



Carlisle City Council

Report to Audit Committee

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Council Tax
Report of:	Corporate Director Finance & Resources
Report Number:	RD11/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Council Tax.

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Council Tax was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 6 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

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Appendices attached to report:

- **Internal Audit Report – Council Tax – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Council Tax

Draft Report Issued: 17th June 2022
Director Draft Issued: 17th June 2022
Final Report Issued: 27th June 2022



Audit Report Distribution

Client Lead:	Head of Revenues and Benefits Services Revenues Team Leader
Chief Officer:	Corporate Director Finance and Resources Chief Executive
Others:	
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Council Tax. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. Council tax is a tax on domestic property, introduced in 1993 by the Local Government Finance Act 1992. Each domestic property is assigned one of eight bands.
- 1.3. Carlisle City Council is a collecting authority. The Revenues service is also responsible for administration of Council Tax discounts, reductions and exemptions.
- 1.4. Non-payment of Council tax is administered through the Recovery Team, which is also part of the Revenues Service.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Head of Revenues and Benefits Services and Revenues Team Leader. The agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to achieve business objectives due to insufficient governance
 - Failure to achieve business objectives due to inadequate embedding of risk management controls
 - Loss or breach of information/ finances and sanctions/ reputational damage due to failure to securely process, retain, share and dispose of records and information
 - Council tax is not billed, collected and reconciled in an accurate and timely manner
 - Recovery enforcement and write-offs are not dealt with efficiently and effectively
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Council Tax provide **reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1
3. Information - reliability and integrity of financial and operational information (see section 5.3)		1
4. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	2
Total Number of Recommendations	-	6

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

The workload of the revenues section has increased significantly over the last two years due to covid grants and council tax rebates, whilst adjusting to remote working. Despite the difficult circumstances, 5 new processing staff were trained in-house and consistent and above target Council Tax collection rates are reported. A very low number of complaints are received, indicating a high level of public satisfaction with the service.

Regularly and accurately documenting service risks with the wider management team will further enhance the risk management process.

A decision on publication of the draft Collection and Recovery Policy is required.

A draft agreement with the Council's debt collection agent is to be finalised.

Applying the Academy system archiving tool will help to ensure UK GDPR compliance.

Proportionate additions and updates to service guidance may be beneficial.

Introducing sample checks for eligibility criteria will confirm robust performance and reduce the likelihood of fraud and error.

A decision on Council Tax collection benchmarking is required.

Improvement to overpayment recovery reports will further demonstrate efficiency and effectiveness.

Comment from the Corporate Director Finance and Resources:

A thorough audit review which highlights the significantly increased workload of the Revenues Team over the past 2 years which continues still into 2022/23. It is pleasing to note the performance of the team has not been adversely affected by this; although it should be recognised that the increased work pressures have been particularly difficult and certainly cannot be accommodated permanently without impacting on work/life balance and the well-being of staff. It is testament to the officers and management of the Revenues Team that the service has functioned to a high level despite these increased demands.

This good performance of the Revenues Team, and specifically Council Tax, has been recognised in the report but, as usual, improvements can always be made, which can be demonstrated by the auditor recommendations. These have all been accepted by management and I am assured that they will all be implemented in line with the agreed deadlines.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A suitable team structure is in place, supported by job descriptions although several may benefit from further update. For example, the job description for Revenues Team Leader was last reviewed in April 2014. Timeliness of job description reviews was advised as part of the previous audit within the Revenues and Benefits service.
- 5.1.2** Five new Processing Officers joined the team in 2021. The Revenues Team Leader completed in-house training for all new staff in-house, whilst administering a significant number of Covid grants and in addition to normal duties.
- 5.1.3** A service plan was in place for 2021/22 with two key objectives relating to Council Tax administration. The service plan for 2022/23 is in development and it is advised that it is finalised in a timely manner.
- 5.1.4** Revenues financial monitoring is regularly reviewed with no concerns raised.
- 5.1.5** The risk register is regularly reviewed by the Revenues and Benefits Operations Manager and all fields are appropriately completed. There is a risk recorded that 'requirements relating to the local (council tax reduction) scheme may not be maintained', along with an appropriate mitigating action.
- 5.1.6** The risk register was last reviewed by the operation risk management sub-group in July 2018. A previous audit in Revenues and Benefits recommended that risk management arrangements include regular consultation with wider stakeholders. Managers have been consulted on the content of the register although this has not taken place regularly as a group.
- 5.1.7** The significantly increased workload in the Revenues and Benefits Service due to Covid grants and Council Tax rebates is not explicit in the register. For example, the risk 'If we receive Government targets or workloads increase significantly these can't be met with current resources' has a likelihood description of 'remote' indicating that the risk is unlikely. It is recommended that service risks are regularly reviewed by the wider management team and accurately reflected in the risk register.

Recommendation 1 – Wider management team to regularly and accurately document service risks.

- 5.1.8** A previous Revenues and Benefit's audit in June 2021 recommended that the Collection and Recovery Policy should be finalised and published. The draft policy sets clear objectives for staff to follow and includes links to other relevant corporate policies such as anti-poverty. The policy is yet to be published.

Recommendation 2 – Consider whether the draft Collection and Recovery Policy should be finalised and published.

- 5.1.9** A previous Revenue and Benefits audit in June 2021 recommended that the current arrangements in place with the Authority's collection agent were updated. At the time of the audit (June 2022) an updated contract was being considered for agreement. It advised that when the contract is agreed a regular arrangement is put in place to verify the collection agent's adherence to the terms.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** Electronic Council Tax information is retained within Academy. Previous audits have identified that a UK GDPR compliant archiving tool is available within Academy which will ensure historic records no longer required are deleted on a timely basis. The archiving tool remains untested and has not been implemented by the Council due to ongoing time constraints.

