



## Internal Audit Service

## Internal Audit Report

CONFIDENTIAL

**To:** Head of Finance  
**Subject:** Council Tax  
**Audit report ref:** GBC 35  
**Date:** February 2005

**Control objective 1: All taxable properties are identified and accurately recorded.**
**Risk: The Council fails to collect Council Tax on all taxable properties.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
1.1 Detailed written procedures exist for the creation and maintenance of the property database.	Written procedures, compiled by supervisors for the areas for which they are responsible, are available to staff. The requirements of the Data Protection Act have been incorporated into these procedures.	Yes	
1.2 Notifications of new buildings and relevant alterations to buildings are issued in a timely manner by other departments. These are then advised to the Valuation Office.	<p>The Planning Department provides details of all new buildings to the Council Tax section. These details are then formally notified to the Valuation Officer.</p> <p>The notification list for June 2004 was selected for testing and the following was confirmed:</p> <ul style="list-style-type: none"> <li>• works on each property listed were completed during June 2004;</li> <li>• the list was submitted promptly to the Council Tax Section; and</li> <li>• the Valuation Office was notified promptly of the changes by the Council Tax Section.</li> </ul>	Yes	
1.3 Each property is identified by a unique reference number.	<p>A unique reference number identifies each property.</p> <p>The valuation list (available for public inspection) was reviewed during the audit, which confirmed each property had its own reference number.</p>	Yes	

**Control objective 1: All taxable properties are identified and accurately recorded.****Risk: The Council fails to collect Council Tax on all taxable properties.**

<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>and management response, officer responsible and date for implementation</i>
1.4 Control totals from the property database are periodically reconciled with Valuation Office listings.	Reconciliation takes place between the property database and details held by the Valuation Office every two weeks.  Testing confirmed that the reconciliations for 31/03/04, 07/04/04, 19/04/04 and 26/04/04 had been carried out, signed and dated by the relevant staff.	<b>Yes</b>	
1.5 All amendments to the property database are processed by authorised staff only and are adequately supported by documentary evidence.	Authorised personnel input amendments to the property database.  A sample of 8 amendments, notified by the Valuation Office in June 2004, was selected to confirm the accuracy of details input to the Council Tax system. No discrepancies were found on the sample checked.	<b>Yes</b>	
1.6 Composite properties in the property database are agreed to the NNDR database.	It was confirmed by discussion that procedures for an ongoing check are now in place.  A sample of ten such properties was verified during the audit and no discrepancies were found in the sample selected.	<b>Yes</b>	

**Control objective 2: All persons liable for Council Tax have been identified and all discounts, benefits, exemptions and allowances have been correctly recorded within the accounts.**

**Risk: The Council fails to collect Council Tax from all liable persons.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>And management response, officer responsible and date for implementation</i>
2.1 Detailed written procedures exist for the creation and maintenance of personal records. These procedures comply with the requirements of the Data Protection Act.	See findings above at 1.1.	Yes	
2.2 Each Council-Tax payer is identified by a unique reference number and linked to the property.	The system identifies each person with a unique number.  This was confirmed during the audit by discussion and observation of the system in operation.	Yes	
2.3 All discounts, benefits, exemptions and allowances are properly calculated and recorded and authorised before input to the system.  &  2.4 All amendments to personal data including discounts etc are reviewed by an independent officer.	As reported at the previous audit, supporting information is available for recent discounts and exemptions. Those pre-dating 2001, however, are often not supported by evidence.  A sample of 26 cases was selected, one for each category of discount or allowance applied during 2004/05. In all cases, the following was confirmed:- <ul style="list-style-type: none"><li>• The system clearly identifies the reason for the discount or allowance;</li><li>• Adequate documentation was available to support the discount or allowance in all but three cases, two of which were pre 2001;</li><li>• The discount was applied to the basic debit charge.</li></ul> In addition to the above, a sample of ten properties subject to a single occupancy discount was selected and compared to the details on the electoral roll. In each case the details corresponded.  With regard to the one recent missing document, it was agreed during the audit that a copy would be sought and placed on file.	Yes	

**Control objective 2: All persons liable for Council Tax have been identified and all discounts, benefits, exemptions and allowances have been correctly recorded within the accounts.**

