

<b>Audit Assurance Opinion</b>	<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
	<b>Reasonable</b>	<b>Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</b>
	<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Tenancy Services Manager, S Shimmon Head of Housing, C Foster-Cannan
	<b>For Information:</b>	Strategic Management Team Cabinet Member for with responsibility for Resources, Cllr M Cook Cabinet Member with responsibility for Housing, Cllr R Kerry Audit and Governance Committee Chief Finance Officer and Section 151 Officer, S Taylor Ernst & Young (External Auditor), T Poynton

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Rent Parameters	0	0	1	Reasonable
Rental Income Receipt and Allocation	0	0	3	Reasonable
Rent Arrears and Recovery	0	0	0	Effective
Reconciliations	0	0	2	Reasonable
<b>OVERALL</b>				<b>Reasonable</b>

### 1. Executive Summary

- 1.1 The objective of the audit was to assess the Tenancy Services' arrangements for ensuring rent agreed by Full Council agrees to the rent charged and accounting for rent due.
- 1.2 The overall assurance of **Reasonable** has been made based on the control framework in place and supporting risk management.
- 1.3 The findings identified during this audit will enhance and improve the financial management arrangements in place and should be achievable at an operational level with no further attention from Strategic Management.

## ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, and no potential High or Medium corporate risks have been identified. The following action plan sets out control improvements relevant to the service area where the internal audit assessment using the corporate risk toolkit has concluded the potential corporate risk is Low. The definition of each priority level is given in the Council’s Audit Framework.

1. RENT PARAMETERS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	<p>No evidence was provided to confirm that annual rent figures had been reviewed by a second officer prior to being uploaded onto the Orchard live accounts.</p> <p>Rent charges for 2019/2020 were agreed by Shadow Full Council on 28 January 2019.</p>	Annual rent figures could be incorrect on the Orchard Housing System, resulting in ESC not receiving all income due, or over charging tenants resulting in poor reputation.	<p>The Senior Accountant generates figures and sends to Housing Accounts and Systems Administrator for checking and upload into Orchard.</p> <p>Systems Administration will document that the figures have been checked prior to inputting on Orchard.</p>	<b>3</b>	<p><b>Responsibility:</b> Housing Transformation Programme Manager</p> <p><b>Target Date:</b> 31 October 2020</p>

2. RENTAL INCOME RECEIPT AND ALLOCATION					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
2.1	No documentation is present to confirm that the direct debits (DD) raised from the Orchard system equal those that have been submitted. Testing found six instances of direct debit errors	Failure to address processing errors means that opportunities to identify and correct problems with payment on individual accounts may be missed: this could result in arrears going undetected and reputational harm if accounts are	A modulus check via a free website will be undertaken at the point of scanning and indexing DD forms onto Orchard, to prevent the incorrect bank accounts details being submitted to BACS so the submission will not fail.	<b>3</b>	<p><b>Responsibility:</b> Tenant Services Manager</p> <p><b>Target Date:</b> 31 October 2020</p>

## 2. RENTAL INCOME RECEIPT AND ALLOCATION

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
	(totalling £3,649.53) that have resulted in discrepancies between Orchard and the submitted direct debits, one of which (totalling £370.72) had been identified and corrected.	corrected late and suddenly incur significant arrears.			
2.2	Details of an incident affecting the Benefits payments file in Weeks 1-5, and the associated financial adjustments, have not been recorded in the HB Summary Reconciliations spreadsheet. Audit independently confirmed that the adjusted figures do reconcile to the original.	Although there is no detrimental impact in the specific instance, the reconciliation spreadsheet does not provide a proper record for five weeks in 2019/20. If procedures do not require a proper record, where issues or imbalances occur in the future the Council may not be able to rely on its records and will need additional explanation from the staff who were present at the time.	Records for the split files will be updated to refer to the original files and the reason for the split.  If this incident occurs again, clear records will be retained detailing what happened, how it has been rectified and links to the relevant files.	3	<b>Responsibility:</b> Tenant Services Manager  <b>Target Date:</b> 31 October 2020
2.3	Requests for financial transfers were in five cases seen to include inadequate information: either the financial value to transfer was absent or justification was insufficient. System administration staff are responsible for processing and therefore do not approve or make a decision on the request, meaning that the process does not contain an expected segregation of duties that would mitigate against risks in the process.	Transfer errors may arise through poor data quality and a lack of independent verification, which could lead to the improper application of a batch transfer. E.g. there may not be appropriate justification, or the financial values calculated/used by the System Administration team may not be those expected. There is no control to prevent errors or attempts of fraud.	The internal credit refund form will be amended to include financial transfers, and this will now be required to be completed by staff. The form will be returned for full completion if the information required by Systems Administration is not included.	3	<b>Responsibility:</b> Tenant Services Manager  <b>Target Date:</b> 31 October 2020