Recommendation 3 – Systems Support Team to apply the Academy system archiving tool.

- 5.2.2** Records retention periods for Council Tax is documented on Share Point. The document was last reviewed and updated in 2018 and it is advised that a further review of accuracy and completeness is carried out.

- 5.2.3** A Council Tax privacy statement is published on the Carlisle City Council Website.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Legislative guidance is available to staff using the IRRV council tax law and practice. Documented service guidance is also available, directing staff on legislative guidance interpretation, eligibility and evidence requirements.

5.3.2 Management may wish to consider if there is sufficient, proportionate service guidance in place to direct staff on all eligibility criteria and evidence requirements, including discounts, disregards, reductions and exemptions. Academy data entry guidance is dated 2011 and it is advised that review and update should be considered. Documented guidance was also available for recovery of Council Tax debt, although there was some difficulty identifying which guidance related to Council Tax.

5.3.3 Introducing robust document management arrangements will help to demonstrate regular review and update of all service guidance, although given the impending Local Government reorganisation, management may not consider this appropriate use of staff time.

Recommendation 4 – Consider if any proportionate additions or updating to service guidance is required.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 A very low number of public complaints were received in the twelve months to December 2021 for Council Tax administration, indicating a high level of public satisfaction with the service.

5.4.2 The service has an effective method of monitoring Council Tax administration. The weekly processing summary reports detail the number of Council tax adjustments processed, outstanding, and date of the oldest notification yet to be processed. Individual performance is also closely monitored through time sheet completion, calculating the average time taken to process Council Tax adjustments.

5.4.3 Staff appraisals give individuals, teams and management an opportunity to review performance, agree future objectives and to determine ongoing learning and development requirements. Regular contact between management and staff takes place through Teams, although regular team meetings and formal appraisals are no longer held on a regular basis. Corporate appraisal guidance has been amended recently, including the requirement for individual appraisals to be documented on an annual basis. It is advised that individual staff appraisals are scheduled in line with corporate guidance. It is also advised that management further consider whether reinstating regular team meetings will be beneficial.

5.4.4 'Percentage of Council Tax collected' is regularly monitored and reported to Executive quarterly in the performance dashboard. Q3 2021/22 performance is above target and higher than the corresponding collection figure for 2020/21. Robust supporting documentation that underpins the performance data was provided.

- 5.4.5** The service plan details that annual performance measurement is comparable nationally using Ministry of Housing, Communities and Local Government billing authority data returns. Evidence of quarterly returns was provided although comparable performance measurement was unavailable. It is advised that local performance assessed using the comparable national data, or the service plan objectives are changed to reflect current practice.
- 5.4.6** Staff regularly attend online data protection and cyber awareness training and no current training requirements were identified.
- 5.4.7** The Revenues and Benefits business continuity plan forms part of the critical service. Review and update of the plan has not taken place since 2018 due to other work priorities. It is advised that the business continuity plan is reviewed and updated.
- 5.4.8** There isn't an arrangement in place to segregate duties between the processing and authorising of Council Tax deductions. Officers can independently act on the instructions and evidence provided by Council Taxpayers without documented supervisory review. It is recommended that management consider if sample checks should be introduced to confirm robust eligibility checks and further reduce the risk of staff collusion with members of the public to commit Council Tax fraud.

Recommendation 5 – Consider if sample checks should be introduced to confirm robust eligibility criteria checks.

- 5.4.9** A recovery stage checking timetable is in place. Stages within the recovery process are progressed although the reports are not sufficiently developed to further determine the efficiency of the recovery process in line with the timetable. It is recommended that the management consider if overpayment reports can be aligned to the recovery stage checking timetable to further demonstrate overpayment recovery efficiency, including time elapsed for each stage.

Recommendation 6 – Review if any improvements can be made to the overpayment recovery reports.

- 5.4.10** Council Tax debt write-offs were found to have been agreed by management and authorised in line with the Council's Financial Procedure Rules. It is advised that cut and paste signatures are not a robust control and should not be used.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Wider management team to regularly and accurately document service risks.	M	Key risks may not be identified or correctly assessed.	Review of risks considered collectively previously and risks deemed to be appropriate. Further internal review to be undertaken in 2022/23	Head of Revenues & Benefits	30 th November 2022
Recommendation 2 – Consider whether the draft Collection and Recovery Policy should be finalised and published.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Recovery Team Leader	31 st January 2023
Recommendation 3 – Systems Support Team to apply the Academy system archiving tool.	M	Non-compliance with UK GDPR.	Consideration to be given, after priority requirements have been implemented for LGR	Systems Support & Controls Manager	30 th November 2023
Recommendation 4 – Consider if any proportionate additions or updating to service guidance is required.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31 st January 2023
Recommendation 5 – Consider if sample checks should be introduced to confirm robust eligibility criteria checks.	M	Increased risk of fraud and error.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31 st January 2023

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 6 – Review if any improvements can be made to the overpayment recovery reports.	M	Overpayment recovery inefficiencies are not identified.	Review of reports to be made during 2022/23, to see if improvements can be identified.	Recovery Team Leader	30 th November 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.1	Review and update job descriptions.
5.1.3	2022/23 service plan to be finalised in a timely manner.
5.1.9	Put an arrangement in place to verify adherence to contract terms.
5.2.2	Records retention schedule to be reviewed and updated.
5.3.2	Review and update of Academy data entry guidance.
5.4.3	Individual staff appraisals to be scheduled in line with corporate guidance. Consider whether reinstating regular team meetings may be beneficial.
5.4.5	local performance to be assessed using the comparable national data, or the service plan objectives to reflect current practice.
5.4.7	Business continuity plan to be reviewed and updated.
5.4.10	Cut and paste signatures should not be used.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).