

Council Tax & NNDR 2013/14
City of York Council
Internal Audit Report

Business Unit: Customer & Business Support Services
Responsible Officer: Director of Customer & Business Support Services
Service Manager: Head of Financial Procedures
Date Issued: 05/03/2014
Status: Final
Reference: 10310/005

	P3	P2	P1
Findings	2	0	0
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

One of the council's key funding streams for the provision of its services is the taxes raised in domestic properties (Council Tax) and local businesses (National Non-Domestic Rates – NNDR). In 2013/14 the service will process bills for approximately 86,200 domestic properties and 6,300 businesses. Net liability for the year is approximately £90.6 million for Council Tax and £98.3 million for NNDR. Target collection rates for the year are 97.8% for Council Tax and 98.5% for NNDR.

Billing and collection of Council Tax and NNDR is the responsibility of Financial Services and is delivered through four separate teams; the Customer Centre, NNDR, Council Tax Administration and Council Tax Recovery.

A number of changes to council tax and NNDR were brought in from April 2013. This includes localisation of business rates and the council tax support scheme and changes to council tax discounts and exemptions. The changes made to discounts and exemptions are forecast to increase the amounts due to the council by approximately £500,000 compared to 2012/13; however decreased collection rates are being forecast due to changes to Council Tax Support.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that the controls it has put in place to manage key risks relating to Council Tax & NNDR are effective.

The audit covered the following key risks:

- bills and demand notices are not calculated and issued correctly and in a timely manner and do not correctly apply discounts, exemptions, disregards and reliefs;
- income is incorrectly recorded or accounted for;
- systems in place do not ensure the recovery of all outstanding taxes owed to the council;
- refunds and write offs are not correctly processed and authorised;

- the required returns are not made to central government;
- accurate and appropriate management information is not produced to support effective performance management;
- customer data is not held securely and backed up at appropriate, regular intervals.

Key Findings

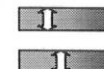
The controls in place are operating effectively across the Council Tax, Business Rates and Recovery teams. A significant amount of monitoring takes place and this has shown better than expected collection rates this year given the predicted impact of the changes to council tax support. These changes have presented significant risks both in terms of income and reputation to the council, but in the first year they appear to have been well managed.

The 2012/13 audit identified an issue with how credit balances for write offs are dealt with by the system. Action is being taken to write off credit balances manually, however this is a time consuming process and there is still a lack of clarity about the cause of the problem, how a permanent solution will be found and when this will be implemented. This issue does not represent a significant control weakness and therefore a finding has not been included in the report but working with Northgate to identify a permanent solution will save officer time and improve the accuracy of information held on the system regarding outstanding balances.

The main issues identified in the audit relate to inconsistencies in evidence attached to support application of discounts, exemptions, disregards and reliefs and in the XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

Area Reviewed: Supporting evidence for discounts, exemptions, disregards and reliefs**Severity**
Probability**1 Issue/ Control Weakness****Risk**

There are inconsistencies in the evidence retained and not all discounts/exemptions/disregards/reliefs have been verified on SX3.

Discounts, exemptions, disregards and reliefs could be awarded incorrectly leading to financial loss to the council.

Findings

It was found that there were some inconsistencies in what information was retained to support the awarding of a discount, exemption, disregard or relief.

No procedure notes have been written which detail the required evidence for each discount and the notes which should be added to SX3. As a result different methods appeared to be used and there was variation in the notes attached to accounts.

There is also the facility to verify discounts etc on SX3, this is being used differently throughout the council tax and business rates teams, and is not being used at all in many cases.

1.1 Agreed Action

Procedure notes will be written which detail the required evidence for each discount and the notes which should be added to SX3 and these will be circulated to staff.

Priority

3

Responsible Officer

XXXXXXXXXXXXX

Timescale

July 2014

Area Reviewed: XX
XXXXXX

Severity
Probability

1

1

2	Issue/ Control Weakness	Risk
	XXX XXX.	Customers could be under charged on their bill resulting in financial loss to the authority.

Findings
XXX XXX. XXX. XXX. XXX.

2.1	Agreed Action						
XXXXXXXXXXXXX	will be added to those accounts identified during the audit.						
Guidance on XX	will be circulated to staff.						
	<table><tr><td>Priority</td><td>3</td></tr><tr><td>Responsible Officer</td><td>XXXXXXXXXXXXX</td></tr><tr><td>Timescale</td><td>July 2014</td></tr></table>	Priority	3	Responsible Officer	XXXXXXXXXXXXX	Timescale	July 2014
Priority	3						
Responsible Officer	XXXXXXXXXXXXX						
Timescale	July 2014						

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.