



INTERNAL AUDIT  
FINAL  
REPORT

**Title: Council Tax Review**

**Report Distribution**

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## EXECUTIVE SUMMARY

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### Introduction

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2006/07.

The outcome of the previous council tax audit identified that action was necessary to manage exposure to significant risks and an adequate level of assurance was given to this area.

There are approximately 42900 properties within Gedling Borough Council that are liable to pay council tax. In November 2005, the council tax team moved to a new revenues system, International Business Systems (IBS), which incorporates all revenues functions i.e. business rates and housing benefits. A training schedule was implemented to ensure that all relevant staff received appropriate training.

### Principal Findings

	High	Medium	Low
Number of recommendations		1	10

The detailed findings and associated recommendations are provided in the second part of this report. The medium risk recommendation relates to:

- The appropriateness of user access levels within the revenues system (IBS).

### Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

## INTRODUCTION

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### Objective & Scope

The purpose of the audit review was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisations objectives are managed effectively.

The key risks associated with the system objectives are:

- Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws, or organisational policy and procedures;
- Staff are not aware of the laws surrounding the collections of overdue payments and potential subsequent legal proceedings;
- Losses due to fraud or error, inefficient processing or inappropriate activity;
- Council Tax payments are not received or are misappropriated;
- Inaccurate, incomplete bills being submitted to Council Tax payers;
- Properties and valuation bands are not included in the Council Tax register;
- Council Tax register is inaccurate or incomplete;
- Discounts and exemptions are being incorrectly applied;
- Void properties are not identified;
- Poor decision making, due to poor quality or timeliness of information provided to management;
- The ledger (cash collected / written off) does not agree to the council tax system;
- Members are unaware of the Council tax activity.

The control areas included within the scope of the review are:

- Policies and procedures;
- Exemptions and discounts;
- Inspections of void properties;
- Billing methods and payment collection;
- Recovery and write offs;
- Management reports.

The following limitations to scope of the audit were agreed when planning the audit:

- The review will not be able to give assurance that all council tax records are accurate;
- We will not seek to identify fraud;
- NDR processes have not been reviewed as part of this audit.

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This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

### **Acknowledgement**

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

**DETAILED FINDINGS**

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 1 – IBS Access Levels</b>  <b>Level of Risk – Medium</b></p>			
<p>On review of access levels it was found that two members of staff not of manager or systems administrative level had access to the whole of the IBS system. It was also confirmed by the Project Assistant that senior members of staff are able to introduce a user group to review any area on the system and then delete after reviewing the data without any audit trail being left.</p>	<p>There is a risk that staff are able to review, change and delete data from the IBS system to which they have no responsibility for.</p>	<p>The Council should review members of staff access levels to ensure they are appropriate to the job role that they perform and the creation and deletion of any groups should be the responsibility of the manager's and system administrators only.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b>                      Agreed</p> <p><b>Planned Corrective Action:</b>                      All access levels will be reviewed and amended as necessary.</p> <p><b>Timescale:</b>                      31/12/2006</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 2 – Documented Procedure Notes</b>  <b>Level of Risk – Low</b></p>			

<p>Since the previous audit in February 2006, progress has been made to update procedure notes for Council Tax activities. Guidance notes for the Local Tax Inspector have been developed and distributed as well as revised notes on council tax refunds.</p> <p>However, a full set of procedure notes have not yet been produced and made available to appropriate staff. It was confirmed that contact has been made with an external company to develop documented procedure notes.</p>	<p>Without a comprehensive set of documented procedure notes there is a risk of inconsistencies in working practices and non-compliance with legislation, laws or organisational policy.</p>	<p>It is recommended that the system is documented as planned and it should be ensured that all relevant parts of IBS are documented.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Negotiations with 3<sup>rd</sup> party on going.</p> <p><b>Timescale:</b> 31/03/2007</p>
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 3 – Discounts &amp; Exemptions</b> <b>Level of Risk – Low</b></p>			
<p>From a sample of discounts and exemptions, testing</p>	<p>Without appropriate supporting</p>	<p>Documentary supporting evidence should be obtained</p>	<p><b>Management Comment:</b> Agreed</p>

<p>identified that supporting documentation could be found for all disabled relief; disregards and exemptions claims post 2004. However for two out of 20 discount claims (post 2004), no supporting documentation could be found.</p> <p>During testing it was noted that in some instances supporting documentation could not be found for claims pre 2004. Such documentation is held in the council archives. There has been no review of these cases in the past two years; however as per recommendation 7 a formal schedule to review discounts and exemption has been developed, however not yet implemented.</p>	<p>documentation, the council is exposed to fraudulent activities, and is at risk of financial loss.</p>	<p>and retained for all discount claims.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Planned Corrective Action:</b> In process of reviewing all discounts and proof will be retained at that time.</p> <p><b>Timescale:</b> Ongoing - in accordance with review schedule.</p>
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 4 – Register of Interests</b> <b>Level of Risk – Low</b></p>			
<p>It was recommended in our previous council tax audit</p>	<p>Staff may work on their own or family/friends accounts,</p>	<p>Staff within the Council Tax Department should complete a Statement of Interest</p>	<p><b>Management Comment:</b> Agreed</p>

