

FROM: Audit and Risk Manager

SUBJECT: Council Tax – Recovery
and Enforcement

TO: Head of Finance

DATE: 20 February 2020

C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Revenues and Recovery Manager
Portfolio Holder – Cllr. Hales

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. 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 a what a home would have sold for at a fixed point in time (1 April 1991). These are determined 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).

- 2.5 At the time of the audit, the total debit raised for 2019/20 stands at close to £123 million. Adjustments for Local Council Tax Reduction, discounts, exemptions, disregards, court costs, etc. brings the brought the amount requiring to be collected to around £102 million.
- 2.6 Total arrears of council tax carried forward into the current year amount to around £3.4 million.

3 **Scope and Objectives of the Audit**

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on adequacy of controls in place to ensure that payment of council tax charges is enforced economically, efficiently and effectively.
- 3.2 The examination comprised a systematic risk-based evaluation of structures and processes in place to:
- recover arrears of council tax;
 - enforce payment through the processes prescribed by legislation; and
 - manage and control the identification and writing off of irrecoverable debts.
- 3.3 The evaluation utilised the CIPFA Matrices module for Recovery and Enforcement. This comprised reviewing and updating the applicable Internal Control Questionnaire from the Matrices and performing the related compliance tests, subject to adaptations and alternative mechanisms where appropriate.
- 3.4 Owing to time constraints, actual testing was performed selectively with the main priority given to the areas where issues were identified in the previous audit covering this module. As such, detailed tests focused on recovery initiation/progression and write-offs combining data analysis with tests on profile samples. Tests specific to the use of bailiffs, recovery suppression and performance management were excluded on this occasion.

4 **Findings**

4.1 **Recommendations from previous report**

- 4.1.1 The previous review of Recovery and Enforcement controls, reported in February 2018, produced the following recommendations.

Recommendation	Management Response	Current Status
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.	Agreed – an instruction will be issued to appropriate staff.	This has been re-tested and the findings considered under Section 4.4 below.

Recommendation	Management Response	Current Status
Documentation should be produced and retained to support all debts written off.	Agreed – a reminder will be issued to appropriate staff.	This has been re-tested and the findings considered under Section 4.4 below.

4.2 Procedures and Regulations

4.2.1 An area of commonality between the sub-systems within the CIPFA Matrices is consideration of the adequacy of information resources to ensure layers:

- appropriate up-to-date knowledge of regulations and related guidance
- adherence to correct procedures by staff involved in the processes.

4.2.2 For the former the prime reference is the IRRV Law and Practice Handbook, the most recent edition of which was found to be held both in printed and electronic form in the 2018/19 audit (the same edition is still in use at the time of this audit). The procedural side is served primarily by an official Civica Open Revenues user manual supplemented by training notes that are kept updated as appropriate.

4.3 Recovery Action

4.3.1 As part of 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 test on a sample of records from these reports for the year ended 31st March 2019 confirmed that balances been correctly carried forward.

4.3.2 Analysis of a recent snapshot of current arrears by recovery stage showed the following indicative breakdown:

<u>Stage</u>	<u>Total Current Balance £m</u>
Pre-summons	1.8
Liability Order issued	0.3
Attachment of Earnings (in place and pending)	0.1
Attachment of Benefit/Universal Credit (in place)	0.1
Attachment of Benefit/Universal Credit (pending)	0.4
Referred to Bailiff	1.2
Pre-committal notice	0.5
Other	0.2

4.3.3 Testing was undertaken on a sample of accounts in arrears that have been through the various stages of the recovery process. This 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 included and the cases included on signed 'liability order lists'.

4.3.4 A recent snapshot extract shows approximately 1,100 council tax accounts in arrear currently subject to special instalment arrangements (SPARs) that have been entered into to clear the outstanding debt. These represent a total arrears balance of close to £½ million.

