



INTERNAL AUDIT

FINAL REPORT

Title: Council Tax

Report Distribution

For Action: John Vickers Revenue Services Manager

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

Prepared By: Sam McNulty, Internal Auditor – RSM Bentley Jennison
Colin Roxburgh, Internal Auditor – RSM Bentley Jennison

Draft Issued: 13th October 2009

Final Issued: 22nd October 2009

Contents	Page
Executive Summary	2 - 3
Introduction	4 - 5
Detailed Findings	6 - 12
Annex A - Audit Definitions / Responsibilities	13 - 14

EXECUTIVE SUMMARY

Introduction

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2009/10.

The focus of the audit was to ensure the accurate, timely billing and collection of Council Tax. The estimated 2009/10 Council Tax debit for the year was £52,932,599 from the 50,298 liable properties within the Borough. At the end of July 2009 the collection rate was 39.92%, which is in line with target of 39.9% for the year to date, target for the year is 98.30%. These performance indicators are reported to the Senior Management Team and Cabinet on a quarterly basis.

The Council uses the IBS system to record revenues and benefits transactions, which includes Council Tax. A new workflow system, which provides the Local Taxation department with details of amendments to liable parties, has been implemented this year, which is also provided by IBS.

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. There were no high / medium risk recommendations made.

In addition to the five recommendations highlighted in the report, a further advisory note is issued with respect to the council tax income reconciliations between the Agresso and IBS systems. The review confirmed that all monthly reconciliations had been completed and was supported by source documents with variances listed and explained. However, the lead times for undertaking the reconciliation for two periods were slightly outside the monthly requirement (April – 46 days and May – 32 days).

Internal Audit recognise the significant improvements made over the last two accounting periods in shortening the lead times for such reconciliations, and whilst it would be beneficial to ensure adherence to the monthly target (or even shorten this to a period of 2 weeks), this would require investment in additional resource.

It is, therefore, Internal Audit's opinion that the cost of introducing additional controls to further reduce the lead times is currently prohibitive given the low nature of the associated risk.

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:

- SPAR monitoring on a daily basis to indentify accounts in default.
- Reconciliation of the council property database to the VO schedule on a weekly basis.
- Audit checks on staff to ensure that they are not accessing accounts they have stated they have an interest in.
- The Local Taxation Inspector reviews properties on the Building Control "Commenced" report to confirm that they have not completed, making them liable for Council Tax.

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.

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

- Policies and procedures;
- Exemptions and discounts;
- 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; and
- 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
Recommendation 1 - IBS System Access – Declaration of Interest Level of Risk - Low			
<p>The Revenue Services Manager maintains a log of all Declaration of Statement of Interest for Employees With Access to the IBS Revenues System to ensure that all staff have completed a declaration form.</p> <p>We reviewed the declaration of interest forms for all staff within the Local Taxation (Council Tax and NDR) department to confirm that they have declared their interests. In one instance we noted that an employee had updated their declaration but had not signed and dated this to show the effective date.</p> <p>In 16 of the 18 declarations reviewed we confirmed that the date the declaration was signed was over one year ago.</p>	<p>There is a risk that interests are not declared in a timely manner.</p>	<p>All staff should declare any new interests on an ad hoc basis as they arise, however a formal process for ensuring the register of interests is up to date should be undertaken on an annual basis. Annually, the Revenue Services Manager should email all IBS users to declare any changes of interests since the previous year.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Revenue Services Manager will email all Civica users on an annual basis.</p> <p>Timescale: 31/03/2010</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Billing Level of Risk - Low			
<p>Annual billing for 2009/10 was undertaken on 2nd March 2009 with notices sent on 4th March 2009, which is at least two weeks before the 1st April.</p> <p>A review of a sample of amendments confirmed that all exemptions and discounts were processed within 10 working days. However;</p> <p>§ Five out of 15 voids were not processed within 10 days. In the case of Class A voids the Local Tax Inspector must review the property to confirm that it is empty and unfurnished and this depends on the availability of the customer. Although this was the reason for the delay in one instance, in the other four instances it took an average of 19.5 days to process the amendment.</p>	<p>There is a risk that the department is unaware of its performance against targets.</p>	<p>Performance statistics should continue to be reported in the monthly Local Taxation meetings using the reports from the new Work Flow system.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Report to be sent to RSM at the beginning of each month.</p> <p>Timescale: Immediate.</p>

