

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF COUNCIL TAX AUDIT FOR 2014-15**

**Issued to:** John Nightingale, Head of Revenues and Benefits  
Jayne Carpenter, Benefit Manager (Operations)

**Cc:** Peter Turner, Finance Director

**Prepared by:** Principal Auditor

**Date of Issue:** 29<sup>TH</sup> January 2015

**Report No.:** CX/003/02/2014

## REVIEW OF COUNCIL TAX AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of Council Tax Audit. The audit was carried out in quarter 3 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 17/10/14. The period covered by this report is from 01/02/14 to 31/10/14.
4. The planned collectable income in respect of 137,525 properties is forecasted at £170,674,782.58 (net of benefits) for 2014-15. The collection rate for October 2014 was 67.17% a negative variance of 0.03% against target however a match against last year, with £56,214,806 collected.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

## REVIEW OF COUNCIL TAX AUDIT FOR 2014-15

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of a contract being in place, to outline the Service Scope and Delivery Principles. The contract is performance monitored monthly, including the collection rates by bailiffs, post bailiff recovery and bankruptcy and top debt action . The contractor has engaged registered bailiffs to carry out some of the collection works.
8. 1 out of 3 previous recommendations made in the 2013-14 audit in relation to changes to the contract has been implemented. Change control notices are prepared to define the reason and objective of the change to contract and are verified by the contractor and authorised by The Head of Revenues and Benefits. 2 others recommendations associated to recovery action and discounts and exemptions are re-recommended within this report.
9. Audit are awaiting evidence to confirm that recommendations made in the Single Persons Discount [SPD] Review 2014-15 have been implemented.
10. A sample of 30 enforcement cases were reviewed to ensure recovery procedures were followed and supporting evidence of action taken was retained.
11. A sample of 30 accounts showing an exemption / discount were reviewed to confirm reductions were due and were supported by the correct documentation.
12. A sample of 20 refunds to accounts were examined to ensure refunds were authorised and due to payees. There are no issues to raise.
13. The following issues have been identified from audit testing
  - Recovery action is not always in-line with contract arrangements. Accounts sent to bailiffs are not accurately monitored for returns within timescales
  - Discounts and exemptions are not consistently supported by documentary evidence or reviewed as per contract arrangements

## REVIEW OF COUNCIL TAX AUDIT FOR 2014-15

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

14. None

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

15. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### **ACKNOWLEDGEMENT**

16. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Audit selected 5 accounts from the Top Debts and 25 accounts which were marked at enforcement stage. The total council tax arrears over 1 year old is £13,501,760.55 as at the 31/03/14.</p> <p>Issues identified</p> <p>Account 54577967 - The performance report dated October 2014 showed payee was made bankrupt and account with official receiver, however there were no notes on academy to verify this is the case</p> <p>Account 54137035 - The account was passed to the bailiff 10/1/14 and not returned until 17/10/14. A equity trace is now being carried out by the contractor.</p> <p>Account 54210393 - The account was passed to the bailiff 02/12/13 and not returned until 02/10/14 and has now been passed to another bailiff for action.</p>	<p>Delays in recovery action may result in Bromley's ability to recover income owed.</p>	<p><b>Recovery Action should take place promptly as per SLA and procedures and records kept of all recovery action.</b> [Priority 2*]</p> <p><b>Ensure accounts sent to each bailiff are accurately monitored to ensure these are returned within agreed timescales</b> [Priority 2]</p>
2	<p>In 7 out of 30 instances there was no documentation to validate council tax payers discounts / exemption were due</p> <p>Account 50796374 - one resident form completed 17/4/08 however no evidence of SPD returns beyond this date</p> <p>Account 50624977 - SPD declaration signed 15/7/10 however no evidence of - SPD form returns beyond this date</p> <p>Account 50122259 - one resident form completed 25/3/11</p>	<p>Potential loss of Council Tax income</p>	<p><b>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements</b> [Priority 2*]</p> <p><b>Ensure property</b></p>

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>however no evidence of SPD returns beyond this date                      Account 50902278 - SPD form signed as declared 28/8/09                      however no evidence of SPD returns beyond this date                      Account 50904315 - Person residing disabled charged at band E. Letter on system to confirm circumstances remain the same dated 6/1/12 no further documentation                      Account 5072128 - Occupier with Carers Discount as suffers with Severe Mental Impairment declaration dated 17/1/12 no further documentation                      Account 5044013 - A person who has a disability is residing in the property, charged at B and F - Council tax application for a disabled persons discount declaration made 18/6/13 no further documentation</p> <p>Account 5121486 - Class E exemption [resident residing in care home] Declaration form signed 26/1/12                      Contract staff confirmed that exemption applied to a property as long as circumstances do not change. No follow-on review has been carried out and no property inspection has been undertaken</p>		<p><b>inspections are carried out on all properties deemed to be empty including premises where residents move into care homes.                      [Priority 2]</b></p>
3	<p>No evidence has been produced to confirm that recommendations made in the Single Persons Discount [SPD]</p>	<p>Potential loss of income</p>	<p><b>Ensure evidence is produced to confirm that</b></p>

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	Review 2014-15 have been implemented.		<b>recommendations made in the Single Persons Discount [SPD] Review 2014-15 have been implemented [Priority 2]</b>

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Recovery Action should take place promptly as per SLA and procedures and records kept of all recovery action.</p> <p>Ensure accounts sent to each bailiff are accurately monitored to ensure these are returned within agreed timescales</p>	<p>2*</p> <p>2</p>	<p>Agreed. Monitoring is undertaken measuring timeliness of recovery action, with shortcomings drawn to the attention of the contractor. However, it is not possible to fully automate the processes and given the number of accounts 100% compliance is unlikely to be achieved. However, available monitoring resources will be directed to this area.</p>	Head of Revenues and Benefits	Ongoing
2	<p>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements</p> <p>Ensure property inspections are carried out on all properties deemed to be empty including</p>	<p>2*</p> <p>2</p>	<p>Agreed. In the near future applications for discounts and exemptions will be via the portal, new procedures being drafted for this purpose. The requirement will be emphasised in the procedures</p> <p>Agreed. The requirement will be highlighted at next service review</p>	<p>Head of Revenues and Benefits</p> <p>Head of Revenues and Benefits</p>	<p>May 2015</p> <p>May 2015</p>

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	premises where residents move into care homes.				
3	Ensure evidence is produced to confirm that recommendations made in the Single Persons Discount [SPD] Review 2014-15 have been implemented	2	Working arrangements have been changed so that only a “select” number of staff deal with this area of work. Clear guidance has been given to these officers. Note will be included with demands forming part of 2015/16 main billing targeted at any households that may have not received full SPD entitlement. Course of action agreed with originator of complaint and Director of Finance.	Head of Revenues and Benefits	March 2015

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.