- 4.3.5 In both number and overall balance, these divide fairly evenly between pre-summons and post-court cases. A sample of accounts subject to current SPARs, representing high balance amounts, was examined and testing confirmed that the arrangements had been set up appropriately and complied with. In most cases these were re-constituted following cancellation of previous SPARs, a review of which demonstrated that the cancellations on default and subsequent follow-up action were prompt and effective.
- 4.3.6 Attachments of earnings and state benefit were not specifically tested, although the latter category was discussed briefly with the Senior Recovery Officer. The scale of attachments 'pending' is largely attributed to dependency on the Department for Work and Pensions for setting them up and higher priorities on their part in managing Universal Credit.
- 4.4 **Write-Offs**
- 4.4.1 Based on totals over the previous five financial years, an average of just over £¼ million of council tax debt is written off annually. The bulk write-off procedure and designation of responsibilities in that regard remain unchanged since previously audited, although recent changes of key post holders are noted.
- 4.4.2 From an analysis of write-off batches executed over the past two years, approximately 55 per cent of the above total is accounted for by cases of the payer absconding and attempts to trace proving fruitless. Other factors that make write-off effectively inevitable (such as where the payer becomes officially bankrupt, is granted a Debt Relief Order or has successfully taken out an Individual Voluntary Arrangement) account collectively for a further 30 per cent.
- 4.4.3 Testing of a sample taken from the above bulk write-off runs verified clear record trails of the write-off transactions and appropriate supporting information to justify them.
- 4.4.4 The supporting information in each case is consolidated into an 'irrecoverable' form generated from the system with additional notes on recovery actions taken and other influencing circumstances. In all sample cases but one, the forms were successfully traced and found to contain appropriate explanations. The one exception stands out as a highly extreme case subject to special scrutiny effectively led by Coventry City Council which also had extreme arrears issues with the liable party over several properties.
- 4.4.5 Some individual write-offs continue to occur outside the bulk runs, but these are few in number and are separately recorded on a cumulative control spreadsheet.
- 4.4.6 Review of the current year spreadsheet showed almost all the individual entries to be reversals of previous debit and credit balance write-offs, subject to one isolated case with special circumstances supported by a duly constituted irrecoverable form. In terms of the second listed recommendation from the previous report (4.1.1 above) the issues involved can be deemed to have been satisfactorily addressed.

- 4.4.7 The remaining recommendation from the previous audit related to the batch authorisation process failing to leave any record to evidence the sample checks made by the Revenues and Recovery Manager and the requisite review and authorisation of cases over £1,500 by the Exchequer Manager.
- 4.4.8 Examination of all subsequent batches of write-offs showed that this had been addressed by the account numbers of the sample items and those over £1,500 now being listed on the authorisation header sheets as part of sign-off by the Revenues and Recovery Manager and Exchequer Manager respectively. Due to preparation and scanning errors, however, the evidence trail was missing in some instances when tested.
- 4.4.9 An inconsistency also emerged from testing in relation to account aggregation when applying the £1,500 threshold. Where the write-off in any account relates to more than one recovery year, the bulk write-off report treats each year's amount as a separate transaction. The inconsistency lies where none of the individual transactions exceed the threshold but the aggregate for the account does.
- 4.4.10 The sample test showed instances where such cases were aggregated and the accounts specifically flagged, but in the majority they were not with the result that aggregate write-offs of up to £2,800 in the test sample were not flagged for authorisation by the Exchequer Manager.

Risk

Transparency and accountability for writing off council tax arrears may be impaired.

Recommendations

- (1) The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.**
- (2) Application of the threshold over which individual authorisation by the Exchequer Manager is required should be clarified in respect of account aggregation and consistently adhered to.**

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 the applicable council tax functions covered are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

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 There are minor issues concerning completeness of information and some inconsistency in application of the approved authorisation process for write-offs.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

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Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.10 (1)	The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.	Transparency and accountability for writing off council tax arrears may be impaired.	Low	Exchequer Manager / Revenues and Recovery Manager	This is part of the process and I will ensure this is done.	Immediate
4.4.10 (2)	Application of the threshold over which individual authorisation by the Exchequer Manager is required should be clarified in respect of account aggregation and consistently adhered to.		Low	Exchequer Manager / Revenues and Recovery Manager	I will ensure that all authorisations in the future include any aggregated accounts that are above the threshold.	Immediate

* 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.