

# Final Internal Audit Report

## Council Tax

February 2017

**Distribution:** Executive Director Resources (Final only)  
Director of Customer and Corporate Services  
Head of Business Support and Customer Contact  
Revenues Manager  
Strategic Collections Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	1

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## **1. Introduction**

- 1.1 Council Tax is administered by the Council Tax Team and uses the Northgate Revenues System application for identification, collection and accounting.
- 1.2 Council Tax is payable on all domestic dwellings with certain exemptions for classes of property. Dwellings are placed in one of eight bands reflecting valuations at 1<sup>st</sup> April 1991.
- 1.3 For the financial year 2016/17, local authorities with social care responsibilities were able to increase council tax by up to 4% per annum, providing that 2% was specifically to fund social care. It was intended that the increase would be allowable over 3 years. There was no Council Tax Freeze Grant applying to the same period. For 2017/18, the Government has further relaxed council tax restrictions allowing authorities to impose the rise over two years rather than the previously agreed three.
- 1.4 The Council approved a 1.99% increase in the Council Tax for Croydon Services and a 2% increase in the Council Tax for Adult Social Care levy at the 29 February 2016 Council meeting. It is forecast that Council Tax income, if the Council increases this by the full extent every year, will consequently increase from £133.4m for 2015/16, to £160.2m for 2019/20. The Council Tax increase for 2017/18 was yet to be approved at the time of this audit report.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2016/17.

## **2. Key Issues**

### **Priority 2 Issues**

The online 'moving in' forms that are completed on the Council's website did not include a fair processing statement or detail the actions that could be taken if incorrect information was provided, **(Rec 1)**.

Regular reconciliations of Council Tax refunds between Oracle and Northgate were not being conducted, **(Rec 2)**.

3. Actions and Key Findings/Rationale

<b>Control Area 3: Liability</b>		<b>Detailed Finding/Rational</b>
<b>Priority</b>	<b>Recommendation 1</b>	
2	Amend the online 'moving in' forms to include an appropriate fair processing notice and to detail the actions that could be taken if incorrect information is provided.	<p>The Data Protection Act 1998 details that when information is requested by the Council, a fair processing notice should be issued to inform the taxpayer of why the Council is requesting the information and how the information will be used and/or shared. The Council should inform taxpayers of where and how their data can be used and ensure that the taxpayer filling in the form is aware of the actions that could be taken if incorrect information is provided.</p> <p>Examination of the online 'moving in' forms that are completed on the Council's website identified that these do not inform the taxpayer about the full extent and potential usage of the data being obtained and do not detail the actions that could be taken if incorrect information is provided.</p> <p>Where forms that require personal data to be input do not include appropriate fair processing notices and do not detail the actions that could be taken if incorrect information is provided, the Council is limited in its use of the personal data provided and, should incorrect information be provided, the Council will have limited recourse.</p>
<b>Management Response</b>		
The Service is in the process of developing a new suit of on-line forms to replace the existing forms through the Digital and Enablement project. The declaration will be amended on all new forms to incorporate this recommendation.		
	<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>
	Agreed	Strategic Collections Manager
	<b>Deadline</b>	
		Move forms 31 <sup>st</sup> March 2017 others will follow over a transition phase.

**Control Area 8: Accounting and System Reconciliations**

<b>Priority</b>	<b>Recommendation 2</b>	<b>Detailed Finding/Rational</b>
2	Regular reconciliations of Council Tax refunds between the Northgate and the General Ledger Oracle system.	<p>In order to help ensure that the general ledger properly reflects the Council Tax system, regular reconciliations between the Council Tax system and the General Ledger are conducted.</p> <p>Although it was confirmed that regular 'Collection Fund Income Received Reconciliations' were being conducted (between the Northgate Council tax system and Oracle receipts), reconciliations of council tax refunds were not being conducted. It was; however, explained that the council tax refund difference between Northgate and Oracle was monitored and that this was £4,529.93 as at 30 September 2016.</p> <p>The value of refunds on Northgate as at 16 November 2016 for the year to date was £1,316,254.58 (of which £20,562.56 had been reversed).</p> <p>Where reconciliations of Council Tax refunds between Oracle and Northgate are not conducted, there is a risk that refund errors may not be detected in a timely manner.</p>
<b>Management Response</b>		<b>Agreed/Disagreed</b>
Refunds and refund reversals will be monitored and reconciled between Oracle and Northgate from 1 <sup>st</sup> April 2017.		Agreed
		<b>Responsible Officer</b>
		Strategic Collections Manager
		<b>Deadline</b>
		1 <sup>st</sup> April 2017

**4. Priority Three Recommendations**

Recommendation	Detailed Finding/Rational
<p>1. The Council Tax team should process write-off batches quarterly.</p> <p><u>Management Response:</u>                      Agree. Write offs should be completed on a quarterly basis and the service will ensure that this schedule is followed from 1<sup>st</sup> April 2017.</p>	<p>The Croydon Council Income Procedures state that, 'When debt recovery procedures have been exhausted, the debt must be submitted for write off by the appropriate officer, recording the value and reason for each write off.' The Council Tax team process write-offs in batches and on a quarterly basis.</p> <p>It was established that the bad debt write-offs for Council Tax were not being processed quarterly. Write off batches for 2016/17 have been processed in March and August 2016 (although the August write-off was yet to be approved at the time of audit). The response to the follow up of the 2015/16 Council Tax audit follow up stated write-offs would be completed by end of July 2016 and end of October 2016, however this schedule has not been followed.</p> <p>Where write offs are not processed on a quarterly basis, there is the risk that unnecessary recovery action may continue when it has already been established that the debt is unrecoverable. Furthermore, this may also distort the value of recorded assets of the Council as live, uncollected debts are an asset.</p>

## TERMS OF REFERENCE

### Council Tax

#### 1. INTRODUCTION

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- 1.4 The Council approved a 1.99% increase in the Council Tax for Croydon Services and a 2% increase in the Council Tax for Adult Social Care levy at the 29 February 2016 Council meeting. It is forecast that Council Tax income will consequently increase from £133.4m for 2015/16, to £160.2m for 2019/20.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2016/17.

#### 2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Council Tax.
- 2.2 The audit will for each area included in the scope:
  - Document and evaluate the risks and controls for each process to consider the key controls;
  - Undertake sufficient testing of controls operating, on a sample of transactions; and
  - Reach a conclusion on the effectiveness of the controls operating and report.

### 3. SCOPE

3.1 This audit will examine the Council's arrangements for the following areas relating to Council Tax (and number of recommendations made):

Control Areas/Risks	Recommendations		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Valuations	0	0	0
Tax Setting	0	0	0
Liability	0	1	0
Billing	0	0	0
Exemptions and Discounts	0	0	0
Collections and refunds	0	0	0
Recovery, enforcement and write-offs	0	0	1
Accounting and system reconciliations	0	1	0
Performance review and reporting	0	0	0
Risk Register	0	0	0





3.2 The audit will, where appropriate, in the above areas incorporate compliance with relevant statutes.



## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## **STATEMENT OF RESPONSIBILITY**

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**February 2017**

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