Confidential

We confirmed with the Technical Assistant that department PI's showing the time taken to process documents are maintained and reported monthly. However since the introduction of the new workflow system in May these have not been reported.			
--	--	--	--

Observation	Risks	Recommendation	Management's Response
Recommendation 3 - Year-end Rollover Reconciliation Level of Risk - Low			
<p>We confirmed that the rollover procedures were carried out by the Revenue Services Manager and the Local Taxation Manager. The pre rollover report balances all financial controls to the IBS reports printed as part of the year end procedures.</p> <p>Properties were reconciled from 2008/09 to 2009/10 to ensure that all properties were included in the new year. Attached to this is the post rollover reconciliation which reconciled financial controls to IBS reports for the new year.</p> <p>These reconciliations are not signed as completed or reviewed and therefore we cannot confirm that the reconciliation was reviewed or confirm the completing officer.</p>	<p>The audit trail is not complete as the employee completing the reconciliation and the employee reviewing the reconciliation is not recorded.</p>	<p>In order to maintain an appropriate audit trail the year end rollover reports should be signed by the completing officer and as independently reviewed.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Rollover reports will be signed by completing officer and reviewer.</p> <p>Timescale: 31/03/2010</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 4 - Class C Exemptions Level of Risk - Low			
<p>When reviewing the sample of 15 void Council Tax properties we identified one property that had been exempt from Council Tax for over one year. Discussion with the Technical Assistant confirmed that this is a system issue, IBS should automatically give all properties exempt under class C (empty and unfurnished) an end date after six months. The problem was identified previously and has been delegated to the Technical Assistant to resolve, and the error has been logged with IBS. A report is produced each month and is analysed to identify any class C exemptions with a start date over six months ago. However this account was not identified as part of this review.</p>	<p>There is a risk that properties exempt under class C continue to be classified as exempt after their entitlement has ended, resulting in a loss of income.</p>	<p>Once the IBS update to fix missing exemption end dates is available this should be tested and deemed appropriate. Until this time the report identifying properties exempt under class C should be reviewed on at least a monthly basis to remove the exemption for properties exempt for more than 6 months.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: This fault is now corrected on release 4.03 and testing has been completed.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 5 - Monitoring of Accounts With Recovery Suppression Level of Risk - Low			
<p>There are six officers able to post cash to IBS, normally this is done by a system feed from the cash receipting system which must be run by one of these officers. In these instances payments are automatically allocated to the account number given when payment was received. In instances where payments bypass the cash receipting system (e.g. GIRO and attachments of earnings) a manual payment is required to be processed.</p> <p>All six officers with cash posting access can therefore post a payment to any account, there is a risk that payments are posted to incorrect accounts. Testing of 15 days confirmed that all manual payments were supported by documentary evidence and an authorisation from Finance.</p>	<p>There is a risk that income can be fraudulently posted to the incorrect account and not identified if recovery is suppressed.</p>	<p>An exception report should be run on a monthly basis in order to identify any accounts that have had recovery suppressed for more than 30 days.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Monthly report will be checked and signed.</p> <p>Timescale: Immediate.</p>

Confidential

<p>The daily cash reconciliation and monthly control reconciliation would highlight any posting of cash which had not been received, however it would not identify instances where cash is received and posted to the incorrect account.</p> <p>The compensating controls for this rely upon customers contacting the Council where they have been issued a reminder, or some other debt recovery action. All these officers are able to suppress recovery action and therefore the risk remains.</p> <p>Of the six officers able to post cash payments to IBS all are Senior Clerical Assistants, Technical Assistants or Managers.</p>			
--	--	--	--

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 Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit 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 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, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk.