



FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF COUNCIL TAX FOR 2017-18

Issued to: John Nightingale, Head of Revenues and Benefits

Cc: Peter Turner, Director of Finance (final report only)

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INTRODUCTION

1. This report sets out the results of our systems based audit of Council Tax for 2017-18. The audit was carried out in quarter 1 of 2018-19 as part of the programmed work specified in the 2017-18 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. For the financial year 2017-18, the Council Tax collection rate was 98.04%.

AUDIT SCOPE

4. The scope of the audit was outlined in the Terms of Reference issued on 20 March 2018.

AUDIT OPINION

5. 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.

MANAGEMENT SUMMARY

6. Controls noted to be in place and working well, based on the sample testing conducted, included:
 - Policies and procedures were in place and available to staff via Knowledge Hub, with any changes in legislation being notified to all Council Tax Knowledge Hub users.
 - Revenue Service Review meetings take place on a monthly basis to discuss the performance of the Exchequer contractor in addition to any other Council Tax matters. The Exchequer contractor representatives are in attendance at these meetings.

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- Monitoring reports are provided by the Exchequer contractor on a monthly basis with agreed Key Performance Indicators (KPI's). KPIs are measured against the previous year's performance at the same point in time.
- A sample of 10 support payments tested for the 2017-18 financial year identified that all had appropriate documentation retained and decisions on whether to provide support payments were reasonable.
- The collection rate of 98.04% for the 2017-18 financial year had increased from 97.9% for the 2016-17 financial year.
- For a sample of 20 accounts in arrears, it was identified that where bailiffs were engaged, monies were being routinely recovered from those persons in arrears. Additionally, in some cases covering more than one year, monies were being paid direct to the bailiffs and the Council.
- One bankruptcy case tested identified that appropriate action and reasoning had been undertaken. The amount owed to the Council in this case was over £13,000.

7. However, we would like to bring to management attention the following issues:

- Evidence of how complaints are dealt with was not fully evidenced and provided.
- Examination of discretionary Council Tax payments identified one instance (out of 10) where the reason for the discretionary payment could not be evidenced and there was also no revised letter on the system. The value of the payment was £190.72.
- The Discretionary Council Tax Support claim form is not Data Protection Act 2018 compliant.
- Examination of 10 refunds identified one instance where there was no evidence of the refund being requested by the claimant.
- Examination of 20 accounts in arrears identified one instance where we were unable to locate the final demand letter.
- Examination of 10 write-offs identified one instance where the case had not been sent to the bailiffs. This was for a total value of £1,319.20.
- Examination of 10 discounts awarded identified one instance where there was a lack of evidence for the discount being provided. The discount was for £57.72.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There were no priority one recommendations raised as part of this audit.

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DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

