



INTERNAL AUDIT
FINAL REPORT

Title: Council Tax

Report Distribution

For Action: John Vickers Revenue Services Manager

For Information: Mark Kimberley Head of Corporate Services
David Kenworthy Audit Commission

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EXECUTIVE SUMMARY

Introduction

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2007/08.

There are approximately 49,762 properties within Gedling Borough Council that are liable to pay council tax. The department use the IBS system to process all the transactions. Since the last audit the Council have introduced a new process and training manual on the system, which details out all required procedures and meeting minutes to review.

Principal Findings

| | High | Medium | Low |
|---------------------------|------|--------|-----|
| Number of recommendations | 0 | 0 | 5 |

The detailed findings and associated recommendations are provided in the second part of this report.

Other Findings

The following was noted when performing the audit but was felt not significant enough to raise a recommendation:

- Scanning system required clearing out – instances noted where documents had not been scanned, this impacts on the normal working practices of the Council Tax processes.

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.

Areas of good practice identified during the review include:

- All staff have received appropriate training on the new system and this has also been rolled out to new staff;
- Council Tax income is posted accurately and appropriately.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

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; and
- Management reports.

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

- We will not seek to identify fraud; and
- Overpayments and adjustments will not be covered in this review.

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>Recommendation 1 - Suspense Accounts Level of Risk - Low</p> | | | |
| <p>It was confirmed by the Revenues Services Manager that the Council Tax suspense account is reviewed on a daily basis when the income has been posted and any items that have been posted on that day are investigated and where possible, cleared. A review of the Council Tax suspense account found that was a balance totalling £11.7k. This related to mainly 2005/06 and 2006/07 years but also some small items were noted going back to 1995/96. It was also confirmed that due to the way IBS is set up the suspense items are unable to be cleared as there is no account to clear them to.</p> | <p>There is a risk that items could be posted to the suspense account in error which are not investigated and cleared in a timely basis.</p> | <p>The Council should ensure that the suspense account is reviewed on a periodic basis, any items investigated, cleared where possible and any evidence retained.</p> <p>Action: John Vickers – Revenue Services Manager</p> | <p>Management Comment: There is currently no facility within IBS to delete suspense items.</p> <p>Planned Corrective Action: Costs to procure bespoke changes to be requested from the software company.</p> <p>Timescale: 31st March 2008</p> |

| Observation | Risks | Recommendation | Management's Response |
|--|--|---|--|
| <p>Recommendation 2 - Register of Interests Level of Risk - Low</p> | | | |
| <p>It was recommended in our previous council tax audit review that the register of interests required periodic review and updating. It was confirmed by the Local Tax Manager that a review of the register of interests has not recently been undertaken, although it is to be performed in the near future. It was confirmed that forms and guidance have been sent out to all staff as well as a list of recipients.</p> | <p>Staff may work on their own or family/friends accounts, exposing the threat of fraudulent activities, which could result in loss of income.</p> | <p>Staff within the Council Tax Department should complete a Statement of Interest form. The register of interests should be reviewed and updated at least 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 or those of family/friends.</p> <p>Action: John Vickers – Revenue Services Manager</p> | <p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Register of Interest to be reviewed, including consideration of the appropriateness of staff access levels, and updated in line with authority wide procedures.</p> <p>Timescale: 31st March 2008</p> |

| Observation | Risks | Recommendation | Management's Response |
|---|--|--|--|
| <p>Recommendation 3 - Audit Checks on Members of Staff Level of Risk - Low</p> | | | |
| <p>It was confirmed by the Revenue Services Manager that no audit checks are performed on members of staff who have access to their own and/or friends account.</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>Action: John Vickers – Revenue Services Manager</p> | <p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Once the register of interests is updated, quarterly checks will be undertaken.</p> <p>Timescale: 31st March 2008</p> |

| Observation | Risks | Recommendation | Management's Response |
|--|---|--|--|
| <p>Recommendation 4 - Discount/Void Properties Level of Risk - Low</p> | | | |
| <p>A sample of 20 properties were selected at random to which it was noted that six properties had either become vacated/void or had an inspection during May & August 2007, therefore they should have been inspected by the time the review was performed.</p> | <p>There is a risk of financial loss due to incorrect allocation of exemptions and discounts.</p> | <p>The Council should ensure that Discount/Void properties are inspected on a regular basis throughout the year in line with policy.</p> <p>Action: John Vickers – Revenue Services Manager</p> | <p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Procedures are in place for inspections every 4 months. Management checks will be confirm that policy is complied with.</p> <p>Timescale: 31st march 2008</p> |

| Observation | Risks | Recommendation | Management's Response |
|--|--|--|--|
| <p>Recommendation 5 – Special Arrangements To Pay Level of Risk - Low</p> | | | |
| <p>Special Arrangements to pay (SPAR's) are monitored on a daily basis by the Senior Clerical Assistant. The system automatically identifies any SPAR's that have fallen into default 10 days or more and these are shown on Special Arrangement Extraction Reports. Discussion with the Technical Assistant (Council Tax) found there are currently a total of 1263 special arrangements in place (combining both council tax and NNDR).</p> <p>A review of the report history on the Council Tax system found reports are run on a regular basis (at least every other day) however, a period of 11 working days was noted when the Senior Clerical Assistant was absent from work and the reports were not run.</p> | <p>There is a risk that any defaulted SPAR's are not picked up and investigated in a timely basis.</p> | <p>The responsibility for monitoring special arrangements should be allocated to a secondary individual to cover times when the Senior Clerical Assistant is absent from work.</p> <p>Action: John Vickers – Revenue Services Manager</p> | <p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A procedure is already in place, but had not been followed. This will be reviewed to ensure checks are in place.</p> <p>Timescale: 31st March 2008</p> |

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

| Level | Category | Definition |
|-------|---------------|--|
| 1 | High | Action is essential to manage exposure to fundamental risks. |
| 2 | Medium | Action is necessary to manage exposure to significant risks. |
| 3 | Low | Action is desirable and should result in enhanced control or better value for money. |

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

| Category | Definition |
|--------------------|--|
| No | The majority of the significant risks relating to the area reviewed are not effectively managed. |
| Limited | There are a number of significant risks relating to the area reviewed that are not effectively managed. |
| Substantial | The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern. |

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk