



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

**REVIEW OF COUNCIL TAX 2019-20**

**Issued to:** John Nightingale, Head of Revenues & Benefits  
Claudine Douglas-Brown, Assistant Director Exchequer Services  
Peter Turner, Director of Finance

**Prepared by:** Corporate Assistant (Audit contractor on behalf of London Borough of Bromley) and Manager (Audit contractor on behalf of London Borough of Bromley)

**Reviewed by:** Head of Audit and Assurance

**Date of Issue:** 30<sup>th</sup> January 2020

**Report No.:** CEX/12/2019/AU

**INTRODUCTION**

1. This report sets out the results of our internal audit (audit) of Council Tax. The audit was carried out as part of the work specified in the 2019-2020 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit looked to review the key controls around the management of Council Tax. Coverage included examination of: policies, procedures and training; annual billing; amendments to the valuation list; amendments to account details; receipting of income; suspense account; reductions and disregards; refunds; arrears and write-offs.
3. The Revenues & Benefits Team is responsible for the oversight and management of Council Tax related processes. Exchequer services are outsourced to the Council's Exchequer Contractor, who are responsible for many of the administrative processes associated with Council Tax (sample testing during the audit has therefore needed to examine records that have been processed by the Council's Exchequer Contractor on Council's behalf). The key objective of the Council Tax section is to collect the Council Tax that is due from the borough's 142,000 residential properties in the same year that it is levied to meet the collection target of 97.5%.
4. We would like to thank all staff contacted during this review for their help and co-operation.

**AUDIT SCOPE**

5. The original scope of the audit was outlined in the Terms of Reference issued in October 2019.
6. The controls in place to mitigate the impact of the key risk areas were examined. Controls relating to corporate and departmental risks were also examined where applicable. The audit included a review of relevant documentation, interviews with key officers and testing of related procedures and processes.
7. The following were considered to be the key risks inherent to the Council Tax process:
  - Where agreed policies and procedures are not disseminated to staff, unofficial practices may spread and activities may not be carried out in line with management instructions or legislation.

- Where billing is not completed accurately and in a timely manner for all live accounts, there is an increased risk that not all Council Tax income due will be billed and thus not collected. The Council may therefore not maximise its Council Tax collection.
- Where amendments to the valuation list are made without authorisation from the Valuation Office, there is an increased risk of inappropriate or incorrect changes being made and thus the Council may suffer loss of income.
- Any inappropriate changes to account details may result in an increased risk that incorrect Council Tax is charged which may result in loss of income for the Council.
- Failure to correctly allocate Council Tax income to the relevant account results in an increased risk that income is not recorded and thus unnecessary recovery action may be taken.
- Where the suspense account is not regularly reviewed and cleared there may be inaccurate records on Council Tax accounts, resulting in inappropriate recovery action being taken. Where access to the suspense account is not controlled, there is an increased risk that inappropriate movements may be made without identification.
- Failure to verify that all reductions or exemptions are justified results in an increased risk that these may be inappropriately applied to accounts and thus the Council suffers a loss of potential income.
- Failure to verify and approve all refunds before processing these results in an increased risk that inappropriate refunds may be made.
- Where arrears are not identified, monitored and recovered, there is an increased risk that arrears could become irrecoverable, leading to financial loss.
- Where write offs are not authorised prior to being processed, there is an increased risk that invalid write offs are processed and financial losses may occur.

**AUDIT OPINION**

8. Our overall audit opinion, number and rating of recommendations are as follows.

<b>AUDIT OPINION</b>	
<b>Reasonable Assurance</b>	<b>(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)</b>

<b>Number of recommendations by risk rating</b>		
<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<b>0</b>	<b>2</b>	<b>1</b>

**SUMMARY OF FINDINGS**

9. Controls noted to be in place and working well, based on the audit testing conducted, included:

- Centralised policy and procedure documents are accessible to staff through the Knowledge Hub, are up to date, and reflect existing processes.
- Monthly client reports are produced in the interest of having a means to assess the performance of the Council’s Exchequer Contractor. There is a section of the report stating figures relating to the recovery of Council Tax.
- There is an annual billing timetable outlining the various pre-requisite stages up to the issuance of Council Tax bills to the public. It was identified that actions were taken in line with the dates specified in the timetable.

