

**WELLAND INTERNAL AUDIT CONSORTIUM  
Harborough District Council**



**CONFIDENTIAL**

**INTERNAL AUDIT REPORT**



**FINANCIAL SERVICES**

**Local Taxation**

<b>Issue Date:</b>	14 <sup>th</sup> May 2010	<b>Issued to:</b>	Leigh Butler	Revenues & Benefits Manager
			Kirsty Cowell	Head of Financial Services
<b>Author:</b>	Richard Hastings		Kamal Mehta	Deputy Chief Executive

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## Harborough District Council



Date: 14<sup>th</sup> May 2010

### H-LOCAL TAXES

REF: H/LOTA/2010.bf

## EXECUTIVE SUMMARY

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### Context

The purpose of this report is to provide management with assurance that the controls operating within the Local Taxes procedures are adequate in regard to the key risks of fraud or error. Local Taxes is considered a fundamental system by the external auditors and is therefore included in the Internal Audit Plan every year as part of the managed audit approach.

Local Taxes are made up of Council Tax and Non Domestic Rates (NDR). Council Tax is charged on domestic properties based on their value as at 01/04/91, and NDR is a national tax collected from all occupiers, or owners, of non-domestic property. Liability is established by applying a multiplier (rate poundage) to the rateable value of the property, which is calculated by The Valuation Office Agency.

The overall level of Council Tax is made up of the requirements of Leicestershire County Council, Leicestershire Police Authority; Leicestershire Fire and Rescue Authority and the requirements of the District, local Parish and Town councils. Council Tax liability is reduced for persons eligible for discounts, properties that are exempt from Council Tax and for properties used by disabled people.

In 2008/09 the Council collected 98.37% of the total Council Tax due of £42.417m (from 35,061 assessments) compared to a target of 98.5%.

The Council is responsible for collecting NDR. Various types of relief can be applied to reduce the liability if standard criteria are met. Discretionary Rate and Rural Rate Relief may also be applied. In 2008/09 the Council collected 98.48% of NDR due (£35.690m) from 2,587 hereditaments. The Council's Revenues Team administers Local Taxes through the Academy system.

### Overview

The audit concluded that the Council has policies and procedures for processing Local Tax transactions, that they are available to appropriate officers, and include control processes to protect the interests of the Council. Testing of controls confirmed that they are generally operating as documented and are effective in mitigating the risk of fraud or material error.

Appropriate training and development activities were taking place and an adequate level of segregation of duties exists within the team. Bills are produced promptly and accurately and appropriate information including: payment methods, billing and reliefs and discounts, is being sent to customers with their bills. Discounts and NDR reliefs have been applied for valid reasons.

Appropriate action takes place on accounts in arrears, including the organisation of arrangements to pay, court appearances, and work carried out by the Council's Bailiff. Review of Council Tax write offs and refunds determined that the transactions had been made for valid reasons and were appropriately authorised. Controls to protect the integrity of the on the Local Tax system exist and appropriate Business Continuity arrangements are in place.

A number of areas for improvement were identified:

- The VO schedules for numbers of properties in each Council Tax band did not fully reconcile with the Academy System, although the total number of properties was the same
- Some variations in the records regarding composite properties were noted

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- Continued eligibility for discretionary relief on NDR was not routinely reviewed
- Evidence of managerial review of suppressed accounts could be improved
- The reporting to Members of arrears in the form of an aged debt report could assist in improving monitoring
- Problems with exact reconciliation of income have persisted resulting in minor differences each month

These issues are addressed through the recommendations in the report. As a result of these findings, the overall assurance rating is given below.

As some risks have been identified and some recommendations made, the assurance rating following this audit is

**SOUND**

### Scope

The audit included an examination of the key controls to give assurance that:

- policies and procedures comply with legislation and best practice and are clearly documented and communicated to staff
- amounts due are billed, calculated and issued correctly
- appropriate discount or relief is applied
- amounts received from all sources are posted to the correct accounts in a timely manner
- appropriate recovery action has been taken on overdue accounts
- appropriate reconciliations are being carried out
- appropriate IT controls are in place

*The recommendations are listed on the action plan, followed by the detailed report.*

### Acknowledgements

The help and co-operation of the Revenues & Benefits Manager, Senior Revenues Officer, Senior Domestic Rates Officer, Exchequer Services Manager and other officers in the Revenues & Benefits Team was much appreciated by the Auditor.

Richard Hastings  
Auditor

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### ACTION PLAN

	RECOMMENDATION	Section number	Priority	Officer Responsible	Agreed Action and completion date
1	The Revenues & Benefits Manager ensures that all updates to the Harborough procedure manual are dated to ensure the latest procedures and legislation are reflected in the manual.	01.01.01	3 - Low	H of Fin Services	Agreed to complete by <b>31/03/2011</b>
2	The Council Tax Team Leader ensures that the errors in the individual bandings are resolved and that the council tax system is reconciled to the Valuation Schedules, regularly and promptly, and signed to agree accuracy.	02.02.01	2 - Medium	H of Fin Services	There has been banding accuracy issues since 1993. A full matching exercise will be undertaken.  <b>31/01/2011</b>
3	The Revenues & Benefits Manager commissions the production of a report from both the Council Tax System and the NDR System of all properties listed as composite, and a reconciliation of the reports should be undertaken to ensure that all liabilities are correctly recorded by the Council and the VO.	02.09.01	2 - Medium	H of Fin Services	Agreed  <b>31/12/2010</b>
4	All mandatory and discretionary relief claims processed to be subject to managerial review for continued eligibility and accuracy on an agreed cyclical basis (at least once every 3 years since first granting relief).	03.02.01	3 - Low	H of Fin Services	Included in Action plan – to send out review forms during the year  <b>31/01/2011</b>
5	Officers should be reminded that care should be taken to ensure that all postal records are dated to prove bills were sent out at least 14 days prior to the first instalment date, or by mid-March for annual payments.	04.02.01	3 - Low	H of Fin Services	<b>Action completed.</b> Postage dockets are now completed on line so will always have the date recorded.
6	The weekly report of accounts where recovery action has been suppressed is signed and dated by the Council Tax Team Leader to confirm review has taken place and that suppression is legitimate and authorised.	04.04.01	2 - Medium	H of Fin Services	Agreed  <b>30/06/2010</b>
7	Regular reporting of outstanding accounts showing the age and level of debt are produced and reported to committee on a quarterly basis.	04.05.01	2 - Medium	H of Fin Services	Agreed to introduce this during the current financial year  <b>31/03/2011</b>
8	All documentary evidence relating to the sums written off either by delegated powers or by committee must be maintained on the write off files.	04.06.01	3 - Low	H of Fin Services	New write off proforma has been developed to maintain a full record.  <b>01/10/2010</b>
9	If the minor differences on the balances for Council Tax and NNDR cannot be identified and resolved at the year end, they are written out of the accounts in 2009/10.	05.03.01	3 - Low	H of Fin Services	Agreed  <b>01/10/2010</b>

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### **NOTES:**

Action Plan Grade Classification:	H-High, M-Medium, L-Low	Order of Priority of Implementation. Please note that it will normally be expected that all recommendations will be implemented within 6 months.
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The range of Assurance ratings is as follows:

Audit Opinion:	Explanation:
GOOD	Minor risks have been identified.
SOUND	Some risks have been identified and some recommendations made.
MARGINAL	A number of risks have been identified and changes should be made.
UNSATISFACTORY*	Unacceptable risks have been identified and changes must be made.
UNSOUND*	Major risks exist and fundamental improvements are required.

A rating of "Unsatisfactory" or "Unsound" requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date.

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