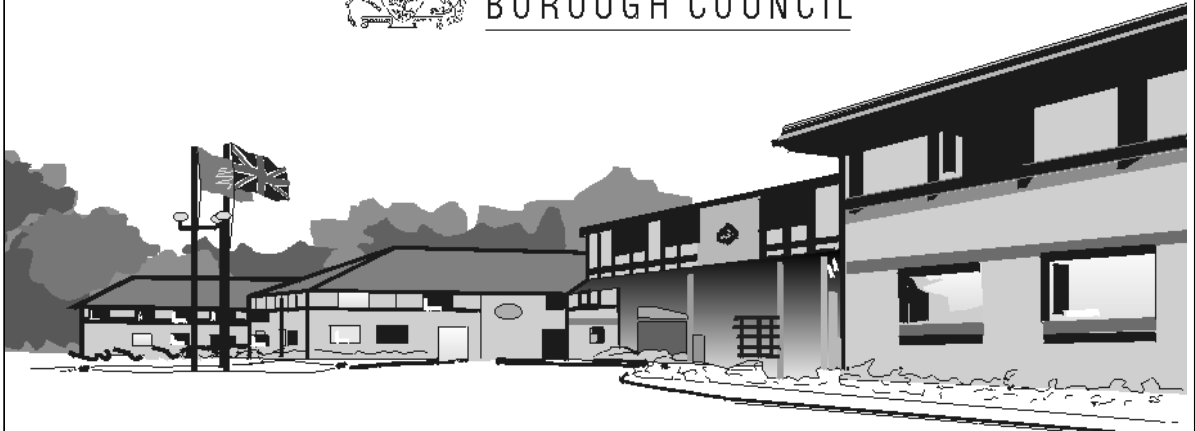




GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT *Report*

2005-2006

**Assurance Statements
Council Tax**

Charlie Radford
November 2005.

GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

ASSURANCE STATEMENTS

COUNCIL TAX

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1. INTRODUCTION

- 1.1 The Authority is implementing new software for all of its key financial systems. The first system to complete this task in 2005-06 is Council Tax.
- 1.2 Unlike upgrades the introduction of new software requires assurance that data conversion between the old and the new systems has taken place and is accurate.
- 1.3 The following areas were specifically examined to ensure that the data had been transferred accurately:
 - The balancing of the old system records
 - The summary balances for all years net debits
 - Cash and other transactions
 - Suspense items
 - 2005 reconciliation
 - Arrears
 - Property data
 - Cost arrears analysis
- 1.4 The detailed work behind the reconciliations had been undertaken by the Revenues Manager and his team. This was quite a difficult task to undertake and the assistance given in the audit review at this time was appreciated.

2. CONDUCT OF AUDIT

- 2.1 The files containing the data from both systems were examined and the reports reviewed to ensure that the conversion of data was accurate.
- 2.2 The review differs from the usual systems audit in that it was looking to provide assurance that data between the two systems agreed, and that any differences could be reconciled accounted for and actioned.
- 2.3 Key controls were examined to ensure the system was recording transactions accurately. For example the property data and net debits for each year.
- 2.4 Where differences had been identified that these were accounted for in full and that a plan of action to resolve these within the current financial year had been made.

3. EXECUTIVE SUMMARY

- 3.1 From the review undertaken it has been possible to provide assurance statements for each of the reconciliation files. These Assurance statements are included at the end of this report.
- 3.2 However, some areas require further work during the current financial year. This additional work will strengthen the assurances given and ensure that the records from 2006-07 onwards are accurate.
- 3.3 The plans to address the differences identified have been summarised in the Action Plan. These will ensure the accuracy of controls within the new system.

AUDIT ASSURANCE.

It is considered that the conversion of data between the new systems was undertaken effectively. The anomalies that arose could be expected with any data conversion and that the action plans to address these ensures the new systems accuracy. Individual assurances for each file have been provided and overall the process of reconciliation is satisfactory.

ACTION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.1 Med	It is Recommended that all null accounts not transferred from the old system and which affect the net debit totals are actioned within the current financial year.	Revenues Manager	Agreed.	Prior to March 2006
4.2 Med	It is Recommended that all null accounts not transferred from the old system and which affect the cash and transactions reconciliation are accounted for with an appropriate entry in the financial ledger.	Revenues Manager	Agreed.	March 2006
4.3 Med	It is Recommended that all suspense items are reviewed and that those dating back as far as 1995 are written off.	Revenues Manager	Agreed.	March 2006
4.4 Low	It is Recommended that for the potential 15 properties with exempt classification on the old system and not on the new that these are amended when the owners contact the authority after receiving 2006-07 bills.	Revenues Manager	Agreed.	During 2006-07
4.5 Low	It is Recommended that for the potential 19 properties with single occupiers classification on the old system and not on the new that these are amended when the owners contact the authority after receiving 2006-07 bills.	Revenues Manager	Agreed.	During 2006-07
4.6 Med	It is Recommended that a data matching exercise is considered to identify those properties where IBS is applying single occupiers discount but where Northgate is not.	Revenues Manager	Agreed.	During 2006-07

