

Terms of reference

Revenues and Benefits Partnership

***Hinckley and
Bosworth Borough
Council***

October 2017

To: Sally O’Hanlon, Head of Leicestershire Revenues & Benefits Partnership

From: Richard Bacon, Head of Internal Audit

Background and audit objectives



This review is being undertaken as part of the 2017/2018 internal audit plan approved by the Audit Committee.

Background and audit objectives

Leicestershire Revenues & Benefits Partnership was set up in 2011 as a partnership between Hinckley and Bosworth Borough Council, North West Leicestershire District Council and Harborough District Council. The Partnership is responsible for the collection of Council Tax and National Non-Domestic Rates (NNDR) and for administration of Housing Benefits, on behalf of these three Councils.

This review is being undertaken to provide assurance to the Partnership around the proper application of controls in relation to the Council Tax and NNDR processes. There have been limited changes in the overall control environment and officers have not identified any specific areas of concern or heightened risk therefore this review will focus on the key controls to ensure they continue to operate as designed.

Since all authorities within the Partnership are subject to intensive subsidy audits by their external auditors covering key controls each year the Housing Benefits element of this review is focused more towards the application of the Risk Based Verification (RBV) policy. RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The approach allows for a more intense verification activity to be focused on claims more prone to fraud and error. The Management Board and Partnership Joint Committee approved its RBV policy and started to apply RBV from October 2016 using risk scoring software developed by Xantura and Capita.

The Partnership has been advised to review the risk scoring algorithm after a full year of implementation and this review will be the first of a series of work focused on assessing the current level of performance compared against the original proposed business case. Where there are variances from expectation we will investigate the causes of this and provide links to other developments in the Partnership such as the level of overpayment, fraud cases and universal credit introduction.

Audit scope and approach (1 of 2)



Scope

We will review the design and operating effectiveness of key controls in place relating to the auditable unit during the period April 2017 to the date of audit testing.

The sub-processes, risks and related control objectives included in this review are:

Sub-process	Risks	Objectives
Valuation	<ul style="list-style-type: none">The Authority is not collecting Council Tax for all relevant properties	<ul style="list-style-type: none">All properties are correctly identified, valued and billed to ensure maximum revenue is received. The totals reconcile to the Valuation Office Directions
Accounting for Council Tax and Business Rates	<ul style="list-style-type: none">The financial records do not reconcile to the underlying systems and cash collected	<ul style="list-style-type: none">Reconciliations between the Academy system and the general ledger are performed and reviewedReconciliations between Academy and the cash collected are performed and reviewed
Discounts and exemptions	<ul style="list-style-type: none">Discounts are awarded that are not warranted or appropriate	<ul style="list-style-type: none">Discounts and exemptions are applied to accounts on an accurate and timely basis and are reviewed regularly
Risk based verification	<ul style="list-style-type: none">The Authority fails to realise the benefits projected through risk based verification	<ul style="list-style-type: none">Actual performance of the Risk Based Verification policy is in line with initial business case. Where there are variances these are monitored and understood by the Authority

Audit scope and approach (2 of 2)



Limitations of scope

The scope of our work will be limited to those areas outlined above. Our review will be performed in the context of the information provided to us.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the relevant Revenues and Benefits processes through discussions with key personnel, review of systems documentation and walkthrough tests, where appropriate;
- Identify the key risks within the Revenues and Benefits processes;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Where the process and controls are consistent across all three Local Authorities of the Partnership these will be considered in totality and testing performed on this basis. Individual testing of each Local Authority will only take place where the controls and processes differ.

Internal audit team and key contacts



Internal audit team

Name	Title	Contact details
Richard Bacon	Head of Internal Audit	richard.f.bacon@pwc.com
Jodie Stead	Internal Audit Manager	jodie.a.stead@pwc.com
Mark Vu	Internal Audit team member	bach.h.vu@pwc.com

Key contacts – Hinckley & Bosworth Borough Council

Name	Title
Ashley Wilson	Section 151 Officer
Sally O'Hanlon	Head of Leicestershire Revenues & Benefits Partnership

Timetable and information request



Timetable

Fieldwork start	4 December 2017
Fieldwork completed	8 December 2017
Closing meeting to discuss findings	21 December 2017
Draft report to client	22 December 2017
Response from client	12 January 2018
Final report to client	19 January 2018

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if Hinckley and Bosworth Borough Council requests the audit timing to be changed at short notice and the audit staff cannot be deployed to other client work, Hinckley and Bosworth Borough Council may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

Information request

- Original business case and projected usage for Risk Based Verification
- Latest reports showing actual usage of Risk Based Verification
- Listing of all discounts applied
- Access to Valuation Office Directions
- Access to reconciliations

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