



INTERNAL AUDIT

FINAL REPORT

Title: Council Tax Review

Report Distribution

For Action: John Vickers Revenue Services Manager

For Information: Mark Kimberley Head of Corporate Services
 Sally Smith Audit Commission

Prepared By: Alan Hetherington, Senior Auditor

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EXECUTIVE SUMMARY

Introduction

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2008/09.

At the start of the financial year, there were 49,924 properties within Gedling Borough Council liable to pay Council Tax. The department uses the IBS system to process all the transactions.

From the five recommendations made in the previous audit four have been implemented and one has not been implemented (relating to the daily production of SPAR reports).

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	3

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 has not been included as a recommendation in the detailed findings section of the report:

During our review of new Council Tax accounts and amendments to Council Tax bills, we noted that in one instance a new Council Tax account had been created for a property that had been built in 1996 but had not been billed. Supporting documents were reviewed, including planning consent dating 1992, and completion certificates from 1996, issued by the Planning and Development department. The Council Tax department had not been made aware of the new property until the property owner contacted the Council, through his solicitor, in August 2008. The occurrence of the 'missing' property appears to have resulted from a lack of communication between departments at the time. The issue relates to the case of a new property built back in 1996 and therefore does not relate to the current audit cycle. In addition to this, in the auditor's opinion, controls are now in place to prevent such issue occurring such as Building Control notifying Council Tax of all new builds. This has been tested during our audit. No recommendation has been made.

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 include:

- Each member of staff has completed a form declaring any conflicts of interest, i.e. names and addresses of family and friends living in the Borough.
- Daily checks are undertaken to ensure that the income allocated to the Council Tax system is correctly posted to customer accounts.
- A year-end checklist identifying work to be performed pre and post year-end is used to ensure all processes are completed.
- Void properties are being regularly inspected.

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.
- Failure to monitor payments and take prompt action against non payment, leading to lost income.
- Inaccurate, incomplete or untimely bills being submitted to Council Tax payers leading to lost income or disgruntled payers.
- Properties and valuation bands are not included in the Council Tax register.
- The Council Tax register is inaccurate or incomplete.
- Discounts and exemptions are being incorrectly applied.
- Void properties are not identified.
- Write-offs are not authorised.
- Irrecoverable debts are not written off leading to continuous adverse effects on key performance indicators.
- Failure to provide an adequate segregation of duties between collecting payment, recording and banking income, leading to fraudulent activity.
- 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 and poor performance goes unchallenged.

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The areas covered as part of our review included:

- Policies and procedures;
- Exemptions and discounts;
- The Council Tax register;
- Inspections of void properties;
- Billing methods and payment collection;
- Posting of payments to personal accounts and suspense account reconciliations;
- Recovery and write offs;
- Management reports;
- Reconciliations (Income/General Ledger).

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

- Testing is on a sample basis only and therefore we cannot provide absolute assurance that fraud does not exist.
- 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 Authority's 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 - IBS Password Policy</p> <p>Level of Risk - Low</p>			
<p>A review of the list of users with access to amend Council Tax information on the IBS system, as at the 4th September 2008, confirmed that only those members of staff currently employed in the Local Taxation Section had access to the system, and their access level was in line with their role.</p> <p>The password policy for users access is as follows:</p> <ul style="list-style-type: none"> • Minimum length: 5 characters (with a minimum of 1 numeric) • Force Change: 90 days • Password History: 4 <p>Users are locked out after 3 consecutive failed login attempts.</p>	<p>The fewer characters a password requires, the greater the risk of access to the system being compromised.</p>	<p>In line with best practice, the minimum length for passwords should be at least 6 characters (ideally 8).</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Passwords will be changed to at least 6 characters.</p> <p>Timescale: 31/12/08</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - SPAR Reports Level of Risk - Low</p>			
<p>A review of the SPAR report production history on the Council Tax system for the current financial year revealed that reports are run on a fairly regular basis; however, we noted that for three periods of at least one week the report had not been produced.</p> <p>We could ascertain the reason for not producing the reports for the first period, 15th May to 29th May (10 working days).</p> <p>The other two periods (2 to 10 June and 15 to 22 August) corresponded with the Senior Clerical Assistant being on leave.</p>	<p>There is a risk that any defaulted special payment arrangements are not picked up and investigated in a timely manner.</p>	<p>A process should be in place to ensure that relevant members of staff are reminded to run the SPAR reports on a daily basis.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Sufficient resource is now in place to ensure SPAR reports are run on a daily basis.</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - IBS/Agresso Reconciliation</p> <p>Level of Risk - Low</p>			
<p>Reconciliations between IBS and Agresso are undertaken on a monthly basis by the Senior Clerical Assistant, and are subject to review by the Revenues Service Manager.</p> <p>Reconciliations cannot be undertaken until Accountancy has notified Council Tax that all journal adjustments have been completed.</p> <p>At the time of the audit review:</p> <ul style="list-style-type: none"> • Reconciliations for April and May 2008 had been completed, and had evidence of review. • The reconciliation for June 2008, had been delayed due late notification from Accountancy and the Senior Clerical Assistant being on leave, but was nearly complete. 	<p>There is a risk that decisions may be based on incorrect information if reconciliations, and correction of errors, are not undertaken on a timely basis.</p>	<p>Management should work on speeding up the completion of the monthly IBS / Agresso reconciliations, to ensure they are completed as soon as possible after the month end (definitely before the end of the following month). Management should ensure unreconciled items are cleared up promptly.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Efforts will be made to ensure that all journals are completed by the 15th of the following month.</p> <p>Timescale: 31/12/08</p>

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<ul style="list-style-type: none">• For the July reconciliation, notification from Accountancy had only been received on 26 August, and work had not yet started. <p>Balancing items making up the difference arising as part of the reconciliation are usually due to timing differences in postings to the two systems, or suspense items. There was no significant amount outstanding but a number of small amounts dating April 2008.</p>			
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ANNEX A**Risk & Assurance – Standard Definitions**Audit 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