

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Exchequer Manager
Principal Revenues Officer

SUBJECT: Collection of Council Tax
DATE: 27 January 2015

1 Introduction

- 1.1 In accordance with the Audit Plan for 2014/15, 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 in 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 General Issues

- 4.1.1 The Exchequer Manager (EM) advised that Finance maintain a subscription with L G Futures in order to keep up-to-date with legislation etc. Council tax information letters are also occasionally received.
- 4.1.2 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.
- 4.1.3 Civica user manuals are currently held rather than an office procedures manual, although the EM advised that plans are in place to produce a new office manual, as three new staff are expected to start with the team in the near future.
- 4.1.4 Warwick District Council holds a registration on the data protection register which, in broad terms, covers aspects such as administering the assessment and collection of taxes and other revenue with the general purposes for holding the information contained on the system being set out.
- 4.1.5 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.

4.2 Billing

- 4.2.1 As indicated above, the council tax bills issued by this 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.
- 4.2.2 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.
- 4.2.3 A number of tests were undertaken to ensure that bills raised in-year were correct with relevant instalments being set up, 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.
- 4.2.4 As part of these tests, it was established that the bills raised contained all relevant information.
- 4.2.5 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.

- 4.2.6 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.

4.3 Recovery & Enforcement

- 4.3.1 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 record from each report held was selected and it was confirmed that the amounts had been appropriately carried forward.
- 4.3.2 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'.
- 4.3.3 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.
- 4.3.4 One of the sampled cases should have been cleared in 2012/13. However, one instalment was underpaid by 2p 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.
- 4.3.5 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.
- 4.3.6 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.
- 4.3.7 Once all means of trying to recover the debts have been exhausted (including the use of bailiffs as appropriate), 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.

- 4.3.8 In eight of the twenty cases sampled the 'irrecoverable' forms could not be located. These are generally held on workflow, with no paper copies being held.
- 4.3.9 The write-offs are authorised in batches. However, two of the sampled cases were not included in these and there was, therefore, no evidence of authorisation.
- 4.3.10 The Systems Officer advised that one of the cases was reinstating a debt after the debtor had been relocated and the other was processed in order to generate a credit due to taxpayers after a band reduction had been received from the VOA dating back to 1993. Whilst these explanations are accepted, it is still felt that documentation should have been completed so that they could be duly authorised.

Risk

Debts are inappropriately written off.

Recommendation

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

- 4.3.11 It was noted that the EM was authorising the higher level write-offs, i.e. those above £750, and the sample included some over £1,000. The Code of Financial Practice indicates that write-offs above this amount should be authorised by the Head of Finance.
- 4.3.12 The Head of Finance confirmed that this had been delegated to the EM, although this had not been formally documented.

Risk

Non-compliance with internal policies

Recommendation

The delegation of authorisation for writing off council tax debts over £1,000 to the Exchequer Manager should be formally documented.

5 Summary & Conclusion

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the collection of council tax, with regards to the billing, recovery and enforcement aspects, are appropriate and are operating effectively.
- 5.2 A couple of minor issues were, however, identified relating to the retention of documentation relating to debts written off and the formal delegation of authority to write off debts over £1,000.

6 Management Action

- 6.1 Recommendations to address the issues raised are reproduced in the Action Plan together with the management response.

Richard Barr
Audit and Risk Manager