



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 8th April 2009

Title: Audit Services Progress Report

Report of: Head of Audit Services

Report reference: CORP 2/09

Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 14th January 2009.

Recommendations:

Members are requested to receive this report.

Contact Officer: Ian Beckett, Head of Audit Services **Ext:** 7292

Audit Services Progress Report

1 Summary of Audit Work

As previously agreed by Members of this Committee, Members will be supplied, at each meeting, with the Management Summary and the Summary of Recommendations and Action Plan for each audit which has been completed since the previous meeting. The following audit report is attached -

Council Tax – Appendix A

Work is also in progress on a number of other reviews, including the “material” systems. The final reports will be presented to Members in due course.

2 Follow-up Reviews

- 2.1 Follow -up reviews were undertaken where appropriate during the period covered by this report. There are no new issues arising to which Members’ attention needs to be drawn.

MASS Database

- 2.2 It was reported to Members at the meeting of this Committee on 23rd June 2008 that there had been little progress in respect of the “MASS” database in relation to Fixed Assets. (Report CORP28/08 refers). This was further reported to Members at the meeting of this Committee in September 2008 (report CORP 48/08 refers), and it was agreed that the situation would continue to be monitored by Audit Services and developments would be reported to the Audit Committee in due course.

- 2.3 At the meeting of the Executive on 16th February, the Head of Financial Services and the Head of Economy, Property and Tourism Services were asked to prepare a progress report for the relevant Portfolio Holders. This will be progressed as part of the Chief Executive’s Transformational Review in due course.

External Grant Funding

- 2.4 Following an earlier Audit review, it was agreed that there was a need to enhance the role of the External Funding Officer (EFO), in order to provide a central co-ordinating role to manage the external funding function both strategically and to provide operational support. This was reported to Members at the meeting of this Committee in September 2008 (report CORP 48/08 refers) and it was agreed that the situation would continue to be monitored by Audit Services and developments would be reported to the

Audit Committee in due course.

- 2.5 At the meeting of the Executive on 16th February, the Head of Financial Services and the Head of Economy, Property and Tourism Services were asked to prepare a progress report for the relevant Portfolio Holders. This will be progressed as part of the Chief Executive's Transformational Review in due course.

3 Ongoing work

Work on a number of other reviews commenced/progressed during the period – the reports will be presented to Members in due course.

4 Annual Governance Statement Action Plan

Progress against the Action Plan has been reported separately to this meeting - report CORP. 3/09 refers.

5 Recommendations

- 5.1 Members are requested to receive this report.

I. Beckett
Head of Audit Services
April 2009

Corporate Services

Audit Services

Audit of Council Tax (Material Review)

Final Report

12th February 2009

Audit Contact		Extn No.	
Document Ref:	\\CARL62\AuditServices\2006-07 onwards\Material Systems\Council Tax MAT030\2008-09\Reports\Final\Council Tax Audit 2008-09 - Final.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Corporate Services	Head of Revenues & Benefits Services (for information) Revenues Manager (for information)	There are no matters arising / recommendations relating to your service area which require further action. The attached report is for information only.

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising and recommendations). The Audit Committee receives a copy of the Management Summary.

1. Reason for the Audit

- 1.1. The audit of Council Tax forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial system and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services, as part of their work on the annual statement of accounts.

2. Background Information / Summary of the Audit Area

- 2.1. The audit process seeks to reduce risk to an acceptable level based on the efficient, economic and effective application of financial controls. Changes to controls suggested in audit recommendations are intended to achieve these benefits. This process reduces but does not wholly eliminate risk.
- 2.2. The collection of Council Tax is a statutory function delegated to the City Council by the County Council.
- 2.3. The Council Tax contributes to the cost of a number of authorities. The amount of Council Tax is established by Cumbria County Council, Carlisle City Council, the Police Authority and the Parish Councils who work out the cost of providing the services each year. Cumbria County Council sets the largest part of the bill at 75%, Carlisle City Council sets 13% of the bill and Cumbria Police set 12% of the bill. Parishes set their individual precepts on top of the basic Council Tax bill.
- 2.4. The Council Tax Section is part of Revenues & Benefits Services, which comes under the overall supervision of the Corporate Services Directorate.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<u>Failure of Council Tax Administration.</u> <i>Controls include:-</i> Special banking contingency in place. Disaster recovery plans in place. Rigorous use of test systems. Detailed manuals exist. Qualified management and robust training in place to reduce risk. Rigorous audit of all admin processes. Secure environment for cash payments. Contingency arrangements in place.	<i>Operational</i>	<i>Medium</i>

4. Scope of the Audit

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a summary of the findings are outlined below.

	Area Examined
1.	Follow up of previous review
2.	Valuation
3.	Liability
4.	Billing
5.	Collection & Refunds
6.	Recovery & Enforcement

5. Overall Conclusion of the Audit Review

- 5.1. The procedures and controls in place for Council Tax are thorough, secure and well applied.
- 5.2. Staff involved in Council Tax procedures are experienced, aware of the legislation and have access to thorough procedure notes.

6. Statement of Assurance

- 6.1. Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a SUBSTANTIAL level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

Corporate Services, Revenues and Benefits

APPENDIX A

1. FOLLOW UP OF PREVIOUS REVIEW

Method of Review:

The Revenues Manager was asked to examine the schedule of agreed actions resulting from the previous review.