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.7 Low	It is Recommended that for the potential 5 properties with 50% discount (including long term empty and second homes) classification on the old system and not on the new that these are amended when the owners contact the authority after receiving 2006-07 bills.	Revenues Manager	Agreed.	During 2006-07
4.8 Low	It is Recommended that a data matching exercise is considered to identify those properties where IBS is applying 50% discount but where Northgate is not.	Revenues Manager	Agreed.	During 2006-07
4.9 Low	It is Recommended that for the potential 5 properties with 25% discount (excluding single occupancy) classification on the old system and not on the new that these are amended when the owners contact the authority after receiving 2006-07 bills.	Revenues Manager	Agreed.	During 2006-07
4.10 Low	It is Recommended that a data matching exercise is considered to identify those properties where IBS is applying 25% discount but where Northgate is not.	Revenues Manager	Agreed.	During 2006-07
4.11 Med	It is Recommended that once the programme change relating to the treatment of cost arrears is complete that a new reconciliation is undertaken.	Revenues Manager	Agreed.	December 2005
4.12 Low	It is Recommended that where the differences are identified either internally or by property owners that these are recorded and used to facilitate future reconciliations.	Revenues Manager	Agreed	Ongoing

ASSURANCE STATEMENT

The contents of this file have been reviewed to ensure the following:

- That the conversion of data from the former Northgate system to the new IBS system has been done accurately
- That any differences between the two systems have been identified and reconciled
- That there is an action plan to manage any differences that cannot be entered to the IBS system.

The following is evident on this file:

- The balancing of the Northgate system itself
- The summary balances for all years net debits
- Cash and Transactions Reconciliation
- Suspense Items Reconciliation
- 2005 Reconciliation

BALANCING NORTHGATES SYSTEM

Before any reconciliation between the two systems could be undertaken it was necessary to balance the Northgate systems records as they stand currently (i.e. a min year end). The Revenues Manager produced this and then reconciled it to the totals on IBS.

NET DEBITS

On balancing net debits for all years between the two systems a variance of £10,613.20 was identified.

This variation arose due to the decision not to transfer null accounts from Northgate to the new system. However, the null accounts did have entries on them that would have affected the debit, cash and transfers totals on the Northgate system.

The 86 accounts which specifically affect the debit figures have been identified and will be actioned or written off by the end of the financial year.

It is not possible to enter an adjusting item to IBS so for future debits going forward to be accurate these must be actioned before the end of the financial year.

CASH AND TRANSACTIONS RECONCILIATION

Whilst there were only 86 null accounts affecting the overall debit balances across all years, there are 25,000 null accounts affecting individual balances on items such as cash and internal transfers etc. Therefore even though the net debits were reconciled individual transaction types had variances. Of these it was essential that cash was reconciled.

The Revenues Manager started with reconciling the 2005-year with transactions that related to the 2005-06 accounts. The variances were identified to individual null accounts. This process was then applied to transactions in 2005 relating to previous years accounts. And again the transactions were identified to individual accounts.

The overall balancing of the null 25,000 null accounts provides a breakdown across all transaction types and this reconciles the differences between IBS and Northgate.

As with the net debit the IBS system does not allow an adjustment figure to be entered. These accounts are recorded within a spreadsheet and a ledger entry will be made to reflect any action not recorded within IBS.

SUSPENSE ITEMS RECONCILIATION

The items in suspense have been manually input to IBS and reconciled as agreeing with Northgate.

There are several suspense item transactions dating back as far as 1995. These should be reviewed and where appropriate written off, ideally within the current financial year.

2005 RECONCILIATION

As mentioned above the 2005-year transactions that related to the 2005-06 accounts were reconciled and then the 2005-year transaction for previous years transactions were reconciled. The variances can all be accounted for and all relate to the null accounts not transferred across.

AUDIT ASSURANCE

I am satisfied that all of the variances between Northgate and IBS have been reconciled and identified. These relate to the null accounts not transferred on conversion.

It is intended that these variances will be resolved within the current financial year.

C M Radford

9th November 2005

Manager of Resource Services

Date

ASSURANCE STATEMENT

The contents of this file have been reviewed to ensure the following:

- That the conversion of data from the former Northgate system to the new IBS system has been done accurately
- That any differences between the two systems have been identified and reconciled
- That there is an action plan to manage any differences that cannot be entered to the IBS system.

The following is evident on this file:

- All of the accounts in arrears on the Northgate System at the time of conversion.

ARREARS

This file contains the full list of accounts in arrears from the Northgate system at the date of conversion. This file should be retained and referred to when addressing any problems with the IBS system.

Because the net debit would include the arrears totals, the fact that the net debit has been reconciled then the conclusion is that the accounts in arrears are reconciled. What would need to be reviewed is whether any of the 86 null accounts affecting the net debit total on IBS actually affect the arrears accounts. This would need correcting as a matter of priority.

