

Final Internal Audit Report

Council Tax (Reduced scope)

March 2020

Distribution: Executive Director of Resources and Monitoring officer (Final only)
Director of Finance, Investment and Risk and S151 Officer
Head of Payments, Revenues, Benefits and Debt
Strategic Collection Manager

Assurance Level	Identified Issues	
Full Assurance	Priority 1	0
	Priority 2	0
	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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and 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. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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

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1. Terms of Reference
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1. Introduction

- 1.1 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 April 1991.
- 1.2 For the financial years 2016/17 to 2019/20, local authorities with social care responsibilities have been able to increase council tax by up to an average of 4% per annum, providing that 2% is specifically to fund social care, (i.e. a 6% increase over the 3 year period). Croydon Council has charged 3%, 2% and 1% in 17/18, 18/19 and 19/20 respectively.
- 1.3 For 2019/20 the Council approved a 2.99% (1.99% increase in the Council Tax for Croydon Services and a 1% increase in the Council Tax for Adult Social Care levy. It is forecast that Council Tax income will consequently increase from £204m for 2018/19, to £221m for 2019/20.
- 1.4 The identification, collection and accounting of Council tax is administered by the Council Tax Team, using the Northgate Revenues System application.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019/20 and has a reduced scope, with only identified key areas of the Council Tax function outlined in Appendix 1 being tested and on a sample basis. A full audit of Council Tax is completed every two years.

2. Key Issues

- 2.1 There were no issues identified.

TERMS OF REFERENCE

Council Tax (Reduced Scope)

1. INTRODUCTION

- 1.1 Council tax is administered by the Council Tax Team, who use 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 For the financial years 2016/17 to 2019/20, local authorities with social care responsibilities have been able to increase council tax by up to an average of 4% per annum, providing that 2% is specifically to fund social care, (i.e. a 6% increase over the 3 year period). Croydon has charged a social care levy of 3%, 2% and 1% in 17/18, 18/19 and 19/20 respectively.
- 1.4 For 2019/20 the Council approved a 2.99% (1.99% increase in the Council Tax for Croydon Services and a 1% increase in the Council Tax for Adult Social Care levy). It is forecast that Council Tax income will consequently increase from £204m for 2018/19, to £221m for 2019/20.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019/20.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit will examine the Council's arrangements for Council Tax and will include the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Discount and Reduction Applications	0	0	0
Collections and Refunds	0	0	0
Accounting and System Reconciliations	0	0	0
Performance Review and Reporting	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

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 identified issues 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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