

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Portfolio Holder – Cllr. Peter
Whiting

SUBJECT: Council Tax
DATE: 14 February 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 Council tax is a local tax based on what a home would have sold for at a fixed point in time (1 April 1991). These valuations are performed by the Valuation Office Agency (VOA).
- 2.2 Council tax is collected by local councils to help pay for local services. The Council is responsible for setting its budget for the year and determining how much will be met through council tax.
- 2.3 Being a billing authority, the Council sends out bills which include charges ("precepts") set by other authorities in the area, including the County Council, the Police & Crime Commissioner and the various town and parish councils within the district. The Council collects the money on behalf of all of these authorities and pays them their percentage as appropriate. The Civica Open Revenues system is used for processing and administering council tax.
- 2.4 Each dwelling is placed into one of eight bands (A to H) by the VOA, based on its valuation, with all bills being based on a proportion of what is being charged to a Band D property (e.g. Band A bills are 5/9ths of those for Band D, with Band H being 18/9ths of Band D).

3 Scope and Objectives of the Audit

- 3.1 The controls identified within the systems based audit programmes are covered over a three year timeframe to reflect the current evaluation of risk,

as well as available resources. As set out below, this audit has concentrated on the controls in place regarding billing, recovery and enforcement. Controls in place within other aspects of the services provided will be covered over the next two years.

- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.3 The objectives that have been considered as part of this audit include:
- Staff within the Revenues section are aware of relevant legislation and have access to this, as well as relevant procedural documentation.
 - Bills are correctly issued, based on charges that have been formally approved.
 - Amended bills are only issued where adequate supporting evidence is provided.
 - Appropriate recovery action is taken to recover monies due.
 - Debts are only written off once all possible recovery avenues have been exhausted.
- 3.4 The expected controls under the relevant matrices are categorised into the following areas:
- Billing:
- (1) Procedures and regulations
 - (2) Setting of council tax
 - (3) Issuing of demands
 - (4) Calculations and payments
 - (5) Revisions and suppressions
 - (6) Reconciliations
 - (7) Security of data
- Recovery and Enforcement
- (8) Procedures and regulations
 - (9) Recovery action
 - (10) Bailiff action
 - (11) Suppressions
 - (12) Performance
 - (13) Write-offs
 - (14) Security of data.
- 3.5 Some specific tests were not performed as they were either considered not relevant to the operations at the council or are covered under separate audits.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the audit reported in January 2015 is as follows:

Recommendation	Management Response	Current Status
1 Documentation should be produced and retained to support all debts written off.	Staff will be reminded that appropriate documentation is to be processed for all accounts to support write-offs.	Testing highlighted that there are still some write offs for which documentation is not being prepared. (see 4.4.8 & 4.4.13 below)
2 The delegation of authorisation for writing off council tax debts over £1,000 to the Exchequer Manager should be formally documented.	Head of Finance to formally document the required delegated authorisation.	Authorisation has now been delegated to the Exchequer Manager (EM).

- 4.1.2 Other audits have been undertaken since January 2015, but this was the last time these modules were reviewed, so it is these recommendations that have been followed up.

4.2 General Issues

- 4.2.1 The EM advised that Finance maintain a subscription with LG Futures in order to keep up-to-date with legislation etc. Weekly key updates are also received via the IRRV (Institute of Revenues, Rating & Valuation) and council tax information letters are also occasionally received.
- 4.2.2 Any relevant information received from these sources will be disseminated to the Revenues team either via email, at the monthly team meetings and / or at one-to-one meetings with the individual staff members.
- 4.2.3 Civica user manuals are available to staff (on line) rather than an office procedures manual, with a printed copy of the Civica Council Tax Year End User Guide being held by the EM.
- 4.2.4 The Council holds a registration on the data protection register which, in broad terms, sets out the general purposes for processing data are recorded, including 'administering the assessment and collection of taxes and other revenue ...'.
- 4.2.5 The council has a Data Handling policy (which is a sub-system of the Information Security & Conduct Policy) which includes details regarding data classification and the principles that must be adhered to. The data held on the system is officially classified as 'Protect' under Government guidance and this

is stated on the access statement that new users of the system have to sign up to.

4.3 Billing

- 4.3.1 As indicated above, the council tax bills issued by the Council include the precepts that are collected on behalf of other authorities, such as the County Council, the Police & Crime Commissioner and the various town and parish councils. Testing confirmed that the main precepting authorities had been notified of the relevant tax base on a timely basis to allow them to set their precepts and they have been paid in line with the agreed schedules.
- 4.3.2 The WDC element of council tax was appropriately agreed by the full Council in a timely manner, which allowed the bills to be produced and distributed prior to the first direct debit collection.
- 4.3.3 A number of tests were undertaken to ensure that bills raised in-year were correct, that any exemptions had been appropriately detailed on the bills and that bills were being created for new properties as appropriate. These tests proved satisfactory.
- 4.3.4 As part of these tests, it was established that the bills raised contained all relevant information.
- 4.3.5 The bills are generated based on the parameters entered onto the system (e.g. the precept parameters for each parish, the rates for different discounts etc.). Upon review of a sample of the parameters it was confirmed that they had been correctly entered for the current year's billing.
- 4.3.6 As part of the 'new year' billing run, a number of reconciliations are performed including a check to ensure that the number of bills generated can be agreed back to the number of properties as per the VOA listings. Relevant documentation and system reports were examined which confirmed that these had been undertaken.

