



Internal Audit

**FINAL**

## Dacorum Borough Council

Assurance Review of Council Tax

**2021/22**

January 2022

## Executive Summary

<p><b>OVERALL ASSESSMENT</b></p>	<p><b>KEY STRATEGIC FINDINGS</b></p>								
 <p>The diagram shows a central green circle labeled 'SUBSTANTIAL ASSURANCE' surrounded by a blue ring with the text 'Adequate &amp; effective governance, risk and control processes'. To the right is a legend with four colored circles: green for 'SUBSTANTIAL ASSURANCE', yellow for 'REASONABLE ASSURANCE', orange for 'LIMITED ASSURANCE', and red for 'NO ASSURANCE'.</p>	<ul style="list-style-type: none"> <li> Sample testing of Discounts, arrears, refunds and write offs, and review of documentary information, identified that robust controls are in place and operating as intended.</li> <li> The Revenues section has encountered a backlog of work due to revenue officers being deployed to assist with the Business Grants, funded by Central Government.</li> <li> Annual review of discounts awarded to Tax Payers could not be performed, primarily, due to Covid. It is anticipated that this exercise will re-commence during the latter part of the 2021/22 financial year.</li> </ul>								
<p><b>ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE</b></p>	<p><b>GOOD PRACTICE IDENTIFIED</b></p>								
<p><b>SR1</b> – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives</p>	<ul style="list-style-type: none"> <li> Council Tax procedures/ guidance are located on a shared drive which can be accessed by the Revenues team.</li> <li> The Revenues &amp; Benefits Support Team upload the annual Council Tax Bandings/ parameters onto Northgate and perform testing prior to the issuance of the annual billing in March.</li> </ul>								
<p><b>SCOPE</b></p>	<p><b>ACTION POINTS</b></p>								
<p>The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.</p>	<table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	0	0
Urgent	Important	Routine	Operational						
0	0	0	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)
There were no recommendations raised during the audit.							

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
There were no Operational Effectiveness Matters 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.	In place	-	-

### Other Findings



The Revenues section has a suite of procedures/ guidance for Council Tax which staff can access via the shared server. The procedures are updated as and when required, usually, when there are changes to legislation/ regulation.



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.



The Benefits and Revenues Support Team performed an extensive staff declaration exercise in April 2021 and it is proposed that annual staff declarations will be performed.



#### Property Valuation Reconciliations

Review and testing of a sample of five weekly reconciliations between the District Valuation Office reports to Northgate system, identified that there is a recurring difference of two properties between both reports. The difference has arisen due to two properties (Band B) which have been duplicated and another property which has been deleted in error by the DVO.

## Other Findings



### **Award of Discounts**

Review and testing of a sample of 19 discounts awarded to Council Tax residents, comprising of Single Persons (five), Severely Mental Impaired (four), Students (five) and Empty Properties (five), identified that in all cases the discount had been applied correctly and supporting evidence was retained on the Tax payer's account to support the discount.



### **Northgate Suspense Account**

Review of Northgate's suspense account, it was noted that there were no balances listed at the time of the audit. Balances have been successfully allocated throughout the year.



### **Refunds**

Review and testing of a sample of 10 Council Tax refunds, identified that in all cases the refunds had been processed correctly, authorised and valid reasons had been noted for the refund.



### **Arrears**

Review and testing of a sample of 10 arrears accounts (Bailiff stage (5) and Summon Stage (5), identified that:

#### ***Bailiffs***

- In two instances, the Tax Payer had an agreed payment plan in place and payments are being made;
- In two instances, the bailiff is still pursuing the Tax Payer for payment ; and
- In one instance, the Tax Payer has applied for 'Breathing Space' (a 60 day period protection against any Creditor action in collecting debt).

#### ***Summons***

- In four instances, the Tax Payer has an agreed payment in place and payments are being made; and
- In one instance, the Tax Payer account is with the Enforcement Agency.



### **Write offs**

Review and testing of a sample of five write offs, it was identified that in all cases the write off had been authorised in accordance with the Council's Scheme of Delegation, appropriate reasons noted for the write off and Northgate updated for the write off.



Weekly cash receipting reconciliations are performed by the Systems Team, between Unit 4, the Council's financial ledger, and Northgate. 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



**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.	In place	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

**Other Findings**



The Revenue Section report on the Council Tax collection KPI, annual target of 98.4%, which is monitored on a monthly basis and reported to the Finance and Resources Overview and Scrutiny Committee on a quarterly basis. Review of the 2021/22 Quarter 2 KPI report, it was noted that the actual outturn of the KPI stood at 56.1% which is slightly higher than the same period last year (55.2%) however below the current target of 57% for the period.



The Council Tax budget forms part of the General Fund and is presented and reported to the Finance and Resources Overview and Scrutiny Committee, as part of the quarterly Management accounts.

Review of the 2021/22 Quarter 2 (1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021) management accounts, reported that the General Fund is forecasting a year end deficit of circa £1m. The report cited the following explanation for the deficit:

*'...a combination of £0.7m that is attributable to the ongoing effects of Covid-19, and £0.3m which is non-Covid related. The Covid pressures of £0.7m can be funded from the Economic Recovery Reserve which was specifically set up for this purpose'.*

## EXPLANATORY INFORMATION

## Appendix A

### Scope and Limitations of the Review

1. 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

2. 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

3. 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

4. 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

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

### Release of Report

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

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	8 <sup>th</sup> September 2021	8 <sup>th</sup> September 2021
<b>Draft Report:</b>	10 <sup>th</sup> December 2021	28 <sup>th</sup> January 2022
<b>Final Report:</b>	28 <sup>th</sup> January 2022	

# 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>	Audit Manager & Auditor

<b>Outline scope (per Annual Plan):</b>	Risk: SR1Rationale: 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>	None		
<b>Exclusions from scope:</b>	None		

<b>Planned Start Date:</b>	25th October 2021	<b>Exit Meeting Date:</b>	16th November 2021	<b>Exit Meeting to be held with:</b>	Revenues Team Leader
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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