### 3. RENT ARREARS AND RECOVERY

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

### 4. RECONCILIATIONS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
4.1	Reconciliations between Orchard and Navision had not been completed in a timely manner (May and September reconciliations were completed in November).	<p>Errors are not identified and corrected resulting in incorrect amounts posted to rent accounts and poor reputation / loss of income due.</p> <p>The payment reconciliation is the primary control to ensure the Housing and Finance systems are aligned for income, which is of material value to the Council.</p>	Due to capacity issues, there were delays within the finance team. Reconciliations will be completed by another member of the finance team, and the Senior Accountant, Financial Planning will review the reconciliations and investigate differences.	3	<p><b>Responsibility:</b> Senior Accountant, Financial Planning</p> <p><b>Target Date:</b> 31 October 2020</p>
4.2	The reconciliation on the number of properties as per Orchard and Fixed Asset Register had not been completed in a timely manner (the 18/19-year end reconciliation was undertaken in November 2019). In addition, there was no evidence to confirm that the reconciliation had been checked for accuracy by a second individual.	Errors are not identified and corrected, resulting in inaccurate financial accounts, and the Council not receiving all income due.	<p>This reconciliation was not completed in a timely manner due to capacity issues. This will be completed by the end of June as normal going forward.</p> <p>Checks are completed in a quarterly basis and changes are reported to be updated on the asset register.</p>	3	<p><b>Responsibility:</b> Senior Accountant, Financial Compliance</p> <p><b>Target Date:</b> 31 October 2020</p>

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective - Tenancy Services are responsible for providing social housing to support those in need, with associated financial duties in calculating and collecting rent, and the recovery of rent arrears.
- East Suffolk Business Plan – Financial self-sufficiency.
- Corporate Risk Register – Failure of Financial Governance.

### 2.2 Scope of Internal Audit Activity

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

The audit comprised a review of the following control areas:

- Rent parameters, post Full Council charge setting decision on 28 January 2019
- Rental income receipt and allocation
- Rent arrears and recovery
- Reconciliations.

Areas not covered in the audit were:

- Classification of properties as social or affordable housing
- Credit balances
- Refunds
- Anti-money laundering
- Enforcement agents
- System access
- Termination, transfer and exchange of tenancies
- Rent arrears and recovery were treated as "light-touch" reviews of procedures, with no substantive testing undertaken.

## 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council’s Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during this audit have been reported to the relevant Service team prior to the issue of this report and are available from the Internal Audit team upon request.

## 2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- Tenants were given 4 weeks’ notice of the 2019/20 rent charges agreed at Shadow Full Council. Tenancy documentation is clear regarding rent payment, debt recovery and tenants’ rights and responsibilities.
- Direct debit runs sampled were run to schedule, and income feeder systems to Orchard had been amended to account for any discrepancies. An automatically generated report prompts the team to investigate any items entering suspense.
- Procedures for debt recovery are available to staff, and write-offs sampled were appropriately approved.

## 2.5 Audit Team

The audit team for this review comprised:

Audit Manager	L Fuller
Principal Auditor	F Wykes
Auditor	S Potter

## 2.6 Acknowledgements

We would like to thank the management and staff of Housing Services and Finance Services contacted for their co-operation and time during this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.