

APPENDIX B(ii)
INTERNAL AUDIT REPORT



COUNCIL TAX
2014-15

Issue Date:	27/04/2015	Issued to:	Simon Riley	Head of Finance and Commercial Services (S151 Officer)
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APPENDIX B(ii)

COUNCIL TAX 2014-15 EXECUTIVE SUMMARY

1. Introduction

The Leicestershire Revenues & Benefits Partnership administers Council Tax billing and collection for and on behalf of Harborough District Council using the Academy computer system. The partnership is hosted by Hinckley & Bosworth Borough Council and subject to internal audit by CW Audit Services (CWAS). The Welland Internal Audit Consortium has no authority to audit the activities of the partnership but has determined that reliance can be placed upon the assurance contained in CWAS reports in so far as that assurance relates to risks relevant to Harborough District Council. This is based upon Internal Audit's assessment, supported by written assurances from CWAS, that they operate in accordance with the Public Sector Internal Audit Standards.


This report summarises the assurance offered by a CWAS audit report issued in January 2015 in respect of the control framework for Council Tax operating during 2014/15.

2. Range of assurance and overall rating

CWAS carried out work to provide assurance in respect of the following key objectives:

- suitable, authorised policies and procedures are in place covering Council Tax processing, and staff are aware of these and that they need to comply with them;
- relevant property records are accurately, comprehensively and efficiently maintained and updated;
- council tax liability is determined efficiently and in line with statutory requirements for all properties;
- billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable;
- the application of discounts and exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence;
- secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts;
- collection rates and other key performance indicators are regularly monitored;
- refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised;
- recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements;
- non-recoverable debts are written-off in accordance with policy and with suitable authorisation; and
- there is routine reconciliation between the Council tax system and the cash receipting system.

The audit opinion provided by CWAS was that the design and operation of controls offered "Significant Assurance" about the management of the risks to the achievement of the specified objectives. The assurance offered would equate to **sufficient assurance** in an audit undertaken by the Welland Internal Audit Consortium.

Internal Audit Assurance Opinion	Direction of Travel
Sufficient Assurance	

APPENDIX B(ii)

3. Summary of findings and conclusions

CWAS reported that the audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. There were some low impact control weaknesses which, if addressed, would improve the overall performance of the system. These are summarised below:

Policies & procedures

Due to a processing backlog, routine quality checks have not been performed since February 2014. A one-off exercise was carried out in July 2014 which found that accuracy rates were averaging 89% against a target of 98% (see recommendation 1).

Property records

The previously reported discrepancy on the reconciliation of the total number of properties has been resolved but there is now a discrepancy between the bandings recorded (see recommendation 2).

Discounts & exemptions

CWAS tested 20 exemptions and 20 discounts for Harborough and found one exemption and five discounts that were incorrectly applied (overdue review dates). This was due to priority being given to clearing the backlog rather than undertaking reviews. The backlog was caused by a period of staff shortage due to maternity leave followed by a period fully staffed but with some inexperienced officers (see recommendation 3).

In addition, inspections are not always being carried out within three months of a property becoming empty. From sample testing of 20 empty properties in Harborough it was noted that 14 were not inspected within three months, 12 of which had still not been visited within six months. In addition, it was noted that the Academy facility to record inspections and findings is not always used correctly (see recommendations 4 and 5).

Write-offs

A sample of 20 cases was tested to ensure they had been written off on a timely basis in accordance with the approved policy. It was noted five cases had not been written off promptly after all avenues of investigation had been explored. Some had taken in excess of a year to be written off. Officers asserted that this was partly due to a high level of work and priority given to areas, although two cases were delayed due to missing paperwork. In one case, although a write-off form had been produced, checked and authorised, it had not been written off on the Academy system (see recommendations 6, 7 and 8).

4. Audit recommendations

Whilst the partnership's managers are responsible for implementing recommendations, the Council has an interest in confirming that agreed actions to improve controls have been completed. The Consortium will, therefore, monitor delivery of all recommendations in the CWAS report that are relevant to the Council.

APPENDIX B(ii)

APPENDIX 1

ACTION PLAN

No.	CWAS recommendation	Management Comments	Category	Officer Responsible	Due date
1	<p>Policies & procedures</p> <p>a) Consideration should be given to re-introducing quality audits to ensure consistency and accuracy of work. We would suggest that such checks could be targeted particularly at new staff or staff with changed roles.</p> <p>b) Action should be taken to address training needs arising from identified recent errors, particularly with new staff.</p>	Agreed	Medium	Head of Partnership (Revenues & Benefits)	30 June 2015
2	<p>Property records</p> <p>The discrepancy in property bandings should be investigated and rectified.</p>	Agreed and liaison with VOA to ensure records reconcile.	Low	Head of Partnership (Revenues & Benefits)	31 May 2015
3	<p>Discounts & exemptions</p> <p>a) Team Leaders should investigate the discounts that have been incorrectly applied and rectify where necessary.</p> <p>b) Reviews should be carried out as soon they become due.</p>	Agreed. We will be reviewing process for all discounts and exemptions to ensure they are reviewed in a timely manner.	Medium	Head of Partnership (Revenues & Benefits)	30 June 2015
4	<p>Discounts & exemptions</p> <p>a) The Partnership should ensure that all empty properties are inspected within 3 months of them being registered as eligible.</p> <p>b) To support this management should consider reviewing the staffing capacity dedicated to inspection and the planning of inspections to ensure this is as effective as possible.</p> <p>c) Management should consider a specific exercise to 'catch up' on the apparent backlog of inspections and identify any cases where empty property exemptions appear to have been extended incorrectly up to that point, and take suitable action on these cases.</p>	A full review will take place regarding visits moving forward being more focused. The team will be fully generic covering Council Tax, NNDR and Benefits inspections/visits.	Medium	Head of Partnership (Revenues & Benefits)	30 June 2015
5	<p>Discounts & exemptions</p> <p>All inspections should be recorded on the inspection screen of the Academy system.</p>	Agreed	Low	Head of Partnership (Revenues & Benefits)	24 January 2015

APPENDIX B(ii)

No.	CWAS recommendation	Management Comments	Category	Officer Responsible	Due date
6	Write-offs As per the Write-Off Policy, non-recoverable debt should be identified and written-off promptly.	Agreed	Medium	Head of Partnership (Revenues & Benefits)	30 April 2015
7	Write-offs Care should be taken that all write-off forms are printed out and left in the correct place	Agreed	Medium	Head of Partnership (Revenues & Benefits)	24 January 2015
8	Write-offs Authorised write-offs should be reconciled to the system each time they are processed.	Agreed	Medium	Head of Partnership (Revenues & Benefits)	24 January 2015

GLOSSARY

The auditor’s opinion

The auditor’s opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of recommendation

The auditor categorises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Category	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met. Recommendation to be implemented immediately with explanation to the Governance & Audit Committee should timeframe extend beyond three months.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives. Recommendation should be implemented as soon as possible with explanation to the Governance & Audit Committee should timeframe extend beyond six months
LOW	Management action will enhance controls or improve operational efficiency. Recommendation should be implemented within six months but the Governance & Audit Committee will be advised where the client specifies that a longer delivery time is necessary and / or justified.

Limitations to the scope of the audit

The auditor’s work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.