



Dacorum Borough Council

Final Internal Audit Report

Council Tax

January 2017

This report has been prepared on the basis of the limitations set out on page 9.

CONFIDENTIAL

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Key Dates:

Date of fieldwork: November 2016
Date of draft report: January 2017
Receipt of responses: January 2017
Date of final report: January 2017

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of Council Tax.

1.2. Audit Objective and Scope

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.

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 Rate Payers and Refunds; Suspense Accounts; Recovery and Enforcement; Write-Offs; and Management of Collection Rates.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the Council Tax found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

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

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the Council Tax are shown in Section 3.

1.4. **Key Findings**

We have raised one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendation raised has been set out below:

- Historic Items in the Suspense Account (Priority 3).

Historic payments allocated to the Council Tax should be investigated and cleared to ensure that all income received by the Council has been correctly allocated, and to contribute to the effectiveness of the debt recovery process.

A recommendation was raised in the 2015/16 Council Tax internal audit report regarding the timeliness of refunds and transfers of credit from closed accounts which had credit balances. Follow up of this recommendation found that processes have been put in place to reduce the time taken for these refunds and transfers to be made. Furthermore, the Revenues and Benefits Team Leader performs a monthly spot check on the timeliness of refunds and transfers. Management should continue to monitor the progress of the refunds project to ensure that the backlog of refund requests is cleared, and all refunds are processed in a timely manner.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

We received the management response in a timely manner and this has been included in the main body of the report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

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 in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

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.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

Policies and procedures are in place to minimise the risk of staff 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 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 Accounts

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-Offs

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.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures & Legislation			
Council Tax Transactions and Records			
Valuation and Tax Setting			
Discounts, Exemptions, Allowances and Premiums			
Billing			
Receipts from Tax Payers and Refunds			
Suspense Accounts			Recommendation 1
Recovery and Enforcement			
Write-Offs			
Management of Collection Rates			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations





Recommendation 1: Historic Items in the Suspense Account (Priority 3)

<p>Recommendation</p> <p>The Northgate system issue should be resolved to enable the historic items in the Northgate suspense account to be written on.</p>
<p>Observation</p> <p>Unidentifiable payments to the Council Tax bank account are allocated to the suspense account. These payments are then investigated, and efforts are made to allocate the payment to the correct account.</p> <p>Examination of the Council Tax suspense account on Northgate found 511 items totalling £11751.90 are being held in the account. The oldest item is over 13 years old, dated 03 Feb 2003 (It should be noted that the amount of this item is £41 and is not significant and this is reflected in the priority of this recommendation). The Systems Development and Finance Lead Officer informed us that these historic items should most likely be written on, but the department has not yet had the resources to complete this task.</p> <p>Where historic items in the suspense account are not allocated, there is a risk of financial loss to the Council where it is unable to fully allocate income received. Furthermore, the effectiveness of debt recovery activities may be compromised.</p>
<p>Responsibility</p> <p>Revenues and Benefits Support Team Leader</p>
<p>Management response / deadline</p> <p>This is mainly an issue of historic records (90% of the items showing as outstanding are over 10 years old), We will work with the software provider to ensure that we are able to clear or allocate items from the suspense account.</p> <p>Deadline: task to be completed by end of December 2017</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		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.
Nil		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.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Anna Elliott - Revenues Team Leader
- Stuart Potton - Revenues and Benefits Support Team Leader
- Chris Baker - Group Manager (Revenues, Benefits and Fraud)
- Teresa Canning - Revenues Lead Officer
- Jake Seabourne - Systems Development and Finance Lead Officer

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

January 2017

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