



Internal Audit Report
Corporate & Democratic Services
Council Tax
Assignment No. 17-26
March 2018

Final Report

Legal and Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2017/18, which was presented to the Audit Committee on 27th September 2017. Audit testing was carried out in January and February 2018.

The key item of primary legislation which established Council Tax throughout the UK is the Local Government Finance Act 1992. This is supported by the Council Tax (Administration and Enforcement) (Scotland) Regulations 1992 which sets out the details of how the primary legislation is to be implemented. Supplementary legislation has been passed in subsequent years adding to the legislative and administrative framework. The tax is applicable to residential property (commercial property is subject to Non Domestic Rates) and is based on the valuation band of the property (which, for properties in Perth and Kinross, is set by officers at Tayside Valuation Joint Board) and the liable persons (mainly those for whom the property is the main residence but also those entitled to occupy empty dwellings).

Various reliefs, discounts and exemptions are applicable in specific circumstances as laid out in the legislation. These reliefs etc. make reductions to liability depending on a number of factors, such as the status of the residents of a property (but distinct from the means testing applied as part of the Council Tax benefit regime), the purpose of the property itself and whether the property is occupied or not.

The Local Taxes team within Corporate and Democratic Services are responsible for ensuring that Council Tax is properly billed and collected.

Scope and Limitations

The audit considered arrangements in place to ensure that Council Tax discounts and exemptions are accurately identified, billed and reviewed as appropriate. In addition, Internal Audit worked with the Service to identify opportunities for utilising data matching software to enhance existing controls within Council Tax. This is due to the recent purchase of the data matching software IDEA by the Internal Audit team.

The review consisted of analysis of documentation, software, data, and interviews with relevant officers.

The audit did not examine reductions processed through the Council tax reduction/benefit scheme which are dealt with by the Housing Benefits team.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the adequacy of controls in relation to Council tax discounts and exemptions

Audit Comments:

Audit testing confirmed that there are a number of controls in place to ensure that Council tax discounts and exemptions are identified, billed and reviewed as appropriate and that these are generally operating effectively.

The Council website and information leaflets provided to Council tax payers (liable parties) with their bills, set out relevant information in relation to Council tax discounts and exemptions. This includes rates, circumstances in which these may apply, alongside application guidance. Testing confirmed that appropriate back up is held to verify discounts applied, with an isolated exception which was investigated and resolved during the audit.

Council tax material informs liable parties of their duty to provide accurate information and to notify the Council where there is a change to circumstance. This is supplemented by reviews confirming entitlement to discount and exemptions. These are carried out on a cyclical basis of between 1 and 3 years, including an in-depth analysis of the highest value discount claimed in relation to single person occupancy. Whilst not affecting entitlement, testing highlighted an issue with the review process for some liable parties in receipt of Severe Mental Impairment discount, and this has now been resolved by the Service. There is still scope, however, to review some application forms and information advised to customers verbally.

There are procedures manuals, and an information guidance system in operation, to ensure staff understands the classifications of discounts and exemptions and the relevant criteria for applying these. The Service acknowledges, and is in the process of, reviewing procedures to ensure that relevant supervisory routines are also documented.

Audit testing confirmed evidence of staff training and monitoring through to competence, and regular sample-based discount and exemption focussed monitoring checks which would assist in identifying any anomalies or training issues. There is also a process in place to record and manage any perceived conflicts of interest which may arise due to processing of bills for staff employed by Council tax.

The Council tax system has defined access permissions, based on job profiles, to ensure that discounts and exemptions can only be processed by appropriately

Internal Audit Report

trained and authorised staff. Audit testing revealed, however, that there is scope to improve access change management processes to maintain the integrity of this control. There are further system controls operating within the Council tax system which ensure that discounts and exemptions are being calculated and applied at the appropriate rate, and that time limited discounts are reviewed and reclassified as appropriate. These were found to be working satisfactorily.