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

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation																
1	<p><u>Complaints</u></p> <p>When a complaint is made, this is sent to the Revenues and Benefits team. The Head of Service (HoS) advised that each case will then be fully assessed by a LBB Revenues and Benefits staff member and subsequently communications will be held between LBB and the Exchequer contractor to check that any decisions that were taken were appropriate. In this manner, checks are undertaken on work performed by the Exchequer contractor. Discussions regarding the Exchequer contractor's performance are undertaken at monthly Revenue Services Review meetings.</p> <p>We obtained the following information from the aforementioned minutes for December 2017, January 2018 and February 2018.</p> <table border="1" data-bbox="282 927 1182 1257"> <thead> <tr> <th>Month</th> <th>Justified Complaints</th> <th>Un-Justified Complaints</th> <th>Total complaints</th> </tr> </thead> <tbody> <tr> <td>December 2017</td> <td>3</td> <td>24</td> <td>27</td> </tr> <tr> <td>January 2018</td> <td>7</td> <td>20</td> <td>27</td> </tr> <tr> <td>February 2018</td> <td>2</td> <td>22</td> <td>24</td> </tr> </tbody> </table> <p>Whilst the above statistics on complaints had been provided, we were unable to see evidence that discussions about individual cases had occurred or that checks carried out by the</p>	Month	Justified Complaints	Un-Justified Complaints	Total complaints	December 2017	3	24	27	January 2018	7	20	27	February 2018	2	22	24	<p>Where there is no evidence to support how complaints are dealt with, there is a risk that all complaints are not dealt with appropriately, which could mean that any cases of poor decision making by the contractor are not recognised.</p> <p>This can result in continual poor decision making by the contractor if not identified in addition to individuals paying the incorrect amount of Council Tax.</p>	<p>Evidence should be retained by the contractor to support how complaints have been dealt with and by the client team to confirm that the contractor's performance for handling complaints is satisfactory. (Priority 2)</p>
Month	Justified Complaints	Un-Justified Complaints	Total complaints																
December 2017	3	24	27																
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	<p>Exchequer contractor had then been verified by management in each case.</p>		
2	<p><u>Discretionary Council Tax Benefits</u> Discretionary Council Tax benefits may be given in circumstances where claimants:</p> <ul style="list-style-type: none"> • claim support payments but still require further monetary assistance; • for claimants who do not receive support payments and need monetary assistance; or • for individuals who are affected by the 2013 Welfare Reform changes. <p>Examination of a sample of 10 claimant accounts that had been awarded discretionary council tax support payments over the 2017-18 financial year identified one case (reference; 5667932) where the 'request document' (document requesting discretionary council tax payments) could not be located.</p> <p>In addition, there was no evidence of a revised letter being sent once the payment had been made to the claimant's account. The revised letter would detail the new council tax liability taking into account the discretionary council tax payment made.</p>	<p>Where there is no evidence of the reason for the discretionary council tax payment, there is a risk that money is awarded to persons who are not in need of additional support.</p> <p>Where 'revised council tax due' letters are not sent to individuals, there is a risk that individuals are not aware of their current council tax liability which can lead to further issues with payments.</p>	<p>Evidence of all discretionary council tax payments and support payments awarded should be retained on file, including revised letters sent out to claimants. (Priority 2).</p>

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3.	<p><u>Data Protection Act 2018 Compliance</u></p> <p>A copy of the most up to date Discretionary Claim form was obtained from the Council's website. The Form currently does not comply with the latest version of the Data Protection Act 2018. For example the form does not indicate how information provided will be used, how long it will be kept for nor who else will have access to the information provided.</p> <p>The Benefits Manager advised us that the Revenues and Benefits Team are aware of this and they are working to update all forms to be Data Protection Act 2018 compliant.</p>	<p>Where the Council is not Data Protection Act 2018 compliant, there is a risk of a breach of legislation, imposed fines and reputational damage.</p>	<p>The Council should aim to update all claim forms in line with the Data Protection Act 2018 as soon as possible. (Priority 2)</p>
4.	<p><u>Refunds</u></p> <p>A sample of 10 refunds was selected covering the period April 2017 until March 2018.</p> <p>A refund request is required to be made by the tenant or an appropriate person/body where a refund is believed to be due. It was identified from the sample of 10 selected that there was one instance, reference 5002172, where there was no evidence of the refund request form on the system.</p>	<p>Where evidence of the refund request forms cannot be located, there is a risk that the Council are refunding money that is not due or has not been requested, which can lead to an unnecessary strain on resources.</p>	<p>In council tax cases where refunds are given, the refund request form or email should be maintained on the system as evidence. (Priority 2).</p>