- Sample checking and reconciliation controls were conducted, ensuring that the correct number of bills were sent to the Council's printing provider and the correct number of bills were subsequently issued.
- Reconciliations between the Council Tax records and the weekly Valuation Office Agency (VOA) schedules are conducted. Testing a period of six weeks established that reconciliations between the VOA Statement of Numbers and Bands, and the Banding Analysis Report were consistently conducted and signed off on a weekly basis.
- Evidence is available on the Council Tax system and the document management system to support rateable value amendments, including valuation data and emails between the property owners/tenants and the Council. Examination of 10 account amendments processed since April 2019 identified sufficient information available on the Council Tax system and the document management system to support all of the changes made. Upon making an amendment, a new bill was issued in a timely manner for all cases tested.
- Reconciliations between the cash receipting system and on the Council Tax system were conducted on a monthly basis by the Finance and Systems Analyst at the Council's Exchequer Contractor, before being verified by the Accounting Function at the Council. Testing a sample of six months identified the reconciliation was performed and authorised in each month. The reconciliations were included in the monthly client accounting pack.
- The right to move items from the suspense account is restricted to the Systems Admin Team at Council's Exchequer Contractor. The suspense account is monitored and cleared down on a daily basis.
- Council Tax exemptions and discounts are reviewed on an ongoing basis, with the eligibility of student and single person discount claimants being reviewed annually.
- Refunds are processed by the Council's Exchequer Contractor through either BACS or cheque payments, and authorised in a timely manner by the Council's Revenues and Benefits Team. Examination of a sample of 20 refund requests, processed since April 2019, identified all as being authorised by the Welfare Reform Manager, and processed in a timely manner.
- Recovery action is taken on accounts in arrears, the methods of which are in accordance with the Council's Exchequer Contractor's recovery procedure. Examination of a sample of 10 accounts in arrears identified that an appropriate method was being used to recover the debt corresponding to age of the debt. Methods of recovery include, but are not limited to, periodical reminders, consumer credit searches and as a last resort, enforcement agents.

- Performance statistics relating to the recovery of accounts in arrears, and of enforcement agencies, are produced on a monthly basis and provided to the client team for review.
- It was identified that the debt recovery procedures listed on the write off form are exhausted as appropriate with the category of debt, prior to write-off. Examination of a sample of 10 write-offs established sufficient recovery procedures being implemented in all cases prior to write-off.
- Performance statistics relating to the handling of complaints are also included in the monthly client report.
- Examination of a sample of 20 exemptions and discounts, awarded since April 2019, identified all as having sufficient information and documentation available on the document management system and the Council Tax system to justify the award.

10. We would like to bring to management attention the following issues:

- The discretionary Council Tax Support form available on the Council's website is not compliant with Data Protection Act 2018. This finding is carried forward from the 2017-18 audit.
- Write-off batch forms were not authorised by the client team in a timely manner. Examination of a sample of 10 write-off forms identified six as being authorised over a month after being submitted to the client team. Discussion with the Revenues and Benefits Manager established that there was a lack of support during this period. As of 03/12/2019 the post of Revenues Monitoring Officer has been filled in the interest of combating untimely sample checking and authorisation.
- Updated procedure requirements have been included in the Exchequer Services Overarching Specification which will be implemented when the contract renews in April 2020.

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

11. 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 prioritised in line with the criteria set within Appendix B.

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DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Data Protection Act 2018 Compliance</u></p> <p>Claim forms available on the Council's website should contain sufficient detail to ensure compliance with the Data Protection Act 2018. This can include indicating how the information provided on the form will be used and how long data will be retained for.</p> <p>The form used to claim Discretionary Council Tax Support was obtained from the Council's website. It was established that no changes had been made to ensure compliance since the last audit that took place during the 2017-18 period.</p>	<p>Where the Council's data collection processes are not compliant with the Data Protection Act 2018, there is a risk of a breach in legislation along with possibility of incurring fines and reputational damage.</p>	<p>Management should update the Discretionary Council Tax Claim form that is available on the Council's website to ensure compliance with the Data Protection Act 2018.</p> <p style="text-align: center;"><b>Priority 2*</b></p>	<p>Agreed</p>	<p>Benefit Manager (Operations)</p> <p>May 2020</p>

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2	<p><u>The Authorisation of Write-Offs</u></p> <p>Write-offs are authorised in batches that are sent to the client team by the Council's Exchequer contractor. The write-off forms are signed off and sent back to the Council's Exchequer contractor to be processed.</p> <p>Examination of a sample of 10 write-off forms authorised since April 2019, identified six that were authorised by the client team over a month after submission. These were:</p> <table border="1"> <thead> <tr> <th>Date batch submitted</th> <th>Date batch authorised</th> <th>Days to action</th> </tr> </thead> <tbody> <tr> <td>04/06/2019</td> <td>05/08/2019</td> <td>62</td> </tr> <tr> <td>03/07/2019</td> <td>05/08/2019</td> <td>33</td> </tr> </tbody> </table>	Date batch submitted	Date batch authorised	Days to action	04/06/2019	05/08/2019	62	03/07/2019	05/08/2019	33	<p>Where write offs are not authorised in a timely manner prior to being processed, there is an increased risk of arrears data being negatively influenced.</p>	<p>Upon appointment of the new Revenues Monitoring Officer, the client team should monitor the timeliness of the authorisation of write-off batches by setting a time limit to authorisation. This time limit should be adhered to.</p> <p style="text-align: center;"><b>Priority 2</b></p>	<p>Agreed. Monitoring Officer now in place and working through outstanding batches</p>	<p>Benefit Manager (Operations)</p> <p>June 2020</p>
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	<table border="1"> <tr> <td data-bbox="210 421 356 456">03/07/2019</td> <td data-bbox="356 421 501 456">26/09/2019</td> <td data-bbox="501 421 595 456">85</td> </tr> <tr> <td data-bbox="210 480 356 515">03/07/2019</td> <td data-bbox="356 480 501 515">24/09/2019</td> <td data-bbox="501 480 595 515">83</td> </tr> <tr> <td data-bbox="210 539 356 574">03/07/2019</td> <td data-bbox="356 539 501 574">25/09/2019</td> <td data-bbox="501 539 595 574">84</td> </tr> <tr> <td data-bbox="210 598 356 633">03/07/2019</td> <td data-bbox="356 598 501 633">27/09/2019</td> <td data-bbox="501 598 595 633">86</td> </tr> </table> <p data-bbox="210 679 595 778">In the above sample the authorisation process took up to three months.</p> <p data-bbox="210 815 595 1082">It was established that as of 03/12/2019 the post of Revenues Monitoring Officer has been filled. This is expected to improve team support and improve the timeliness of sample checking and authorisation.</p>	03/07/2019	26/09/2019	85	03/07/2019	24/09/2019	83	03/07/2019	25/09/2019	84	03/07/2019	27/09/2019	86				
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3	<p><u>Complaints Processes</u></p> <p>Although complaints statistics are recorded and presented in the monthly client report, it was identified in the 2017-18 audit that there was insufficient information retained to support how complaints have been dealt with. It was established through discussion that the Revenues &amp; Benefits Manager deems the complaints procedures to be “not fit for purpose” this being echoed in the previous audit report.</p> <p>In response to the inadequacies identified in the complaints processes, a set of updated procedure requirements of the Council’s Exchequer contractor was included in the Exchequer Services Overarching Specification, which will be</p>	<p>Where sufficient information is not being retained detailing the manner in which complaints have been dealt with, there is a risk that complaint cases may be handled inappropriately by the contractor. Additional complaints may then be raised as a result.</p>	<p>Management should ensure that the items included in the Exchequer Services Overarching Specification are implemented upon renewal of the control with the Council’s Exchequer contractor in April 2020.</p> <p>As an interim measure, it is suggested that progress on the implementation is reported in the monthly client report, until all cleared, to allow clearly tracking against expected activity.</p> <p style="text-align: center;"><b>Priority 3</b></p>	<p>Agreed</p> <p>As an interim measure the theme of complaints will be reviewed by senior management</p>	<p>Benefit Manager (Operations)</p> <p>April 2020</p>

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**DETAILED FINDINGS AND ACTION PLAN**

**APPENDIX A**

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	implemented upon commencement of the contract renewal date in April 2020.				

Assurance Level

Assurance Level	Definition
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
<b>Priority 1</b>	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
<b>Priority 2</b>	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