Strength of Internal Controls:

Moderately Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point. Appendix 3 outlines information regarding additional work carried out in relation to utilising data matching software for Council tax.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of A MacDonald, Revenues Manager, K Fraser, Principal Officer (Local Taxes) and Officers within the Council Tax department.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

A Taylor, Head of IST and Chief Digital Officer

L Simpson, Head of Legal & Governance

Internal Audit Report

S Mackenzie, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

L Brady, Revenue & Benefits Service Manager

A MacDonald, Revenues Manager

K Fraser, Principal Officer (Local Taxes)

External Audit

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

Moirra Morrison
Senior Internal Auditor
Date: March 2018

Internal Audit Report

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Information Review	Low
2	Procedures & Version Control	Low
3	System Access	Medium

Appendix 2: Action Plan

Action Point 1 - Information Review

Council tax payers confirm an undertaking to answer questions accurately and advise promptly of any change of circumstances where they are providing information via paper or online applications. Through these channels advice is also given as to how their data may be used.

Audit testing revealed that 3 of the application forms do not reflect the full undertaking where the liable party is requested to sign.

Additionally, where a liable party provides information verbally, the above points are not communicated, except when applying for Single Person discount.

In light of impending General Data Protection Regulation, and matters highlighted above, there is scope to review application forms and information advised to the Council tax payer at each point of contact.

Management Action Plan

As part of ongoing transformation and channel shifting within Local Taxes (examples include use of Govtech and MyPKC) there is a commitment to develop on-line application forms for all relief and exemption awards. As part of this process we will ensure that all on-line forms contain the appropriate level of information and undertaking requirements. During this process we will also ensure any remaining paper-based applications are reviewed and amended accordingly.

We shall also commit, in liaison with the Customer Service Centre, to review the telephone messages used for incoming calls to ensure customers are fully aware as to the use of any information provided

Risk/Importance:	Low
Responsible Officer:	K Fraser, Principal Officer (Local Taxes)
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	June 2018
Required Evidence of Completion:	Links to on-line forms, copies of any amended paper-based forms and details of any changes to telephone messages.

Auditor's Comments

Satisfactory

Internal Audit Report

Action Point 2 - Procedures & Version Control

Whilst there is evidence of monitoring checks and reviews being completed by the Service, there is scope to further document the Supervisory procedures which would outline the key tasks involved with their completion.

The Service advises that this is something they are working on presently, alongside review of general procedures and application of version control.

Management Action Plan

This matter has come to light following the departure of an Assistant Revenues Manager and the impending departure of a Revenues Officer through the Council's Voluntary Severance Scheme.

Work is currently ongoing to ensure all areas of responsibility covered by these two officers are known, recorded and subject to up-to-date guidance notes.

Furthermore, it has become apparent that there is a growing need to focus on specific complex Council Tax and Non-Domestic Rates issues rather than predominantly on transactional reports. In each case the guidance notes relating to the chosen subject matter will be thoroughly reviewed and updated (using appropriate version control) as necessary.

Risk/Importance:	Low
Responsible Officer:	K Fraser, Principal Officer (Local Taxes)
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	June 2018
Required Evidence of Completion:	Updated procedures will be stored in our SharePoint library

Auditor's Comments

Satisfactory

Internal Audit Report

Action Point 3 - System Access

Control level access permissions are granted according to job profile; allowing access and rights to amend data within the Council tax system.

Audit testing revealed that read/write access had not been revoked in all instances where this was no longer required.

There is therefore scope to review existing processes to ensure that system access permissions are amended promptly in line with staff movement.

Management Action Plan

A thorough review of all Northgate users will be carried out to ensure only appropriate staff have access to the system. This will also address the appropriate level of access/authorisation being in place based on that person's role.

Procedures and controls for changes to users' access will also be reviewed and updated as necessary.

Risk/Importance:	Medium
Responsible Officer:	A MacDonald, Revenues Manager
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	June 2018
Required Evidence of Completion:	User access reports and updated procedure notes to be provided

Auditor's Comments

Satisfactory

Appendix 3: Additional Work Completed

Audit Comments:

Internal Audit worked with the Service to identify opportunities for utilising data matching software to enhance existing controls within Council Tax. A number of areas were discussed and may be considered in future, pending further investigation.

For this audit, data matching software was used to identify Council employees with Council Tax arrears; something which is not permissible under the Code of Conduct. The Service normally completes this exercise annually by manual intervention, however, use of the data matching system has added efficiency to the identification process.