Summary of Findings:

All agreed recommendations have been implemented with one exception. Further investigation and enquires with Legal Services revealed that due to the legalities of secondary use of Council Tax data, this recommendation was unachievable.

2. VALUATION

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Council Tax.

Systems testing was conducted under a condensed format in accordance with the 'light' review agreed in the Audit Plan 2008-09.

Summary of Findings:

- ❑ The current valuation list may be viewed on the Valuation Office's website – www.voa.gov.uk
- ❑ The Valuation list and Council Tax (CT) records were compared and details of the property-banding group were found to agree.
- ❑ Building completion notices were issued in reasonable time.
- ❑ Notifications to the Valuation Office were promptly referred and recorded correctly on the CT system.
- ❑ The CT property history files were updated correctly following the receipt of Valuation Office schedules.
- ❑ Good communication procedures operate between Benefits and Council Tax staff.

Conclusion:

There are no recommendations arising from this area of the review.

3. LIABILITY

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Council Tax.

Systems testing was conducted under a condensed format in accordance with the 'light' review agreed in the Audit Plan 2008-09.

Summary of Findings:

- ❑ A liability account was examined. It was confirmed that the recognised 'hierarchy of liability' approach was consistently used to identify the correct person as the liable person. The liability for CT was determined on a daily basis and a decision notice (in the form of a bill) was issued to the liable person.
- ❑ Housing tenancy changes are received weekly by the CT section. A case was examined and it was confirmed that the amendment in liability was actioned accordingly
- ❑ Benefits notify Council Tax via a memo as and when any changes to benefit affect liability status. No issues were found.
- ❑ Death lists are received weekly from the registrar and monthly from Bereavement Services. A case was reviewed and it was confirmed that the account and change in liability had been adjusted appropriately.
- ❑ Discounts and exemptions were reviewed. Cases covered included second home discount, exempt property, disablement CT banding and empty properties. In all cases, applications were handled correctly.
- ❑ An appeal was reviewed and found to be in order.

Conclusion:

There are no recommendations arising from this area of the review.

4. BILLING

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Council Tax.

Systems testing was conducted under a condensed format in accordance with the 'light' review agreed in the Audit Plan 2008-09.

Summary of Findings:

- ❑ A chargeable property was selected for review. The demand notice was issued at least 14 days before the first instalment and the billing information was correctly recorded against the account.
- ❑ A case exempt from CT was reviewed. A notification of the assumption of the exemption was correctly issued to the otherwise liable person.
- ❑ A case where a liable person is receiving 100% CT benefit was examined. It was confirmed that the latest demand notice was sent showing the amount due as 'Nil'.
- ❑ A case was reviewed where a taxpayer pays by instalments. The instalment schedule was found to be correct and no issues were found.

Conclusion:

There are no recommendations arising from this area of the review.

5. Collection & Refunds

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Council Tax.

Systems testing was conducted under a condensed format in accordance with the 'light' review agreed in the Audit Plan 2008-09.

Summary of Findings:

- ❑ A transaction from the suspense account was inspected. It was confirmed the transfer was to a bona fide account.
- ❑ An account with a large credit balance was examined and found to be legitimate.
- ❑ A refund request was examined. The refund was granted according to procedures.
- ❑ A transfer between accounts was inspected. The reason for the transfer was adequately recorded. All staff have access to action transfers and access is not restricted. This has also been noted in previous reviews but management have accepted the risk.
- ❑ The refund process was reviewed with a member of the Finance Section. Refunds by BACS, rather than cheques, are encouraged where the taxpayers bank details are already known. Several controls are in place to prevent errors and potential fraud. The method currently in place is satisfactory.

Conclusion:

There are no recommendations arising from this area of the review.

6. Recovery & Enforcement

Method of Review:

Discussions with management and staff were undertaken alongside selective system testing in accordance with the CIPFA Control Matrix for Council Tax.

Systems testing was conducted under a condensed format in accordance with the 'light' review agreed in the Audit Plan 2008-09.

Summary of Findings:

- ❑ A CT account in arrears was reviewed. It was confirmed that reminders were issued promptly stating the consequences of failure to pay. Recovery dates were clearly shown and account notes and correspondence detailed actions taken. Adequate recovery action was taken and no undue delays were found to have occurred between each stage of recovery.
- ❑ A 'special arrangement to pay' was examined and found to be in order.
- ❑ A case where a summons was issued was examined and found to be in order.
- ❑ Cases were examined where taxpayers had attachments to earnings or income support. In each case it was confirmed that the taxpayer's employer/DWP had been informed and regular payments were being made as scheduled.
- ❑ A case referred to the external bailiffs was reviewed. No issues were found and action taken was satisfactory.
- ❑ A committal case was examined and a walkthrough test of the court files was undertaken with the Recovery Team Leader. Procedures were being followed correctly and all forms of recovery action had been explored.
- ❑ A recent debt write-off was inspected. The write-off was recorded against the account with adequate supporting documentation and was only approved once recovery was exhausted – in this case the taxpayer was untraceable.
- ❑ Procedures exist to write a debt back on if the taxpayer subsequently returns to the area in 'gone away' cases.

Conclusion:

There are no recommendations arising from this area of the review.