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<p>review that the register of interests required reviewing and updating, as this had not been performed since 2004. It was confirmed that the register of interests has still not been updated although it has been passed to the Council Tax Officer to perform this task.</p>	<p>exposing the threat of fraudulent activities, which could result in loss of income.</p>	<p>form. The register of interests should be reviewed and updated annually for all staff involved in council tax activities. Management should also review the arrangements to ensure that council tax staff living within Gedling Borough Council are not able to access and amend their own accounts.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Planned Corrective Action:</b> Local Taxation Officer to complete new register of interests.</p> <p><b>Timescale:</b> 31/12/2006</p>
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 5 - Refunds</b> <b>Level of Risk – Low</b></p>			
<p>From a sample of 20 refunds, our testing identified that one refund voucher had not been signed for approval.</p>	<p>Without appropriate approval there is a risk of inaccurate and incomplete refund payments as well as exposing the threat of fraudulent activities.</p>	<p>Refunds should be appropriately signed as per the Council's financial regulations to ensure that payments are made correctly and appropriately.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Revenues Manager to be more vigilant when approving refunds.</p> <p><b>Timescale:</b> Immediate.</p>



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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 6 – Staff Access Audits</b>  <b>Level of Risk – Low</b></p>			
<p>Audit checks are not carried out on members of staff who have access to their own council tax accounts.</p>	<p>By not conducting audit checks on members of staff who have access to their own and/or friend's account, the council is exposed to fraudulent activities and at risk of financial loss.</p>	<p>It is recommended that audit checks on members of staff who have access to their own or a family/friend's council tax account, are carried out on a periodic basis.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b>                      Agreed</p> <p><b>Planned Corrective Action:</b>                      When new register of interests completed checks will be carried out on a six monthly basis.</p> <p><b>Timescale:</b>                      31/03/2007</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 7 – Discount and Exemption Review Schedule</b>  <b>Level of Risk – Low</b></p>			
<p>Since the previous</p>	<p>There is a</p>	<p>While it is noted that a</p>	<p><b>Management</b></p>

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<p>audit a review schedule review has been developed for 2007/08. This incorporates reviews for both business rates and council tax. Reviews are split over the year so that each area is reviewed annually. This review schedule has not yet been implemented.</p>	<p>risk of financial loss due to tax payers claiming discounts and exemptions for reasons that are no longer valid.</p>	<p>review schedule has been developed for council tax and business rates, management should ensure that it is fully implemented as soon as possible in order to minimise the potential loss of income which could be incurred should implementation commence in 2007/08.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Timetable brought forward.</p> <p><b>Timescale:</b> Completed</p>
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 8 – Year-end Reconciliation</b> <b>Level of Risk – Low</b></p>			
<p>The council tax income reconciliation was found to have been performed between the IBS and FMS system although on review there was a difference of £3k to which the Revenues Manager confirmed they were unsure what makes up this amount.</p>	<p>There is a risk of inaccurate and incomplete records being maintained.</p>	<p>Although the amount is immaterial the difference on the council tax reconciliation should be investigated and cleared to ensure the error cannot occur again.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Investigation will continue as time permits.</p> <p><b>Timescale:</b> On going.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 9 – Building Control Notifications</b>  <b>Level of Risk – Low</b></p>			
<p>The Local Tax Inspector is responsible for updating IBS with new properties, developments and alterations to buildings. Notifications from Building Control are sent to the Tax Inspector in order for him to update the revenues system. From our testing, we identified that the tax inspector is not receiving such notifications on a regular basis and the Tax Inspector confirmed that the back log of reports (since March 2006) were received at the end of July.</p>	<p>Without regular notifications from building control, there council is at risk of maintaining an inaccurate and incomplete council tax register, which in turn could result in inaccurate demand notices being issued to tax payers. Ultimately this could result in financial loss.</p>	<p>Notifications from building control on new buildings, developments and alterations to buildings should be received by the Local Tax Inspectors on a monthly basis to ensure that the council tax register is up to date.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Building control have been contacted and informed to submit monthly updates to the local tax inspector.</p> <p><b>Timescale:</b> Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 10 – Inspection of Void Properties</b>  <b>Level of Risk – Low</b></p>			
<p>Since the previous audit the full time local tax inspector post has been filled and considerable progress has been made in ensuring that void properties are inspected.</p> <p>Since May 2006, 875 properties have been inspected. Due to the backlog of inspections, the Tax Inspector is now inspecting one area at a time and is currently working through the properties.</p> <p>However, from our testing we have identified that there are a number of void properties that have not been inspected in the last 12 months.</p>	<p>There is a risk of financial loss due to incorrect allocation of exemptions and discounts.</p>	<p>While it is noted that considerable effort has been made to inspect void properties, it is important that all void properties are inspected on a regular basis. Once the backlog of inspections has been completed, a rolling programme of inspections should be developed to ensure that all void properties are inspected on a regular basis.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> A Rolling program of inspections is being developed.</p> <p><b>Timescale:</b> 31/12/2006</p>

Observation	Risks	Recommendation	Management's Response
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**Recommendation 11 – Refund Reconciliations**

**Level of Risk – Low**

<p>Council tax refunds are reconciled back to the finance system (Agresso) on a monthly basis. This is carried out by Customer Services. However testing identified that such reconciliations have not taken place since May 2006. This is due to difficulties with Agresso. The Agresso system was implemented in April 2006.</p>	<p>By not performing regular reconciliations, there a risk that errors and miss postings are not identified and investigated in a timely manner</p>	<p>The refund balance as per the council tax system (IBS) should be reconciled to the finance system (Agresso) on a monthly basis.</p> <p><b>Action: John Vickers – Revenues Manager</b></p>	<p><b>Management Comment:</b> Agreed</p> <p><b>Planned Corrective Action:</b> Balancing is now up to date.</p> <p><b>Timescale:</b> Completed</p>
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