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5.	<p><u>Arrears</u></p> <p>Individuals fall into arrears where they do not make their council tax payments in a timely manner. Where payments are not made in a timely manner, debt recovery action is taken. In the first instance, a reminder letter is sent giving the individual 14 days to make payment. Where payment is still not made, either a second reminder is sent (if it's the first time the individual is in arrears) or a final demand letter is sent to try and prompt payment from the individual.</p> <p>It was identified through testing a sample of 20 individuals who fell into arrears in the 2017-18 financial year that there was one instance, reference 5645287 of £1,245.00 where there was no evidence of a final demand letter being sent to the individual.</p> <p>This case has been since been sent to the bailiffs for collection and then subsequently to the Council's debt recovery and enforcement contactor. This case is still ongoing.</p>	<p>Where evidence of final demand letters being sent to individuals cannot be located, there is a risk that appropriate recovery procedures have not been followed. This can result in unnecessary court actions and the action of bailiffs taking place which are unnecessary.</p>	<p>All demand letters and other correspondence relating to individuals should be retained on client files. (Priority 2).</p>
6.	<p><u>Write-Offs</u></p> <p>The Council is able to write-off some of the debts owed immediately (for example where the value is £0.01) without taking recovery action. In other instances, money is only written off once all other recovery avenues have been exhausted.</p> <p>We tested a sample of 10 writes-off cases for the financial year 2017-18. There was one instance, ref 5646920 for the amount</p>	<p>Where monies owed to the Council are written-off prior to all debt recovery avenues being exhausted, there is a risk that money due is not recovered, resulting in a loss of income for the</p>	<p>Management should ensure that there is evidence that all debt recovery channels have been exhausted before debts are written-off. (Priority 2).</p>

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	<p>of £1,319.20 where there was no evidence that the debt had been sent to the bailiffs to recover the money due. Approval for this amount to be written off was given on 30 August 2017.</p>	<p>Council.</p>	
<p>7.</p>	<p><u>Discounts</u> Discounts may be applicable to persons depending on their situation. Discounts include but are not exclusive to:</p> <ul style="list-style-type: none"> • single persons discount; • student discount; and • Severe mental impairment discount. <p>We tested a sample of 10 individuals receiving discounts on their council tax liability. Of these 10 discounts, there was one instance, reference 5654932 with a discount of £57.72 being applied, however there was no backing documentation to verify the reason for the discount being awarded.</p>	<p>Where evidence / supporting documentation is not retained, there is a risk that a discount may have been incorrectly awarded, leading to a loss in revenue for the Council.</p>	<p>Supporting documentation for council tax discounts given should be retained on file. (Priority 2).</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	Evidence should be retained by the contractor to support how complaints have been dealt with and by the client team to confirm that the contractor's performance for handling complaints is satisfactory.	2	The Head of Revenues & Benefits has raised with Legal Services that he did not believe the corporate complaints procedure to be "fit for purpose" in respect of contracted-out services. The procedure is currently being reviewed by Legal Services and the new process will be implemented following the review.	Head of Revenues & Benefits	Following review of corporate complaints procedure by Legal Services.
2.	Evidence of all discretionary council tax payments and support payments awarded should be retained on file, including revised letters sent out to claimants.	2	Evidence of awards are entered on the Academy screen and customer notification is automatically produced. It is accepted that this was not the case on one occasion. Monitoring will be undertaken to ensure that this does not remain an ongoing issue.	Head of Revenues & Benefits	Implemented

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3.	The Council should aim to update all claim forms in line with the Data Protection Act 2018 as soon as possible.	2	All forms should now be in accordance with GDPR 2018. However, monitoring will continue to ensure old stock and/or missed templates are not being used.	Head of Revenues & Benefits	Implemented
4.	In council tax cases where refunds are given, the refund request form or email should be maintained on the system as evidence.	2	Refund requests are retained on file. On the case identified where this did not happen, a legitimate decision was made to process the refund without the said paperwork. Officers will be asked to document where decisions of this type are taken in future.	Head of Revenues & Benefits	31 October 2018
5.	All demand letters and other correspondence relating to individuals should be retained on client files.	2	Monitoring will continue to be undertaken to ensure that all communications detailed in the recovery process are issued and copies retained.	Head of Revenues & Benefits	Implemented

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6.	Management should ensure that there is evidence that all debt recovery channels have been exhausted before debts are written-off.	2	Agreed. The case identified is believed to be an isolated incident and did not change the end result.	Head of Revenues & Benefits	Implemented
7.	Supporting documentation for council tax discounts given should be retained on file.	2	Agreed. On the case identified where this did not happen, a legitimate decision was made to process the refund without the said paperwork. Officers will be asked to document where decisions of this type are taken in future.	Head of Revenues & Benefits	31 October 2018

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.