AUDIT ASSURANCE

I am satisfied that all of the variances between Northgate and IBS have been reconciled and identified. Within the reconciliation of the net debit.

C M Radford

9th November 2005

Manager of Resource Services

Date

ASSURANCE STATEMENT

The contents of this file have been reviewed to ensure the following:

- That the conversion of data from the former Northgate system to the new IBS system has been done accurately
- That any differences between the two systems have been identified and reconciled
- That there is an action plan to manage any differences that cannot be entered to the IBS system.

The following is evident on this file:

- The reconciliation of the property data

PROPERTY DATA RECONCILIATION

The data from the property data files on both systems has been summarised and compared.

The number of properties agrees at 49096. This also agrees across all bandings. However, across the various reliefs and discounts there would appear to be some minor discrepancies.

Exempt Properties

The variances shown in relation to exempt properties and the Total number of properties arise due to the different way in which each system makes the calculation. For example Northgate deduct exempt properties to create the total number. However, IBS does not deduct exempt properties until after it has created the total number. Overall these two figures do balance and there are fewer exempt properties on IBS than Northgate. Therefore when bills go out in March for the next financial year if any of the 15 accounts variance have been treated incorrectly they would contact us to have their account rectified, as it would be a case of 15 possibly not being classified as exempt when they should.

To dedicate time identifying these 15 out of over 48,000 accounts would not benefit the authority and would be costly in time to achieve. Especially as overall the two categories balance.

Single Occupiers

There would seem to be a variance affecting 23 records out of almost 17,000 properties. An actual percentage difference of 0.1%.

As with the exempt properties the difference in the majority of records (19) is in Gedling's favour in that there are fewer properties in ISB with single occupiers discount than there are on Northgate. Therefore, if an occupant was receiving discount and should still be receiving discount, but don't, then that occupant would inform the Council. There are 3 records out of 1778 in bands D and E, where IBS is applying discount, where Northgate is not (0.2%).

To search through 17,000 records just to find 23 would not be cost effective, especially as this is something, which the majority will be corrected when the Authority is notified. However, for those records where discount could be being given incorrectly consideration should be given to undertaking a data matching exercise.

I would suggest that when records (either by data matching or by property owners) are identified they are recorded so that the reconciliation records are completed. This will need to be incorporated within the systems procedures.

50% Discount including Long Term Empty and 2nd Homes

The systems agree on the 2nd Homes discount exactly. This is probably due to the fact that these records were manually input to IBS.

In relation to Long Term Empty there is a variance relating to 6 records. Again 5 of these are in Gedling's favour in that IBS have fewer properties with discount. There is one band C property, which is the opposite way this is 1 out of 84 records (1.2%). As with Single Occupiers for those records where discount could be being given incorrectly consideration should be given to undertaking a data matching exercise. Given that the number of records requiring checking is only 84 this exercise should be done before single occupiers, as it would give an indication as to whether it is an effective use of resources.

I would suggest that when records (either by data matching or by property owners) are identified they are recorded so that the reconciliation records are completed. This will need to be incorporated within the systems procedures.

25% discount (excluding single occupancy)

There is a variance relating to 9 out of 331 records (2.7%). Of these 4 records are in Gedling's favour. However, 5 records (1.5%) on IBS give discounts where Northgate does not. Consideration should be given to undertaking a data matching exercise to identify these records.

I would suggest that when records (either by data matching or by property owners) are identified they are recorded so that the reconciliation records are completed. This will need to be incorporated within the systems procedures.

Summary

The net differences between the property data on Northgate and IBS are negligible and the majority of them are for discounts not being identified as due by IBS. This is in favour of the Authority. However, for the few records affecting the accuracy now and going forward consideration should be given to identifying the incorrect records.

AUDIT ASSURANCE

I am satisfied that all of the variances between Northgate and IBS have been identified and that the majority of differences will be corrected when the new year bills go out. The remaining few records affecting the accuracy of discounts should be investigated to see if they could be identified. Once this is complete the property database will be accurate.

C M Radford

Manager of Resource Services

9th November 2005

Date

Internal Audit Services



ASSURANCE STATEMENT

The contents of this file have been reviewed to ensure the following:

- That the conversion of data from the former Northgate system to the new IBS system has been done accurately
- That any differences between the two systems have been identified and reconciled
- That there is an action plan to manage any differences that cannot be entered to the IBS system.

The following is evident on this file:

- Analysis of the cost arrears recorded on both systems

COST ARREARS ANALYSIS

The initial reconciliation of cost arrears on both systems has highlighted a fundamental difference in the way in which the IBS system treats cost arrears. As a consequence a programme change has been requested. It is hoped that once the programme change has been implemented the difference of £100,281.16 between the two systems will be rectified.

AUDIT ASSURANCE

I am satisfied that all of the variances between Northgate and IBS have been identified. However, audit assurance cannot be given until the effects of the programming change are put into place.

C M Radford

Manager of Resource Services

10th November 2005

Date