4.4 Recovery & Enforcement

- 4.4.1 As part of the year end processing, reports are produced that detail all of the credits and debits that have been 'rolled over' into the new year records. A sample of records from each report held was selected and it was confirmed that the amounts had been appropriately carried forward.
- 4.4.2 Testing was undertaken on a sample of accounts in arrears that have been through the various stages of the recovery process. Testing confirmed that all relevant stages had been undertaken and there had been no undue delays in the process. Where the cases had gone to court, the summonses had all been issued in a timely manner, all costs had been included and the cases were included on signed 'liability order lists'.
- 4.4.3 In some cases, the taxpayer will contact Revenues upon receipt of a reminder or a summons and a special arrangement (SPAR) will be made to clear the outstanding debt. A sample of these special arrangements was examined and testing confirmed that the arrangements had been set up appropriately and,

in the majority of instances, they were being complied with and did not therefore require a return to the recovery process.

- 4.4.4 One of the sampled cases should have been cleared in 2013. However, the payment was out by £2.67 and the SPAR remains active on the system. Whilst no formal recommendation is thought to be warranted, as there is no risk as a result of leaving this active, it was felt that this should be included in the report so that action can be taken.
- 4.4.5 Other taxpayers may have attachments to earnings or benefits applied in order to reduce the monies that they owe. Sample testing confirmed that appropriate applications were being sent to either the Department of Work & Pensions or the employers. Payments were generally being received where due and, where payments had not been received, follow-up work had been diarised on the system.
- 4.4.6 The Civica system is now set up so that relevant items placed on workflow will automatically suppress further recovery action until it is dealt with. Occasionally a specific inhibit is placed on the system. Sample testing confirmed that these were supported by relevant diary entries on the system and they were all for appropriate periods.
- 4.4.7 Once all means of trying to recover the debts have been exhausted (including the use of bailiffs as appropriate – see 4.4.15 below), the debts are written off. Sample testing was undertaken to ensure that they were supported by appropriate documentation, showing what recovery action had been taken and were appropriately authorised.
- 4.4.8 In six of the twenty cases sampled the 'irrecoverable' forms could not be located. When completed, these forms are held on workflow, with no paper copies being retained.
- 4.4.9 The write-offs are authorised in batches with the Principal Recovery Officer checking a sample from each batch to ensure that they have been properly processed. The EM will also review any cases which are for more than £1,500.
- 4.4.10 It was confirmed that the batches relating to the samples cases had been appropriately authorised. However, there was no evidence recorded to show that the case reviews had been undertaken.

Risk

Write offs may be incorrectly authorised.

Recommendation

Details of the cases checked as part of the write off authorisation process (including the high value authorisations) should be recorded on the batch authorisation sheets.

- 4.4.11 Two of the sampled cases were not included in the batch authorisations. The Systems Officer advised that these were included on a separate 'irrecoverable' spreadsheet that is maintained to record the manual write offs. These are normally processed if someone is found and their previous write off needs to be reversed, or where the value is very low.

- 4.4.12 The irrecoverable spreadsheet was reviewed which confirmed that the majority of cases fell into these categories, although there were two cases which were for refunds being processed due to banding changes, where part of the refund related to the time before Civica was used.
- 4.4.13 None of the cases on the spreadsheet had associated irrecoverable forms and there was no formal authorisation recorded for them.

Risk

Debts may be inappropriately written off.

Recommendation

Documentation should be produced and retained to support all debts written off.

- 4.4.14 As suggested above, debts should only be written off once all means of recovery have been exhausted, including the use of a bailiff as appropriate.
- 4.4.15 The Council has a formal contract in place with Bristow & Sutor and, upon review, it was confirmed that it includes the relevant service level agreement and full specification which forms the basis of the service being provided.
- 4.4.16 Their secure website includes details of all cases that they are dealing with and authorised Council staff can review this at any time.

5 Conclusions

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Council Tax, with regards to the billing, recovery and enforcement aspects, are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

- 5.3 A couple of minor issues were, however, identified relating to the retention of documentation relating to debts written off and the recording of the accounts reviewed as part of the write off authorisation process.

6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Council Tax – February 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.10	Details of the cases checked as part of the write off authorisation process (including the high value authorisations) should be recorded on the batch authorisation sheets.	Write offs may be incorrectly authorised.	Low	Exchequer Manager / Principal Revenues Officer	Agreed – an instruction will be issued to appropriate staff.	February 2018
4.4.13	Documentation should be produced and retained to support all debts written off.	Debts may be inappropriately written off.	Low	Senior Recovery Court Officer	Agreed – a reminder will be issued to appropriate staff.	February 2018

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.
Medium Risk: Issue of moderate importance requiring prompt attention.
Low Risk: Issue of minor importance requiring attention.