger	Good /Substantial			
ARP Enforcement	Good /Substantial			1
BACS Payment	Good /Substantial			
Payment Collection	Good /Substantial			
Monitoring	Good /Substantial			1
System Access	Good /Substantial			
Recovery of Goods	Good /Substantial			
OVERALL OPINION	GOOD / SUBSTANTIAL			

Recovery of Council Tax and Housing Benefit overpayments

The following areas were highlighted where it was considered that risks were being well managed for the period tested:

- recovery parameters are correctly entered and aligned across the authorities;
- the risk of fraud and error is considered to be managed in the processing of BACS and direct debits;
- the risk of financial system or payment posting errors occurring is considered to be managed; and
- council tax write offs were being actioned correctly in a timely manner.

The key observations from the review are:

- improvements are needed on the recovery of Housing Benefit Overpayment debt – with recommendations from the previous year remaining outstanding to ensure timely recovery. It is understood that the new Electronic Data Management System (EDMS) will be used to implement and complete a number of HBOP tasks. Processes have been identified with approximately 95% of process maps created which will be worked through (prioritising those with high work volumes) with the EDMS team and tested before going live. The Housing Benefit Overpayment team will also become part of the Recovery Team providing more resilience and checking processes;
- improvements to the credit and refund process are required to ensure that refunds are processed in a timely manner, actioned in the correct way and customers are clearly informed of how the credit will be dealt with; and
- work has continued to review user permissions for ARP systems and improvement is evident, however, the process needs to be more robust to prevent errors in the applying of new permissions. Due to the ARP reporting structure and test results being of a similar nature, the findings in respect of systems access are reported in the Billing and Benefits audit.

Risk Area	Opinion	Number of Actions Raised			Outstanding Actions
		High	Medium	Low	
Recovery Parameters	Good / Substantial	0	0	0	0
Direct Debit Payment Collection and BACS Payment of Refunds	Good / Substantial	0	0	0	0
Financial Reconciliations and Management of the Suspense Accounts	Adequate / Reasonable	0	0	0	1 (M)
Recovery of CT & HBOP	Adequate / Reasonable	0	1	2	2 (M)
HBOP Credit Balances & Refunds	Adequate / Reasonable	0	4	0	0
Write Offs / On	Adequate / Reasonable	0	1	0	1(M)
Total		0	6	2	4
OVERALL OPINION	Adequate / Reasonable				