

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF COUNCIL TAX AUDIT FOR 2015-16

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REVIEW OF COUNCIL TAX AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Council Tax Audit. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2015-16 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 17/08/15. The period covered by this report is from 01/02/15 to 31/10/15.
4. The target collection rate for 2015/16 is 97.70%. The collection rate for September 2015 was 58.33%, a positive variance of 0.46% against last year and a positive variance of 0.43% against target.

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.

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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. The following areas were tested:
 - 25 write offs to ensure procedures were followed and supporting evidence of action taken was retained
 - 47 accounts showing an exemption / discount to confirm reductions were due and were supported by the correct documentation (including SPDs)
 - 10 recovery cases to ensure recovery procedures were followed and supporting evidence of action taken was retained
 - 20 refunds to ensure they were authorised and due to payees
9. The following issues have been identified from testing:
 - Discounts and exemptions are not consistently supported by documentary evidence
 - Recovery action is not always in line with contract arrangements and records are not always kept of all actions
 - Unallocated balances from prior years are still showing in the suspense account
10. It is acknowledged there was a recent investigation (December 2015) into a resident incorrectly claiming SPD. The resident completed an online moving form and confirmed he was the sole occupier. According to the Contractor's SPD procedures, dated 27 May 2015, the discount can be applied to the account without a completed application form as long as necessary evidence has been provided by the taxpayer. It was later found that the taxpayer was not entitled to SPD and the discount has since been clawed back. The recommendation following the investigation is that no SPD should be awarded when liability is assumed by the incoming occupant unless specifically requested by them and supported by a signed application. It is now with the Service to assess the need for change in the application of SPDs.

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SIGNIFICANT FINDINGS (PRIORITY 1)

11. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. 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

13. 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>Discounts and Exemptions In two out of 47 instances there was insufficient evidence to validate council taxpayers' discounts / exemptions.</p> <p><u>Account 1</u> – although this was a special individual case reviewed by the Client, no valid student certificate has been received since the 25% discount was granted on 21/09/15. Discounts / exemptions should only be granted on submission of suitable evidence.</p> <p><u>Account 2</u> – SPD has been granted to the taxpayer on receipt of a memo based on a call from the client. No online form or confirmation in writing has been received by the taxpayer.</p> <p><u>Account 3</u> – SPD was granted to a taxpayer who completed an online moving form and confirmed he was the sole occupier. It was later found that the taxpayer was not entitled to SPD and the discount has since been clawed back. The recommendation following the investigation into this case is that no SPD should be awarded when liability is assumed by the incoming occupant unless specifically requested by them and supported by a signed application.</p>	<p>Potential loss of Council Tax income</p>	<p>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements. [Priority 2*]</p> <p>Ensure the Service assesses the need for change in the application of SPDs [Priority 2]</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
2	<p>Recovery and Enforcement Audit selected five accounts from the Top Debts and five accounts which were marked at enforcement stage.</p> <p>Account 4 – at the time of testing, the last account note was dated 11.06.15 relating to the Prelist June 15. The contractor has confirmed that this account will be part of the 100 cases to be sent to a solicitor who will send a letter to chase the debt. Audit acknowledge that a note has since been added to the account dated 22.01.16 (six months after the last note).</p>	<p>Delays in recovery action may result in Bromley’s inability to recover income owed</p>	<p>Recovery action should take place promptly as per SLA and records kept of all recovery action. [Priority 2*]</p>
3	<p>Accounting Systems Reconciliations Suspense account 52953080 holds an unallocated balance of -£1,184.84 from prior years (as far back as 2009/10) and - £797.79 for this year. The Contractor confirmed that the account is not updated unless missing or unallocated payments are identified and there is no time limit on how long balances remain unallocated.</p>	<p>Delays in reviewing and reallocating transactions posted to suspense may result in inaccuracies in the Council’s accounts and possible reputational risk</p>	<p>Ensure balances in the suspense account relating to prior years are cleared. [Priority 2*]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements</p> <p>Ensure the Service assesses the need for change in the application of SPDs</p>	<p>2*</p> <p>2</p>	<p>In respect of the 3 cases cited, I believe there to be legitimate reasons for SPD to be in place where usual documentation not on Council Tax file.</p> <p>Account 1 – Client involvement on case through surgery work with Somali community. Also, college acceptance letter on benefits file.</p> <p>Account 2 – Resident moved out of the property for works to be undertaken and SPD removed. When moved back asked for SPD to be reapplied, not asked to complete new form. Acct has not been highlighted under financial checks exercise</p> <p>Account 3 – Previously agreed by Internal Audit applications could be taken by online form and email.</p> <p>However, as action will ask Council Tax to enter on notebook where decision based on benefit documentation.</p>	Head of Revenues and Benefits	March 2016

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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
2	Recovery action should take place promptly as per SLA and records kept of all recovery action	2*	Agreed. The Contractor to be reminded of need for timely action and for this to be noted accordingly	Head of Revenues and Benefits	April 2016
3	Ensure balances in the suspense account relating to prior years are cleared	2	Every effort is made to identify the intended location for funds, if not the originating source. Where not possible, monies held in suspense on the basis that information might come to light at later date.	Head of Revenues and Benefits	ongoing

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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.