



Shared Audit Service

Internal Audit Report Council Tax & Non Domestic Rates 2012/13 Report ref: C3/7

Report Issued

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1 Background

- 1.1 Council Tax and Non Domestic Rates (NDR) form part of the Authority's major financial systems and as such are audited annually. This audit has been undertaken as part of the annual audit plan for 2012/13. The previous audit, report reference C2/12, awarded the function a good level of assurance and made 11 recommendations.
- 1.2 The percentage of Council Tax collected in 2012/13 is 97.45% compared with 98.75% in 2011/12. The target for 2012/13 was 98.00%. The percentage of NDR collected in 2012/13 is 96.92% compared with 98.23% in 2011/12. The target for 2012/13 was 98.00%. Audit testing involved the use of IDEA, a data analysis tool. IDEA identified that the favoured payment method for domestic taxpayers was direct debit (50.68%) and cheque for commercial taxpayers (57.58%).
- 1.3 Internal Audit, as an assurance function, provides an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the Council's objectives. Internal Audit therefore objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.4 As part of this review, Internal Audit undertook a walkthrough of the system, which has identified the following key controls.

KC1: The function is operated in accordance with statutory requirements, with up to date documented procedures in place, and affords an adequate separation of duties

KC2: New and amended properties are identified promptly, amendments to the Valuation List correctly and promptly processed, and the system control totals regularly reconciled to the Valuation Office listings.

KC3: System parameters are correctly set, and created & maintained by authorised personnel only.

KC4: Billing transactions are correctly calculated

KC5: Demand notices are issued by mid March each year

KC6: There is correct and prompt processing of claims for discount, exemption or relief.

KC7: Convenient methods of payment are made available and rejected payments identified, recorded and actioned promptly

KC8: Systems have been established to regularly monitor collection performance

KC9: All refunds are properly recorded, supported by adequate documentary evidence and appropriately authorised

KC10: Non payers and missed payments are followed up promptly and appropriate action taken

2 Audit Scope

- 2.1 The scope of the audit involved the review of full system controls by undertaking compliance testing on a random sample of accounts throughout the year.
- 2.2 Recommendations from the previous year's audit, as listed below, were also reviewed as part of this audit.

R1: Full procedure notes should continue to be documented and appropriately stored so as to enable access to relevant officers as necessary.

R2: All property information reports received regarding commencements should be promptly reviewed, records updated and the date reports actioned recorded.

R3: The stage that building work has reached should be clearly recorded.

R4: System amendments to domestic accounts as per instruction from the VO should also record the corresponding VO schedule number and the schedule date.

R5: Evidence of NDR system reconciliation with VO records at the time of annual billing should be retained

R6: Documentation evidencing complete sample checking of annual bills should be retained and accessible

R7: Documented evidence should be retained to confirm: a) the date that annual NDR bills are posted; and b) that the number of NDR annual bills produced reconcile to the number posted

R8: Consideration should be given to assessing the frequency and method of review of each category of discount or exemption in terms of value for money, and once completed, a timetable produced based on the findings so that reviews are subsequently undertaken in accordance with this timetable

R9: System produced suppression reports should be regularly run and reviewed by an independent officer

R10: It should be ensured that access is appropriately restricted to prevent users from accessing their own accounts and those of close family

R11: The BCP should be regularly reviewed, tested, documentation updated where necessary and communicated to relevant staff. The document should be appropriately stored and provide for an off site location

3 Audit Opinion

3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
Significant Level of Assurance	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good Level of Assurance	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial Level of Assurance	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 Based on this report's findings, Internal Audit have, on balance, given a Good Level of Assurance on the Internal Control Framework within the function at the present time.
- 3.3 Of the ten key control areas reviewed, six are being fully met, KC's3-5 and 7-9 listed in paragraph 1.4 above. The remaining key controls are being partly met, the key risks for which are described in section 4 below. Improvements have been made in key control areas KC2 and KC4, given the implementation of four of the previous report's eleven recommendations; R4-R7 listed in paragraph 2.2 above.
- 3.4 Eight recommendations have been made in total; six in four key control areas and the remaining two relating to business continuity planning and system security, now audited separately but included here given recommendations made in the previous audit and included for completeness.

