

Dacorum Borough Council



Internal Audit Report
Council Tax
January 2020

FINAL REPORT



Contents

- 01 Introduction
- 02 Background
- 03 Key Findings
- 04 Areas for Further Improvement and Action Plan

Appendices

- A1 Audit Information
- A2 Risk and Control Matrix
- A3 Statement of Responsibility

If you should wish to discuss any aspect of this report, please contact Sarah Knowles, Senior Manager, sarah.knowles@mazars.co.uk or Peter Cudlip, Partner, peter.cudlip@mazars.co.uk

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Council Tax. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

Council Tax is a system of local taxation by local authorities. It is a tax on domestic property. Council Tax and is paid by everyone in the UK that is over 18 and owns, or is renting, their own house. There are some instances where reductions or exemptions of the council tax can occur and these are based on nationally set criteria. All homes are given a council tax valuation band by the Valuation Office Agency (VOA), each band has a different amount of council tax that is charged and it is the local authority's responsibility for the collection of Council Tax.

We engaged with a number of staff members during the review and are grateful for their assistance during the course of the audit.

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A1, whilst further analysis of the control environment over Council Tax is shown in Appendix A2.

The report summarises the results of our internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

02 Background

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Council Tax, and provide guidance on how to improve the current controls going forward.



The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Council Tax Transactions and Records, Valuation and Tax Setting, Discounts, Exemptions, Allowances and Premiums, Billing, Receipts from Tax Payers and Refunds, Receipt from Tax Payers and Refunds, Suspense Account, Recovery and Enforcement, Write-off, Management of Collection Rates, and Follow Up of Previous Audit Recommendations.

03 Key Findings

Our assessment in terms of the design, and compliance with, the system of internal control is set out below:

Adequacy of System Design	Effectiveness of Operating Controls
 Good Assurance	 Good Assurance

Main Findings
<p>We did not raise any recommendations as a result of this audit.</p> <p>In our previous audit report, one recommendation was raised. This has been fully implemented.</p>

Priority	Number of recommendations
1 (Fundamental)	0
2 (Significant)	0
3 (Housekeeping)	0
TOTAL	0

Examples of areas of strength
<ul style="list-style-type: none"> Up-to-date policies and procedures are available for all staff to access via the Council's SharePoint site. The Council completes daily reconciliations of Council Tax payments received in Agresso against the Northgate system. For a sample of properties, all were confirmed as being set up on the Northgate system with the correct charge in accordance with data provided by the Valuation Office. For a sample of discounts, exemptions, allowances and premiums, all were applied where applicants met the set criteria. They were also applied accurately and in timely manner. Council Tax payers were billed in a timely and accurate manner. For a sample of refunds made, they were all valid and appropriately authorised. The suspense account is monitored on a regular basis and identified items correctly posted in a timely manner. For a sample of accounts with outstanding debts, recovery action was undertaken in line with procedures and legislation. For a sample of debts written-off, they were all valid, appropriately authorised and accurately processed on the Northgate system. Collection Rates are monitored on a quarterly basis and reported to the Assistant Director.

Risk Management

The key organisational risks most relevant to Council Tax are as follows:

- Funding and income is not sufficient to deliver the Council's Corporate objectives (*SR1, Strategic Risk Register December 2018*)
- The impact of Universal Credit roll out leading to increased arrears, debt and homelessness (*included in SR5, Strategic Risk Register December 2018*)

A suggested risk and control matrix for Council Tax is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage Council Tax and to illustrate where issues identified in the audit report will strengthen existing controls.

Value for Money

The Council is responsible for ensuring that value for money in the use of resources is achieved. The monitoring and assessment of quality helps ensure consistency for customers.

It is our opinion that the controls in place which monitor quality control and enable segregation of duties are working effectively to encourage improvements in the effectiveness and efficiency of processing Council Tax.

04 Areas for Further Improvement and Action Plan

No recommendations were raised as a result of this audit.

