

Final Internal Audit Report

Council Tax

March 2019

Distribution: Interim Executive Director Resources (Final only)
 Director of Finance, Investment and Risk and s151 Officer
 Head of Customer Contact and Revenues & Benefits

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

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents

Page

Executive Summary

1. Introduction.....	2
2. Key Issues	2

Detailed Report

3. Actions and Key Findings/Rationale	3
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Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Recommendations
3. Statement of Responsibility

1. Introduction

- 1.1 Council Tax is administered by the Council Tax Team, which uses the Northgate Revenues System application for the identification, collection and accounting of Council Tax.
- 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 1st April 1991.
- 1.3 A 2.99% increase in the Council Tax for Croydon Services and a 2% increase in the Council Tax for the Adult Social Care levy was agreed at the 27 February 2018 full Council meeting.
- 1.4 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. Key Issues

Priority 2 Issues

Appropriate documentation to support Council Tax discounts was not always present on Iclipse, **(Issue 1)**

Testing of a sample of 10 suspense items found two cases where the item had not been cleared from the suspense account in a timely manner, **(Issue 2)**

Write-offs were not being completed on a quarterly basis, **(Issue 3)**

3. **Actions and Key Findings/Rationale**

Control Area 1: Discount and Reduction Applications		Detailed Finding/Rationale – Issue 1
Priority	Action Proposed by Management	
2	This was an agency member of staff who was not fully aware of Croydon's policy around application and award of SPD. An email has been sent to all members of staff to remind them of Croydon's process when awarding single person's discount. A "top tip" weekly update was also issued to all members of staff.	<p>Council Tax discounts should be supported by evidence to ensure that discounts are not applied inappropriately.</p> <p>Examination of the supporting records for a sample of 10 single person discounts identified one exception where the discount had no supporting documentation.</p> <p>Where discounts are not supported by evidence, there is an increased risk that discounts are awarded inappropriately to claimants who are not eligible to receive them, which could result in financial loss to the Council.</p>
Responsible officer	Deadline	
Head of Customer Contact, Revenues and Benefits	Already actioned	

<u>Control Area 3: Recovery and Enforcement</u>					
Priority	Action Proposed by Management				
2	<p>The write off process is very cumbersome within Northgate system, which takes considerable time and manual intervention. I am proposing that write offs be done two times per year. Which is something that management can commit to.</p>				
	<p>Detailed Finding/Rationale – Issue 2</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.' A recommendation was raised in the Council Tax audit for the 2016-17 financial year that write-offs should be completed on a quarterly basis.</p> <p>Testing of Council Tax write-offs established that only one batch of write-offs had been completed so far for 2018/19, (in October 2018).</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.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Customer Contact, Revenues and Benefits</td> <td>September February</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of Customer Contact, Revenues and Benefits	September February
Responsible officer	Deadline				
Head of Customer Contact, Revenues and Benefits	September February				

Control Area 4: Accounting and Systems Reconciliations					
Priority	Action Proposed by Management				
2	<p>We will speak to the two members of staff who administer the suspense account to ensure that cases are diarised and followed up in a timely manner.</p>				
	<p>Detailed Finding/Rationale – Issue 3</p> <p>Suspense account items are to be investigated and cleared by the Council Tax Team as soon as possible to ensure Northgate is up to date with Council Tax payment status.</p> <p>Testing of a sample of 10 suspense account items found that two of these had not yet been cleared from the suspense account.</p> <ul style="list-style-type: none"> • One suspense item went into the suspense account on 7 June 2018 and had a note that the item should be left in the suspense account until proof of payment had been received; and • Another suspense item went into the suspense account on 8 October 2018 and had a note that a letter had been sent to B.S. stated as the "likely payer". <p>Furthermore, examination of the Suspense Account spreadsheet noted that several fields had been left blank either for notes, action date or CTAX response. It is unclear whether these items have been actioned or not.</p> <p>Where items are not cleared from the suspense account in a timely manner, there is a risk that unnecessary recovery action is undertaken for Council Tax payments they have already made, resulting in officers wasting time and a financial loss to the Council.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Council Tax Collection Manager</td> <td>End of March 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Council Tax Collection Manager	End of March 2019
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TERMS OF REFERENCE

Council Tax

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 1st April 1991.
- 1.3 A 2.99% increase in the Council Tax for Croydon Services and a 2% increase in the Council Tax for the Adult Social Care levy was agreed at the 27 February 2018 full Council meeting.
- 1.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2017/18.

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 examined 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)
Discount and Reduction Applications	0	1	0
Collections and Refunds	0	0	0
Recovery and Enforcement	0	1	0
Accounting and System Reconciliations	0	1	0
Performance Review and Reporting	0	0	0

- 3.2 The audit will, where appropriate, in the above areas incorporated 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:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	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 to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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