4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows:

Priority 1 – These relate to significant gaps in the Internal Control Framework

Priority 2 – These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 – These relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible & Implementation Date
KCO1: The function is operated in accordance with statutory requirements, with up to date documented procedures in place, and affords an adequate separation of duties.				
1	The 2013/14 National Non Domestic Rates Return (NNDR1) required certification by the Authority's Chief Financial Officer and submission to the Department for Communities and Local Government by 31/01/13. Although officers confirmed that the return had been appropriately dealt with, independent verification was not possible as an unsigned version of the return had been retained and there was no evidence of the date of the return's submission.	A calculation may be imposed by the Secretary of State for failure to comply with legislative timescales	R1: (Priority 3) A signed version of the NDR1 return and proof of the date of submission should be retained in future for evidence should submission be disputed Management Response: Agreed	Revenues, Benefits and Customer Services Manager 16/11/13
2	The 2010/11 audit recommended that full procedure notes should be documented and appropriately stored so as to enable access by relevant officers as necessary, given the availability of limited notes at that time. The 2011/12 audit found that the recommendation had not been fully implemented and recommended the continuing production and documentation of procedure notes. The current audit identified progress in some areas yet still an absence of appropriate documentation in others. Some notes were also stored on a personal drive.	In the event of unexpected staff absence, replacement staff would be unaware of the exact tasks required as well as the reasons for them, potentially incurring errors.	R2: (Priority 2) Fully comprehensive, documented procedure notes should be completed and centrally stored so as to enable access by relevant officers as necessary. Management Response: Agreed	Revenues, Benefits and Customer Services Manager 16/11/13

Ref	Findings	Risk	Recommendation and Management Response	Officer Responsible & Implementation Date
KCO2: New and amended properties are identified promptly				
3	The previous audit identified one case where a record of a building commencement, from a set of property reports issued by Building Control, that should have assisted in ensuring monitoring was carried out, had not been made by the Property Inspector one month later although the officer had confirmed his awareness of the property. A recommendation was made for prompt review of property reports, record update and the recording of the date on which reports are actioned. This would provide a clear picture of the latest position in the event of this officer's absence. No recorded evidence was apparent to enable determination of the promptness with which property reports had been actioned.	Incomplete records preventing the monitoring of the build and the issue of a completion notice	R3: (Priority 2) All property information reports received regarding commencements should be promptly reviewed, records updated and the date reports actioned recorded. Management Response: Agreed	Revenues, Benefits and Customer Services Manager. 16/11/13
4	In relation to point 3 above, the previous audit found that full details regarding the stage that building works had reached were not recorded and a recommendation made to this effect. The current audit found recording details to be unchanged. A list of completion notices was evident although in the absence of fully recorded details it was not possible to determine whether these notices had been issued within appropriate timescales.	Subsequent inspections cannot be timetabled accordingly and completion notice promptly issued.	R4: (Priority 2) Full details of the stage that building work has reached should be clearly recorded. Management Response: Agreed	Revenues, Benefits and Customer Services Manager. 16/11/13

