



## Agenda Item 5ai

### Shared Audit Service

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# Internal Audit Report Council Tax & Non Domestic Rates 2014/15 Report ref: C5/12

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Report Issued

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### Auditor:

J. Fearn

### Distribution:

Name	Job Title
P. Shevlin	Chief Executive
D. Davies	Customer Services and Revenues & Benefits Manager
N. Chick	Strategic Manager – Financial Services (Section 151 Officer)

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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 2014/15. The previous audit, report reference C4/9, awarded the function a Good Level of Assurance and made 5 recommendations.
- 1.2 The percentage of Council Tax collected in 2014/15 stands at 98.73% compared with 98.71% in 2013/14. The percentage of NDR collected in 2014/15 is 98.57% compared with 98.27% in 2013/14.
- 1.3 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 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 up to date documented procedures
  - KC2 New and amended properties are identified promptly
  - KC3 Billing transactions are correctly calculated.
  - KC4 Demand notices are issued by mid March each year
  - KC5 There is correct and prompt processing of claims for discount, exemption or relief
  - KC6 Non payers and missed payments are followed up promptly

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## 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: All procedure notes relating to the recovery process should be made available electronically and centrally stored. Progress as to the documentation of a complete set of up to date procedure notes should continue.

R2: The new operating process surrounding the identification of new property should be consistently applied

R3: Reviews of single person discounts, postponed in 2013/14, should be rescheduled

R4: Once all the Register of Interest forms have been received from staff, the planned system access restrictions should be progressed.

R5: Arrangements should be made for the regular testing of the BCP

### 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 six key control areas reviewed, 3 are being fully met, ie. KC's 3, 4 and 6 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 recognised given the implementation of 2 of the previous report's five recommendations; R2 and R3 listed in paragraph 2.2 above. For clarification purposes it should be noted that the issues surrounding new property, identified under KCO2 in this year, resulting in a recommendation at R2, are timing related as opposed to a variety of issues identified in the previous year resulting in a recommendation for the consistent application of the new property operating procedures. Hence the reference in this report to the implementation of the previous year's R2 recommendation relating to KCO2, yet this key control being referred to as being only partially met based on this year's findings.
- 3.4 Five recommendations have been made in total; 3 in 3 separate key control areas and the remaining 2 relating to system security and business continuity planning, now audited separately but included here given recommendations made in the previous audit and included for completeness.
- 3.5 Although not yet fully complete, additional procedure notes were found to have been produced since the time of the last audit. Improvements were also noted in the area of property inspections.

## 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
<b>KCO1: The function is operated in accordance with up to date documented procedures.</b>				
1	Limited resources were found to have been a reason for there not yet being a full set of electronic, centrally stored and up to date procedure notes. As a result the previous report's recommendation is being restated.	In the event of unexpected staff absence, substitute officers would be unaware of exact tasks required, as well as reasons for them, potentially leading to errors.	<p><b>R1: Priority 2</b> All procedure notes relating to the recovery process should be made available electronically and centrally stored. Progress as to the documentation of a complete set of up to date procedure notes should continue.</p> <p><b>Management Comment:</b> This work will continue as time allows – in reality it will always be a work in progress</p>	<p>Revenues, Benefits and Customer Services Manager</p> <p>24/10/15</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible & Implementation Date
<b>KCO2: New and amended properties are identified promptly</b>				
2	<p>One new build was found to have not been picked up for inspection from the Building Control report of commencements received some 9 months earlier. A second was noted as due for an upcoming inspection although was first notified in excess of 7 months earlier. Two new builds, noted as inspected during the previous year's audit, were found to have not had the necessary further inspections when reviewed during this audit.</p>	<p>Delays in income due arising from late billing</p>	<p><b>R2: Priority 2</b>  Property inspections should be more timely  <b>Management Comment:</b>  Systems are still being refined and improvements noted; further work will be carried out with the Inspector</p>	<p>Revenues, Benefits and Customer Services Manager   24/10/15</p>
<b>KCO5: There is correct and prompt processing of claims for discount, exemption or relief</b>				
3	<p>An anticipated review of holiday lets in receipt of small business rate relief (SBRR) had not been fully carried out from last year due to difficulties encountered in identifying and marrying up the holiday let and SBRR data sets.</p>	<p>Potential lost income and payment of landfill tax from holiday let property owners claiming SBRR not having informed Trade Waste and having waste collected as a domestic property rather than a business property at business prices, should they choose CDC's Trade Waste collection service.</p>	<p><b>R3: Priority 2</b>  Reviews of holiday lets granted small business rate relief should progress  <b>Management Comment:</b>  Again this work is underway, it is just that progress is slow. The work will continue and results so far have been worthwhile</p>	<p>Revenues, Benefits and Customer Services Manager   24/10/15</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible & Implementation Date
<b>Findings not related to key controls but for which there has been a previously reported recommendation</b>				
4	<p>The previous year's audit had found that the recommendation, originally made in 2011/12, for access restrictions to be progressed in order to prevent users from accessing their own accounts and those of close family, had not yet been actioned due to delays in the return of the Register of Interest forms by staff. The current audit found that through comparison to the system, 1 of the 12 accounts listed on the sampled forms, had not had the expected restriction applied.</p> <p>Additionally it was found that guidance on declaring an interest referred to the provision of information about friends or relatives only and did not refer to the provision of address information from those staff living in the District who also have access to the system</p>	Accounts may be amended for personal gain	<p><b>R4: Priority 2</b> Arrangements should be made to identify those staff with access to the system, living, and/or, having a business interest in the District, so that system restrictions can be applied to prevent access to their own account(s). <b>Management Comment:</b> Agreed and underway</p>	<p>Revenues, Benefits and Customer Services Manager</p> <p>24/10/15</p>
5	<p>The previous report's recommendation for the testing of the Business Continuity Plan (BCP) had not been carried out due to assistance being required from IT which could not be provided due to resource issues</p>	Potential data loss	<p><b>R5: Priority 2</b> Arrangements should be made for the regular testing of the BCP <b>Management Comment:</b> Work is being done in this area corporately and a review of BCPs should be complete by the end of the year.</p>	<p>Revenues, Benefits and Customer Services Manager</p> <p>24/12/15</p>

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