

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF COUNCIL TAX AUDIT FOR 2016-17

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

Cc: Peter Turner, Director of Finance

Prepared by: Senior Auditor (Mazars LLP on behalf of LBB)

Date of Issue: 20th December 2016

Report No.: CX/05/12/2016

REVIEW OF COUNCIL TAX AUDIT FOR 2016-17

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 2016-17 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 28/10/16. The period covered by this report is from 01/11/15 to 01/11/16.
4. The target collection rate for 2016/17 is 97.8%. The collection rate for October 2016 was 67.2%, a negative variance of 0.3% against last year's collection rate and this current year's 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.

REVIEW OF COUNCIL TAX AUDIT FOR 2016-17

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:
 - 10 valuation amendments to ensure that changes and deletions had been actioned in a timely manner;
 - 15 new occupiers to ensure that new incomer forms had been completed or any other supporting documentation confirming liable parties;
 - 20 Long Term Empty Class C properties to ensure that visits were being carried out on a six monthly basis;
 - 10 Single person discounts, disablement reductions and student exemptions to confirm they were supported by the correct documentation;
 - 10 returned cheques and rejected direct debits to ensure that they had adjustments had been made accordingly on taxpayers' accounts;
 - 10 refunds to ensure that they had been processed within 10 working days of refund request and had been appropriately authorised;
 - 25 taxpayers in arrears to ensure recovery procedures were followed and supporting evidence of action taken was retained
 - 5 bankruptcy cases and 5 charging orders to ensure that they had been appropriately authorised and supporting documentation had been retained; and
 - 10 write-offs to ensure procedures were followed and supporting evidence of action taken was retained
9. The following issues have been identified from testing:
 - From the sample of 25 taxpayers in arrears, it was established that in three cases, Council Tax recovery had been delayed and had to be backdated to previous years due to untimely actions by the Exchequer Contractor.

REVIEW OF COUNCIL TAX AUDIT FOR 2016-17

10. The suspense account currently holds an unallocated balance of -£1,984.63 from prior years (as far back as 2002/03). This is an increase of £799.79 from last year. Given the size of this balance, it is considered that this does not require a recommendation.
11. Disablement reduction forms do not state ratepayers can be prosecuted for incorrectly claiming the reduction.

SIGNIFICANT FINDINGS (PRIORITY 1)

12. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. 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

14. 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>Recovery and Enforcement Audit selected a sample of 25 taxpayers in arrears marked at the enforcement stage.</p> <ul style="list-style-type: none"> • Account 1: Total debt of £5,071.26. This account had been opened on 25th August 2015 in the name of a property management company as per an email that was received on 3rd June 2013. The Council Tax debt had therefore been backdated to 2012/13. This debt is currently with the Enforcement Agents. • Account 2: Total debt of £6,897.74. The previous account holder had died around August/September 2013. The new account for remaining individual had been opened on 4th November 2015 and Council tax debt was backdated to 2013/14 after the death. • Account 3: Total debt of £6,497.71. According to Academy, the individual in question had been the owner of the property since 1st April 2008. The account had been set up on 2nd June 2016 and the Council Tax bills had been backdated to 2011/12. The debt has subsequently been paid in full on 25th October 2016. 	<p>Delays in recovery action may result in Bromley's inability to recover income owed.</p>	<p>The SLA states that 'all recovery action should be promptly taken and where specific action is threatened by a specific date, every effort should be made to carry out that action on the due date'. Recovery action should take place promptly as per the Service Level Agreement. [Priority 2]</p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>Disablement reductions During the review it was identified that the 'Application for Disabled Person's Reduction', Application for Discount: Caring for a Disabled Person and 'Application for Discount/Exemption: Person resident in a hospital, nursing home or residential care home' forms do not state that rate payers could be prosecuted for incorrectly applying for council tax reduction to which they are not entitled.</p>	<p>Rate payers who are fraudulently awarded council tax reductions may not be prosecuted.</p>	<p>Discount and exemption application forms should be amended to include a fair processing of fraud notice. [Priority 2]</p>

REVIEW OF COUNCIL TAX AUDIT FOR 2016-17

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The SLA states that 'all recovery action should be promptly taken and where specific action is threatened by a specific date, every effort should be made to carry out that action on the due date'.</p> <p>Recovery action should take place promptly as per the Service Level Agreement.</p>	2	Further resource now employed on monitoring team. Additional checks will be undertaken with compliance failures brought to the contractors attention.	Head of Revenues and Benefits	Ongoing
2	Discount and exemption application forms should be amended to include a fair processing of fraud notice.	2	Forms will be reviewed to ensure they provide appropriate warning to support prosecution if appropriate	Head of Revenues and Benefits	March 2017

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.