Ref	Findings	Risk	Recommendation and Management Response	Officer Responsible & Implementation Date
KCO6: There is correct and prompt processing of claims for discount and/or exemption				
5	<p>One sampled account was found to have been awarded the higher job related second home job discount of 50% and although there was a council tax bill evidencing the main residence, nothing further verified that the second home was in fact job related. Enquiries found that employer details are not sought in order to enable verification. Another account had been awarded second home discount of 10% and in addition to main residence evidence, a note on the account requested an inspection to verify the property being empty although no details of the results of this check had been recorded. Given that from 2013/14 all second homes will be charged at 100% a recommendation for verification is not considered applicable although the audit opinion reflects these findings.</p>	Loss of income to the Authority from potentially fraudulently claimed discounts	N/A	N/A
6	<p>In verifying continued entitlement to discounts and exemptions, the 2010/11 audit found that the Property Inspector was undertaking reviews in conjunction with his quarterly inspection of void properties. However, the frequency and method of review for each category had not been evaluated. A recommendation was therefore made for such an evaluation in terms of value for money, and once completed, a timetable produced based on the findings so that reviews could be undertaken in accordance with this timetable. The 2011/12 audit found this to be ongoing. The current audit found that the frequency of reviews had been redetermined in line with the changes to certain categories of exemption although noted an absence of review of NDR relief due to limited resources. There is a need to re-focus resources in the light of the new arrangements and previous Management decisions to reduce resources.</p>	Loss of income to the Authority where any rate reduction has not been reviewed and changes in circumstance not notified by the taxpayer	<p>R5: (Priority 2) Consideration should be given to assessing the frequency and method of review of each category of rate reduction in terms of value for money where these are not currently carried out, and once completed, a timetable produced based on the findings so that reviews are subsequently undertaken in accordance with this timetable. Management Response: Agreed</p>	<p>Revenues, Benefits and Customer Services Manager. 16/11/13</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible & Implementation Date
KC10: Non payers and missed payments are followed up promptly and appropriate action taken				
7	The 2010/11 audit recommended that system produced suppression reports should be regularly run and reviewed by an independent officer. The 2011/12 audit found that spot checks by the Revenues, Benefits & Customer Services Manager had proved difficult to implement due to a higher priority workload. The aforementioned officer stated during the current audit that she occasionally checks that reports have been run and their content. It is recognised that resources are limited, however , as it is mainly the same officer suppressing accounts as who produces the suppression reports, the absence of a regular independent review means that the risk is increased.	Accounts may be suppressed for personal gain and go undetected.	R6: (Priority 2) System produced suppression reports should be regularly reviewed by an independent officer. Management Response: Agreed	Revenues, Benefits and Customer Services Manager. 16/11/13

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible & Implementation Date
The following findings relate to areas now audited separately, however, they are included here for completeness given recommendations made in the previous audit.				
8	The previous audit found that the system can be set so as to prevent a user from accessing their own account following the completion of a register of interest form. It was understood however that this practice was not active at that time due to resource issues. A recommendation for appropriate access restriction was made which the current audit found had not yet been implemented although had been discussed with the appropriate team and was planned for actioning by the end of the first quarter of 2013/14.	Accounts may be amended for personal gain	R7: (Priority 2) The planned access restrictions to prevent users from accessing their own accounts and those of close family should be progressed Management Response: Agreed	Revenues, Benefits and Customer Services Manager. 16/08/13
9	The previous audit found that business continuity planning (BCP) documentation had not been updated following review and testing not carried out and a recommendation made to this effect. The current audit found that elements had been tested but the team not fully trained. Emergency Planning is to be reviewed corporately and training anticipated before the end of May 2013.	Ineffective plan potentially leading to loss of data	R8: (Priority 2) The BCP should be regularly reviewed, tested, documentation updated where necessary and communicated to relevant staff. Management Response: Agreed	Revenues, Benefits and Customer Services Manager. 16/11/13

The use of IDEA during the audit also enabled analysis of full Council Tax and NDR data to establish any duplication. Detailed results will be provided direct to Management for further investigation which included 2 single person discount accounts at the same property, and one single person discount account with 2 named occupants.

The agreed actions will be subject to a follow up review to establish whether they have been implemented as part of the quarterly performance monitoring clinic.

Any queries regarding this report or requests for further information should be directed to Internal Audit on 706360 or on 01423 556116.

Internal Audit would like to thank the officers involved for their assistance during this audit.