

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: 3 February 2014

1. Introduction

- 1.1 In accordance with the Audit Plan for 2013/14, 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 co-operation 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 Civa 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 valuation and liability. 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, including the Principal Revenues Officer.
- 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.
 - The council is aware of new properties and amendments to existing ones, with details being reported to the Valuation Office Agency (VOA) as appropriate.
 - Reconciliations are performed between the information held by the VOA and the information on Civica.
 - The council is aware of the liable person(s) at each dwelling within the district.
 - Discounts and exemptions from council tax are awarded appropriately and are regularly reviewed.
 - Appeals against council tax demands are dealt with appropriately.
- 3.4 The expected controls under the relevant matrices are categorised into the following areas:
- Valuation:
- (1) Procedures and regulations
 - (2) New and amended properties
 - (3) Notifications to the Valuation Office
 - (4) Valuation Office listings
 - (5) Reconciliations and checks
 - (6) Security of data (see below)
- Liability:
- (7) Procedures and regulations
 - (8) Determination of liability
 - (9) Amendments to liability
 - (10) Discounts and exemptions
 - (11) Appeals
 - (12) Reconciliations and checks
 - (13) Security of data (see below)
- 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 (e.g. data security is covered under a specific IT audit of the Civica Open Revenues system).

4. Findings

4.1 General Issues

- 4.1.1 Hard copies of relevant Council Tax guidance and legislation are held within Revenues. Information letters are also received throughout the year from the CLG, advising local authorities of issues such as changes in legislation. These can be accessed on the internet, with all relevant staff having access. The Principal Revenues Officer (PRO) advised that the contents of any such letters would be disseminated at team meetings or during one-to-one sessions.
- 4.1.2 Staff also have access to a Civica user manual and receive updates as and when required.

4.2 Valuation

- 4.2.1 As indicated above, banding for each property is set by the VOA. In order to ensure that the correct rates are being charged, testing was undertaken on a sample of properties to ensure that the banding as per the VOA lists on their website agree to the figures on the Civica system. This test proved satisfactory.
- 4.2.2 As part of this review of banding, testing was also undertaken to ensure that the properties are given a unique identifying number, which ensures that properties with similar addresses are not mixed up. Issues have been highlighted during previous audits as some discrepancies were highlighted between what was shown on Civica and the references used by the VOA. The Systems Officer advised that these discrepancies are still being worked on.
- 4.2.3 In order for the VOA to provide a banding for a property, they need to know that it exists. Revenues staff send details of any new and amended properties to the VOA electronically, once they have identified that the property is ready for occupation.
- 4.2.4 New properties and amendments to existing ones are identified by Revenues staff upon review of various documents that are received from different departments within the council. Upon review of a sample of properties identified on these documents it was confirmed that appropriate action had been taken in each case (i.e. inspection cards and files had been created, the properties had been visited as appropriate and the VOA had been notified where works had been completed), although one property had not been set up on the system as it was known to be occupied, but liability details had not been established.
- 4.2.5 If a property is deemed to be complete and ready for occupation, but Revenues staff have not received details of the building being occupied, a Completion Notice should be issued. The sample of new properties reviewed had not required completion notices to be issued, but a sample provided was found to include all relevant information.
- 4.2.6 Once the VOA have been notified of the requirement for a property to be valued, they visit the property and undertake an assessment for the banding

to be arrived at. They then send a weekly 'schedule of alterations' to the council, detailing any banding changes. Testing confirmed that these changes had been appropriately applied on the Civica system.

- 4.2.7 Reports are produced on the Civica system that highlight any cases that have been notified to the VOA which they haven't actioned. The Senior Visiting Officer (SVO) indicated that the intention is to run these reports every month. A spreadsheet is also maintained showing when these reports have been generated and how many notifications need chasing. Following the production of the reports, the VOA are chased by the Revenues Officer to obtain updates on these properties.
- 4.2.8 Some gaps were identified in the timing of the report production, although the SVO advised that some of the schedules had not been updated on the system at the time, so there was no point in chasing the VOA in relation to these.
- 4.2.9 Once the details from the VOA schedules have been updated on the system, a reconciliation is performed between the total number of properties in each band on the schedule and the figures on the Civica system. Upon review, it was confirmed that the reconciliations are being undertaken as appropriate.

4.3 Liability

- 4.3.1 Identification of the correct liable person is not always straightforward, but relies on either speaking to individuals during visits to the properties, where a form will be completed, or the people actually notifying WDC themselves that they are the liable person.
- 4.3.2 Once the liable person and the date that they became liable has been identified, the system will automatically calculate the charge, based on the dates entered. If the liable period does not start on 1 April, the charge will be based on a daily rate as appropriate.
- 4.3.3 Any changes to the tenancy at Council-owned properties are notified to Revenues staff by Housing with copies of relevant voids and lettings reports being provided. These details will then be updated on the Civica system, although in some cases, Revenues staff will have already been made aware of these changes and have already processed the amendments. A sample of tenancy changes selected from reports held were checked to ensure that Civica had been updated appropriately. This test proved satisfactory as, although some differences were noted, they were supported by diary notes on Civica.
- 4.3.4 As Benefits and Revenues staff work closely together, Benefits staff will often verbally inform Council Tax staff of any changes to benefits that may affect the amount of Council Tax that the individuals will be liable to pay. Memos are also prepared that are attached to the relevant account using workflow. Sample copies of these memos were identified during testing on other aspects of liability.
- 4.3.5 Other changes to liability occur due to the death of an occupant. Death lists are received by Revenues and the system will be updated accordingly, with liability either passing to the executors or to remaining occupants. Sample

testing confirmed that accounts had been updated appropriately, based on information contained on the documentation held.

- 4.3.6 Discounts or total exemption from the charges can be applied for a number of different reasons (e.g. a property is only occupied by one adult or is only occupied by full time students). Testing was undertaken on a number of different discounts and exemptions awarded which confirmed that they had been applied to the taxpayers' accounts correctly, following application and inspection where relevant.
- 4.3.7 One issue was, however, noted where an exemption had been applied whilst the executors of a deceased person's estate were awaiting the award of probate. This account had not been reviewed since May 2012. The property had been included on a void visit report in February 2013, but it had erroneously been missed off the visits and no visit card had been produced. The PRO made a note of the account number when the query was raised and this was to be chased, so no formal recommendation is thought to be warranted for this one-off issue.
- 4.3.8 The majority of discounts and exemptions will automatically roll forward from one billing year to the next, unless the Council is informed of a change in circumstances. The PRO advised that these continuing discounts are reviewed on a periodic basis, with the Single Person Discounts being reviewed as part of the National Fraud Initiative.
- 4.3.9 Since the last audit, the charges relating to void properties (empty) have been amended. The empty properties now receive only a one month exemption as opposed to a six month exemption. Following the first month, they attract the full charge and subsequently a 50% levy if they remain empty for two years. As a result, the regular visiting of void properties is no longer considered to be relevant.

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 valuation and liability aspects, are appropriate and are operating effectively.
- 5.2 A minor issue was identified relating to an exemption that had been applied which had not been appropriately followed up. However, due to the one-off nature of this error, no formal recommendation was thought to be warranted.

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