



INTERNAL AUDIT

FINAL REPORT

Title: Council Tax Review

Report Distribution

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

EXECUTIVE SUMMARY

Introduction

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2010/11.

At the start of the financial year, there were 50,506 properties within Gedling Borough Council liable to pay council tax, with an opening debit of approximately £61m.

The department uses the Civica system to record revenues and benefits transactions, including council tax. A workflow system is in place, which provides the Local Taxation department with details of amendments to liable parties.

There were five recommendations made in the previous audit. Four have been implemented and one (relating to the declaration of interests) is in the process of being implemented.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	1

The detailed findings and associated recommendations are provided in the second part of this report. There were no high / medium risk recommendations 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:

- The reconciliation of the council property database to the Valuation Office schedule is carried out on a weekly basis.
- 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.
- Void properties are being regularly inspected.
- Daily checks are undertaken to ensure that the income allocated to the council tax system is correctly posted to the customer accounts.

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 were:

- 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;
- 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.
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error; loss or fraud does not exist.

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 - Council Tax (Staff Conflict of Interest Declarations) Level of Risk - Low			
<p>Following the collection of 'conflicts of interest declarations' from Revenues staff, audit checks are carried out on members of staff who have access to their own council tax accounts.</p> <p>At the time of the audit, the process of collecting staff declarations was still ongoing and had not been completed; consequently the Revenues Services Manager had not yet undertaken an audit to check on the accounts recorded on the declaration forms.</p>	<p>There is a risk that staff could make inappropriate changes to their own council tax account or the accounts of friends and family.</p>	<p>Following the collection of the staff declarations of interest, an audit check should be undertaken on those accounts to ensure that staff members have not made changes to their own accounts or those of friends and family.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Audit check will be carried out.</p> <p>Timescale: 31st December 2010</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 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 on 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.