**Risk: The Council fails to collect Council Tax from all liable persons.**

Expected control	Audit findings	Expected control met	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
<p>2.5 Regular inspections of void properties are carried out and recorded.</p>	<p>Void properties are inspected at least twice a year.</p> <p>A sample of 10 properties recorded as 'void' on the Council Tax system was selected for testing. All had been regularly visited and both the paperwork and Council Tax system had been kept up to date.</p>	<p><b>Yes</b></p>	
<p>2.6 The Registrar of Births, Deaths and Marriages notifies the Authority of all deceased persons, as appropriate together with the name and date of death.</p>	<p>Details of deaths notified by the Registrar are entered onto the Council Tax system on receipt. Deaths, which are registered out of the immediate vicinity, are not reported to Gedling Borough Council directly. It is necessary to await instruction from a relative in such cases.</p> <p>Testing of a sample of 10 notifications from the Registrar confirmed the following:-</p> <ul style="list-style-type: none"> <li>• All accounts had been updated;</li> <li>• Liability ceased at the date of death;</li> <li>• Where appropriate, liability was transferred to the executors; and</li> <li>• Any amounts outstanding were being pursued; although on the sample selected there was no outstanding liability, only overpayments to be returned to the deceased's estate.</li> </ul>	<p><b>Yes</b></p>	

**Control objective 3: Council Tax bills are raised accurately and in a timely manner.  
Risk: The Council's cash-flow is adversely affected.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>And management response, officer responsible and date for implementation</i>
3.1 Council Tax bills contain all relevant information.	A sample invoice was selected, and it was confirmed that all the details required were properly set out.	Yes	
3.2 Methods for payment are clearly shown on the bills.	Methods of payment are shown on the reverse of the bill. Payment information is repeated on the leaflet issued with every bill.	Yes	
3.3 Controls exist to ensure completeness of input prior to the billing run.	A reconciliation between the opening and closing balances is carried out at the initial bill run at the start of the financial year. Resources do not allow for this procedure following daily bill runs, and suitable reports are not generated by the system in any case.	Yes	
3.4 Bills and amendment bills are raised in a timely manner.	<p>The initial bills for 2004/05 were raised on 12.03.04 with the first instalment due 01.04.04. Bills and amendments are raised as the changes to information are received.</p> <p>A sample of nine revised demand notices was selected, and we confirmed in all cases that the revised demand was issued promptly and that the payer was given at least 14 days notice of the revised charge becoming due.</p>	Yes	
3.5 The figure for 'Opening Debit' is reconciled with independent records such as property and personal control totals.	<p>At the start of the financial year, a reconciliation takes place between the property and personnel records. Resource and system restrictions limit the ability of the Section to complete this more frequently.</p> <p>As part of the audit, a reconciliation of the total debit outstanding per the Council Tax system to the figure reported to the management team was completed by the Revenues Manager. This identified a small discrepancy of £89.24, relating to 2003/04.</p> <p>New systems are being investigated to allow this reconciliation to be carried out more easily.</p>	Yes	

**Control objective 3: Council Tax bills are raised accurately and in a timely manner.**

**Risk: The Council's cash-flow is adversely affected.**

Expected control	Audit findings	Expected control met	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
<p>3.6 The council tax system provides a daily tabulation of the total income received in respect of each payment method.</p> <p>&amp;</p> <p>3.7 Council tax staff should agree daily, in total and by payment type, that the amount collected has been posted to personal and suspense accounts and that it agrees with the main ledger.</p>	<p>Tabulations of income received on a daily basis are processed and reconciled by accountancy staff.</p> <p>Testing for amounts received on 12.08.04 confirmed the following:-</p> <ul style="list-style-type: none"> <li>• One item was credited to the suspense account for the date selected for testing and cleared on 20.08.04</li> <li>• five bank transfer payments received were posted to the correct Council Tax account;</li> <li>• three cheques received through the post were credited to the correct Council Tax accounts;</li> <li>• six attachment of earnings deductions were posted to the correct Council Tax account;</li> <li>• a sample of three cheque payments and five cash payments received at the Civic Centre cash office were posted to the correct Council Tax account;</li> <li>• one post office card payment was posted to the correct Council Tax account.</li> </ul>	<p><b>Yes</b></p>	
<p>3.8 In respect of rejected direct debits:-</p> <ul style="list-style-type: none"> <li>• All rejected direct debits should be supported by a rejection form sent by the taxpayer's bank.</li> <li>• Action taken in respect of rejected direct debits should be recorded.</li> <li>• All unpaid direct debits should be debited to the relevant taxpayer's account.</li> </ul>	<p>A BACS printout is received by Accountancy Services of rejected direct debits detailing the reason for rejection from the bank.</p> <p>Testing of 10 rejection notices dated 25/06/03 confirmed for each that:-</p> <ul style="list-style-type: none"> <li>• the Council Tax payer's account was adjusted to show the rejected direct debit</li> <li>• appropriate follow-up action was taken; and</li> <li>• the BACS printout was annotated with the action taken in each case.</li> </ul>	<p><b>Yes</b></p>	



**Control objective 4: Income is recorded correctly within the individuals' accounts.****Risk: The Council Tax section has to deal with a high level of queries, errors and adjustments.**

<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
4.5 Where refunds are due, these are independently authorised.	Refunds are generated by staff within the Council Tax section and checked by staff within Client Services. Refunds are authorised by the Revenue Manager or the Head of Housing Benefit.  A sample of 10 refunds processed in the current financial year was tested to confirm the following:- <ul style="list-style-type: none"><li>• A credit balance existed on the account prior to the refund being made</li><li>• The refund voucher was properly completed and certified for payment.</li></ul>	<b>Yes</b>	
4.6 The total of all refunds made is periodically reconciled to the amounts paid.	Refunds are reconciled on a monthly basis by staff within Client Services.  The process followed for the reconciliation in June 2004 was reviewed and confirmed to be based on appropriate documentation and supporting reports.	<b>Yes</b>	



**Control objective 5: Arrears are identified promptly and pursued.****Risk: Planned collection levels are not achieved.**

<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
5.1 The system allows the prompt identification of accounts in arrears.	In-house reports have been generated to detail accounts outstanding and the stage of the recovery process.  The reports used were reviewed by discussion with the staff concerned and the arrangements were found to be the same as those in previous years.	<b>Yes</b>	
5.2 Arrears action is monitored and the action taken by tracing agents, bailiffs and the courts is monitored and acted upon.	Formal procedures are in place for the monitoring of accounts in arrears and these set out the escalating actions to be taken should taxpayers continue to default.	<b>Yes</b>	
5.3 Arrangements to pay are independently authorised and documentary evidence supports this.	The CTAPS system is used for the monitoring of special arrangements made with Council Taxpayers who have defaulted on the original payment terms. Once an arrangement has been made a confirmation of the arrangement is generated by the system and sent to the Council Taxpayer.  The control in place has not changed from previous years.	<b>Yes</b>	
5.4 Special arrangements to pay are monitored to ensure compliance with the agreement.	The CTAPS system continues to be used for the monitoring of payments where special arrangements have been made. Where clients default on the agreed payment arrangements, the system generates reports for follow-up by staff.	<b>Yes</b>	

**Control objective 5: Arrears are identified promptly and pursued.****Risk: Planned collection levels are not achieved.**

<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
5.5 Written procedures exist for the execution of warrants etc.	<p>A leaflet is sent to taxpayers with their initial bill explaining the collection procedures and the procedures that will be followed where payment is not received.</p> <p>It was confirmed that the leaflet was the same as that applicable in the previous year. Signed and detailed agreements exist for the two firms of bailiffs employed by the Council Tax Section.</p>	<b>Yes</b>	
<p>5.6 After a liability order has been made, the Council, as billing authority, should carry out one of the following:-</p> <ul style="list-style-type: none"> <li>a) request information as to the debtor's employment or income</li> <li>b) make an attachment of earnings or allowances order</li> <li>c) levy distress</li> <li>d) apply for commitment to prison where the Council is unable to levy distress, for whatever reason</li> <li>e) prove the debt in insolvency</li> <li>f) where the debt outstanding exceeds £1,000, apply for a charging order.</li> </ul>	<p>It was confirmed by discussion with the staff concerned that the procedures followed once a liability order has been issued continue to operate in the same manner as in previous years.</p>	<b>Yes</b>	
5.7 All recovery cases suspended should be reviewed regularly by senior management.	<p>Cases in suspension are marked on the Council Tax system using an "on hold" indicator.</p> <p>A sample of 10 such cases reviewed at the last audit were checked against the Recovery Suppression report at 24/08/04 and the only personal account remaining on hold is being cleared in line with the payment agreement.</p>	<b>Yes</b>	



**Control objective 7: Adjustments to the system and the data held are monitored and reviewed.**

**Risk: Unauthorised adjustments could result in reduced collection rates.**

Expected control	Audit findings	Expected control met	<b>Audit recommendation</b> <i>And management response, officer responsible and date for implementation</i>
7.1 Access levels are regularly monitored and reviewed for accuracy and appropriateness.	<p>The Revenue Services Manager monitors access levels on a quarterly basis.</p> <p>A review of the access levels showed one Council Tax officer and two Housing Benefits officers had left but not had their access deleted.</p>	<b>No</b>	<p><b>Access rights should be deleted promptly when staff leave to ensure that only valid users have access to the system.</b>  <b>(Medium Risk)</b></p> <p><u><i>Comments of the Head of Finance</i></u></p> <p><i>This is current policy. Mistakes due to clerical error.</i></p> <p><u><i>Date for Implementation</i></u></p> <p><i>Not applicable.</i></p> <p><u><i>Officer Responsible for Implementation</i></u></p> <p><i>Not applicable.</i></p>
7.2 Any intervention in the systems controls are restricted to authorised persons. Such action is recorded and reasons given.	Access to systems controls is gained at manager level. Three members of staff have this level of access, which is deemed to be appropriate to ensure the efficient operation of the system.	<b>Yes</b>	

**Control objective 8: The setting of the Council Tax complies with statutory and non-statutory requirements**

**Risk: The calculation of Council Tax may be inaccurate.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>And management response, officer responsible and date for implementation</i>
8.1 Statutory requirements relating to the setting of the Council Tax are followed.	A timetable is drawn up for the setting of the Council Tax to ensure compliance with statutory requirements.	Yes	
8.2 A timetable is agreed and implemented for the setting of the Council Tax and billing.	The timetable is set and approved prior to the setting of the council tax.  A copy of the timetable for the current financial year was obtained during the audit.	Yes	
8.3 The Council Tax being set is appropriately authorised.	The Council Tax set is authorised by Members.  A copy of the Council Tax Resolution approved by the Council on 10/03/04 was obtained to confirm the authorisation of the Council Tax for the current year.	Yes	
8.4 The figures applied in the setting of the Council Tax agree to those supplied by the Valuation Office and Council Tax system.	The figures used for the setting of the Council Tax were verified to the Valuation Office figures and the Council Tax system as at 9 February 2004.  The supporting papers showing evidence of this reconciliation were reviewed during the audit.	Yes	
8.5 Precepts collected for the County Council, Police Authority and Fire Authority are correctly calculated and transferred on agreed dates.	Written notifications from the relevant authorities detailing the total payable, charge by band and instalment dates were seen during the audit .  Testing of the 12 payments due from GBC between 23/04/04 and 06/08/04 proved all were made on time and for the agreed amounts.	Yes	

**Control objective 9: Management Information is produced timely and ensures the correct treatment of transactions within the accounts.  
Risk: Problems and errors are not identified promptly.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>And management response, officer responsible and date for implementation</i>
9.1 Management information is produced regularly includes collection rates, arrears recovery, adjustments and amounts written off.	Management information is produced on a monthly basis to include items such as collection rates, etc.  Review of the reports generated for June 2004 confirmed that their coverage is appropriate.	Yes	
9.2 Reconciliations between FMS and the Council Tax system are undertaken regularly.	Cash income reconciliations between the Council Tax system and FMS are carried out monthly, and a full reconciliation between the two systems occurs annually.	Yes	
9.3 A record of interests is maintained for those officers living in the Borough and for those with family and friends within the Borough. Staff should make such interests known and be advised not to work on connected accounts.	As recommended in the previous audit, a statement was issued to staff to ensure that they are aware not to work on any account in which they may have an interest. This is now reinforced by a signed declaration from each member of staff having access to the Council Tax system.	Yes	