A1 Audit Information

Audit Control Schedule	
Client contacts:	Anna Elliot – Revenues Team Leader Jake Seabourne – Systems Development Officer Chris Baker – Group Manager (Revenues, Benefits & Fraud) Nigel Howcutt – Assistant Director (Finance and Resources) James Deane – Corporate Director (Finance and Operations) (Final Report only) Sally Marshall – Chief Executive (Final Report only)
Internal Audit Team:	Peter Cudlip, Partner Sarah Knowles, Senior Audit Manager Mark Lunn, Audit Manager Kanta Patel and Thushika Jegathasan, Auditors
Work commenced	14 th November 2019
Finish on Site \ Exit Meeting:	18 th November 2019
Draft report issued:	31 st December 2019
Management responses received:	2 nd January 2020
Final report issued:	15 th January 2020

Scope and Objectives

The overall objective of this audit was to provide assurance that the systems of control in respect of Council Tax, with regards to the areas set out below are adequate and are being consistently applied.

Policies, Procedures and Legislation: Policies and procedures are in place to minimise the risk of non-compliance with legislative and management requirements and ensure that Council Tax functions are undertaken in an economic, effective and efficient manner.

Council Tax Transactions and Records: Reliability, integrity, confidentiality and security of the Council Tax system and taxpayer records is maintained through the reliable operation of the system and its interface with the main accounting systems. Council Tax records agree to the Council's main financial accounts and also to the bank account.

Valuation and Tax Setting: All relevant properties are set up on the Council Tax system with the correct charge, in accordance with data provided by the Valuation Office. New and structurally altered dwellings are notified to the Valuation Office Agency (VOA) promptly so that chargeable dwellings are included on the VOA valuation listing in a complete, accurate, valid and timely manner, and that these are also recorded on the Council Tax system in accordance with legislative requirements. Chargeable amounts for each banding are correctly set up on the system in accordance with the approved rates

Discounts, Exemptions, Allowances and Premiums: Discounts, exemptions and allowances are only applied where applicants meet the set criteria, and they are applied promptly and accurately. Premiums on empty and unfurnished properties are applied promptly and accurately. Periodic reviews are undertaken to identify any taxpayers no longer meeting the criteria of the discounts/exemptions/allowances and actions are taken promptly to withdraw the reliefs where appropriate.

Billing: Accurate rate of Council Tax is raised against all properties based on the property banding. All Council Tax payers are billed in a timely and accurate manner in order to help ensure timely receipt.

Receipts from the Tax Payers and Refunds: All income due from tax payers has been received and recorded accurately. Only valid and authorised refunds are made. Refunds on closed credit accounts are made in a timely manner.

Suspense Account: Any unidentified receipts are coded to the suspense account. These are then investigated and correctly posted in a timely manner so as to avoid inappropriate recovery action.

Recovery and Enforcement: The Council promptly identifies all accounts where the amount due is not received, and for each outstanding debt, recovery action is undertaken in a prompt, consistent and effective manner.

Write-off: Debts are only written-off after all investigation and appropriate recovery actions have been exhausted. Write-offs are accurate and are processed in accordance with the Council's Financial Regulations.

Management of Collection Rates: Collection targets are met and management are provided with sufficient, accurate and timely information on debt collection rates to allow for effective decision making

Testing was performed on a sample basis and, as a result, our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Good Assurance:	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial Assurance:	Whilst there is a basic sound system of internal control design, there are weaknesses in design, which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses, which put some of the system objectives at risk.
Limited Assurance:	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Definitions of Recommendations	
Priority	Description
Priority 1 (Fundamental)	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
Priority 2 (Significant)	Recommendations, which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3 (Housekeeping)	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

A2 Risk & Control Matrix

Area: Policies, Procedures and Legislation

				Ineffective, inefficient and/or out date working practices	01.01	01.02	Linked Issues
				Significance	H	H	
				Current Exposure	A	A	
				Future Exposure	A	A	
01	Policies, Procedures and Legislation						
Existing Controls							
01.01	Regularly updated policies and procedures are in place		E		H	H	
01.02	Policies and Procedures are easily accessible to staff		E		H	M	

Area: Council Tax Transactions and Records

				Inaccurate information held on the system	02.01	Linked Issues
				Significance	H	
				Current Exposure	A	
				Future Exposure	A	
02	Council Tax Transactions and Records					
Existing Controls						
02.01	Daily reconciliation between Agresso and Northgate		E		H	
02.02	Monthly Reconciliation between finance system and bank account		E		H	

