



Internal Audit

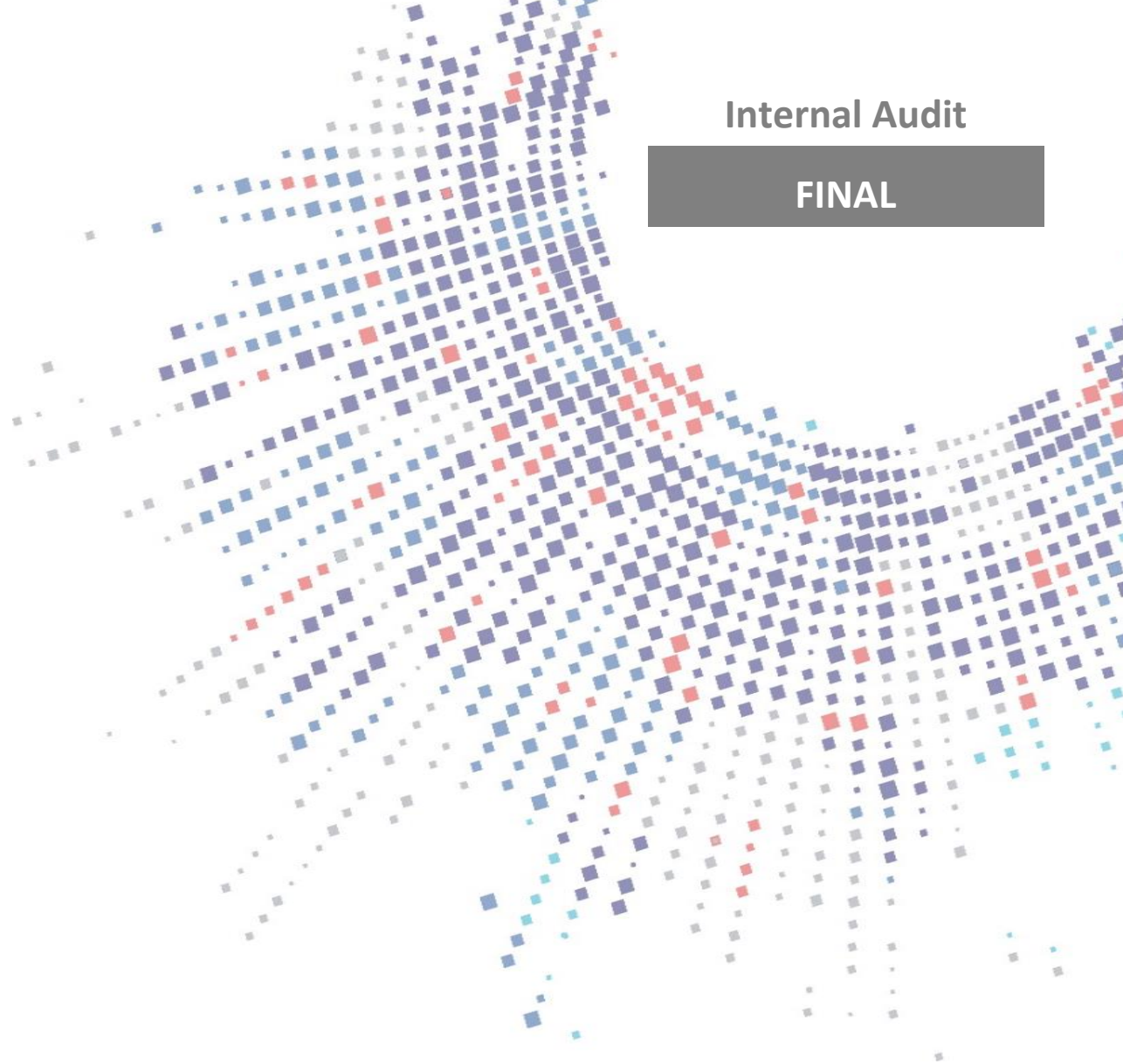
**FINAL**

## Dacorum Borough Council

Assurance Review of Council Tax

**2020/21**

September 2020



## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objective

### SCOPE

The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.

### KEY STRATEGIC FINDINGS



There is a suite of Council Tax procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.



Due to Covid-19:

- the 2020/21 Council Tax collection rate KPI has fallen in comparison to last year; and,
- the regular review of Council Tax discounts/ exemptions is currently on hold.



Regular reviews of the Single Persons Discount, is undertaken by Capacity Grid, who have recently issued the 2019/20 report to the Council.



The Opening Debit reconciliation is performed at year end and not during the annual billing, in line with year-end accounts.

### GOOD PRACTICE IDENTIFIED



The annual billing is underpinned by a timetable which is monitored by both the Systems and Revenues Team.



Regular reviews are undertaken of Council Tax discounts and exemptions, which is based on an in-house risk assessment.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Revenues staff upon commencement of their employment, complete a 'Declaration Form', listing any family or friends who live in the Borough.</p> <p>The Systems team process this information and bar the individual from accessing these accounts on the Northgate Revenues &amp; Benefits system.</p> <p>It was noted that an annual exercise is not conducted and that the onus is on staff to inform the Revenues section of any changes.</p>	It is good practice to complete the declaration forms on an annual basis, preferably at the start of each financial year.	3	<i>All Council officers receive regular training on data protection and so are aware of their personal obligations in respect of not accessing accounts of family/friends. The team acknowledges that a regular review of blocked accounts will add a further level of control within this area, and so will develop a process for ensuring that all users' declarations are reviewed annually. However, this is not a task which will be done early in the financial year, as that is a period of time during which the support team need to focus their resources on more important processes linked to the closure of accounts and completion of Government returns.</i>	<i>Process to be determined and reviews commence by 31/12/20.</i>	<i>Revenues &amp; Benefits Support Team Leader</i>

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were raised during the audit.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Findings



### Directed Risk:


Failure to properly direct the service to ensure compliance with the requirements of the organisation.


Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In Place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in Place	1	-


### Other Findings


- The Revenues section has a suite of procedures for Council Tax which staff can access via the server. The Financial Regulations makes reference to Council Tax by way of collection and debt responsibilities assigned to the Assistant Director.
- The Group Manager (Revenues, Benefits and Fraud) has overall responsibility of Revenues. Day to day management falls to the Revenues Team Leader, who is supported by the Systems Development & Finance Officer Lead along with the Fraud team.
- Each member of the Revenues Team has access to the Northgate Revenues & Benefits system, they are allocated a unique username and password, the system prompts the user to change their password every 90 days.


## Other Findings


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The Strategic Risk Register lists '**SR1- Funding and income is not sufficient to deliver the Council's Corporate Objectives**', which encompasses all income streams including Council Tax and NNDR.
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Weekly reconciliations between the Valuation Office Agency (VoA) listing and the Northgate Revenues & Benefits system is undertaken and evidence of review is noted by way of name and date on the spreadsheet. Review and testing of a sample of weekly reconciliations identified that the reconciliations were performed on a weekly basis and contained evidence of review.
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The annual billing exercise is underpinned by a timetable which captures dates as to when each tasks should be completed by and the responsible officer assigned to each task.
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The Systems team is responsible for uploading the 2020/21 Council Tax bandings on to the Northgate Revenues & Benefits system and performs various checks to ensure the Council Tax calculations are correct for annual billing. In addition to this, 'dummy runs' of a sample of annual bills are sent to the Print Room, which are reconciled to the Print Room reports. To ensure there is no discrepancy between bills raised and printed.
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The Opening Debit Reconciliation is not performed at the time of the annual billing but at year end, in line with the requirements of the Finance Team. The Systems Development & Finance Officer Lead advised that the annual billing report can be produced at any point during the year, if required.
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Information for new properties or changes to properties is provided by various sources, such as the Revenues Inspector, Planning or VoA. As well as receiving information from VoA on property changes, Revenues will also inform the Agency of any changes. Review and testing of a sample of new/ changes to properties identified that the information had been processed in a timely manner on the Northgate Revenues & Benefits system and agreed to the source information.
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Residents can apply for Council Tax discounts/ exemptions, for example, Student discounts, Severely Mental Impairment, Empty Properties. Review and testing of a sample of discounts/ exemptions identified that the appropriate documents/ supporting evidence had been provided by the residents, was accurately captured on the Northgate Revenues & Benefits system and the amended bill reflected the correct discount/ exemption applied to the resident's account.
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The Revenues section undertakes 'regular reviews' of Council Tax discounts/exemptions. A spreadsheet is maintained which lists the different types of discounts/ exemptions which have been risk assessed and assigned a risk rating of 'High/ Medium/Low. Due to Covid-19, the regular reviews have been put on hold and will re-commence in the coming months.

## Other Findings

-  Review and testing of a sample of Council Tax refunds identified that in all cases there was a valid reason for the refund, and where applicable there was also supporting evidence on the document file to support this. All refunds were processed and authorised within Northgate Revenues & Benefits system by relevant officers in accordance with the Council's Scheme of Delegation. .
-  Review and testing of a sample of Council Tax arrears, identified that in all cases the correct debt recovery process had been applied to the resident's account which was captured and noted on the Northgate Revenues & Benefits system.
-  Weekly cash receipting reconciliations are performed by the Systems Team, between Unit 4, the Council's financial ledger, and Northgate Revenues & Benefits system. Review and testing of a sample of weekly cash reconciliations identified that in all cases the reconciliation had been performed in a timely manner and contained evidence of review by way of name and date.
-  The Council Tax suspense account held on the Northgate Revenues & Benefits system, as at July 2020 totalled £ (4177). Review of the suspense account entries revealed that the entries ranged from May 2013 to November 2019. The Systems team maintains an excel workbook for the suspense account entries, which has a worksheet for the last six years, i.e. 2012/13 to 2019/20. The Systems Development Officer revealed that in line with the Council's Data Retention policy only six years of data is held, in any given financial year. The suspense account balance relating to the oldest year is written off to the Revenues Account at the year end.



**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b>	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In Place	-	-
FC	<b>Financial Constraint</b>	The process operates within the agreed financial budget for the year.	N/a	-	-
R	<b>Resilience</b>	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

**Other Findings**



The Council Tax annual collection rate KPI target for 2020/21 is 98.4% and is monitored and reported by the Systems team to the Revenues Team Leader and Group Manager on a monthly basis. As at July 2020, the KPI stood at 37.3%, which was slightly down from the same period last year, 39%, a result of Covid-19.



## Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

- The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	16 <sup>th</sup> July 2020	16 <sup>th</sup> July 2020
<b>Draft Report:</b>	14 <sup>th</sup> September 2020	16 <sup>th</sup> September 2020
<b>Revised Draft Report:</b>	18 <sup>th</sup> September 2020	
<b>Final Report:</b>	22 <sup>nd</sup> September 2020	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Council Tax		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Yasmeen Mehmood & Maisie Allen

<b>Outline scope (per Annual Plan):</b>	Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.		
<b>Detailed scope will consider:</b>	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>			

<b>Planned Start Date:</b>	07/07/2020	<b>Exit Meeting Date:</b>	3rd Sept 2020	<b>Exit Meeting to be held with:</b>	Revenues Team Leader and Group Manager
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N