Area: Valuation and Tax Setting

				03.01 Inaccurate property value information held on the system		03.02 Loss of income from new properties		Linked Issues
				Significance	H	H		
				Current Exposure	A	A		
				Future Exposure	A	A		
03	Valuation and Tax Setting							
Existing Controls								
03.01	Weekly reconciliation of VOA data and Northgate system		E		H	H		
03.02	Department proactively informs VOA of new properties		E		M	H		

Area: Discounts, Exemptions, Allowances and Premiums

				04.01	04.02	04.03	04.04	04.05
				Discounts/exemptions/allowances are invalidly awarded	Premiums are invalidly calculated and attached	Council tax discounts/exemptions/premiums not awarded and processed in timely manner	Awarded council tax discounts/exemptions not reflected on the system	Incorrect discounts/exemptions/allowances are awarded
		Significance		H	H	H	H	H
		Current Exposure		A	A	A	A	A
		Future Exposure		A	A	A	A	A
04	Discounts, Exemptions, Allowances and Premiums							
Existing Controls								
04.01	Set criteria for each exemption/discount		E	H				H
04.02	An application form was completed and retained on file		E	H				H
04.03	Applications are processed in a timely manner		E			H	H	
04.04	A review timetable is in place which is adhered to		E					M
04.06	Premium accurately applied to the account		E		H		H	

Area: Billing

				Inaccurate/incomplete billing	05.01	05.02	Linked Issues
				Significance	H	H	
				Current Exposure	A	A	
				Future Exposure	A	A	
05	Billing						
Existing Controls							
05.01	Billings timetable in place		E		M	M	
05.02	Bills are sent out 14 days prior to charges going live		E		H	H	
05.03	A reconciliation of actual letters sent and letters meant to be sent		E		H		

Area: Receipts from the Tax Payers and Refunds

				06.01 Income is not recorded	06.02 Invalid/inaccurate refunds are made	06.03 Untimely processing of refunds	Linked Issues
		Significance		H	H	H	
		Current Exposure		A	A	A	
		Future Exposure		A	A	A	
06	Receipts from the Tax Payers and Refunds						
Existing Controls							
06.01	Daily reconciliation of amounts collected		E	H			
06.02	Segregation of duties maintained		E		M		
06.03	Refunds are processed in a timely manner		E			H	
06.04	Samples check conducted on refunds each month		E		H	M	
06.05	Monthly report of accounts with credit balances		E		M		
06.06	Refunds on closed accounts made in a timely manner		E			H	

Area: Suspense Account

				Inaccurate/inefficient recovery or arrears	07.01	Inaccurate financial data	07.02	Linked Issues
				Significance	H	H		
				Current Exposure	A	A		
				Future Exposure	A	A		
07	Suspense Account							
Existing Controls								
07.01	Suspense Account is Monitored Regularly		E		H	H		

Area: Recovery and Enforcement

				08.01	08.02	
				Outstanding debts remain unpaid	Residents not notified of debt	Linked Issues
		Significance		H	H	
		Current Exposure		A	A	
		Future Exposure		A	A	
08	Recovery and Enforcement					
Existing Controls						
08.01	Debt recovery timetable in place for debt monitoring		E	M	M	
08.02	Stages of recovery are undertaken		E	H	H	

Area: Write-Off

				Invalid write-offs are made 09.01	Inaccurate write offs 09.02	Linked Issues
		Significance		H	H	
		Current Exposure		A	A	
		Future Exposure		A	A	
09	Write-Off					
Existing Controls						
09.01	Write off procedure in place		E	M	M	
09.02	Write off is supported by adequate documentation		E	H	M	
09.03	Debt write offs appropriately authorised		E	H	M	
09.04	Write offs accurately added and approved on Northgate after authorisation from S151 Officer		E	M	M	

Key to Codes

Significance

H	High
L	Low
M	Medium

Exposure

A	Acceptable
L	Limited
U	Unacceptable

Effectiveness

E	Effective
I	Ineffective
P	Partly Effective

A3 Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those, which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.