



Internal Audit Report
Housing & Community Care
Council Tax - Assignment No.11/013
August 2012

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This audit was carried out as part of the approved audit plan for 2011/2012.

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 Board) and the liable persons (those for whom the property is the main residence). 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 applicable applied as part of the Council Tax benefit regime), the purpose of property itself and whether the property is occupied or not.

Revenues and Benefits within Housing and Community Care have the responsibility to ensure that Council Tax is properly billed and collected.

The scope and control objectives of the audit were established in consultation with Audit Scotland, the Council's External Auditors. The tests which were to be performed to confirm that the control objectives were being met, were agreed at the outset of the work, to complement work already carried out, and did not therefore necessarily cover the full control objective.

The audit work was carried out through visits to offices at Pullar House and 2 High Street, and interviews with management of both Revenues and Benefits and Finance and examination of paper records and the Revenues system.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Revenues and Benefits section of Housing and Community Care, and Finance Division within Chief Executive's during this audit.

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 assessed strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

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Control Objective: To ensure that there is an adequate control framework in place governing the operation of the council tax billing and collection system.	
<p>Auditor's Comments The Legislation-based manual provides a sound interpretation of the legislation of Council Tax in terms of reflecting the 50% person base, 50% property base. All of the exemptions / discounts are described in accordance with the legislation and it is up to date as regards discounts applicable nationally and locally (those which form part of the budget process e.g. unoccupied and second home discounts and discount for climate change).</p> <p>Other procedures manuals exist describing actions to be taken to administer, implement and enforce legislation using the Council Tax system.</p>	
Strength of Internal Controls:	Strong

Control Objective: To ensure that all taxable properties are identified and accurately recorded.	
<p>Auditor's Comments: Reports from the Valuation Board, detailing the assessors' valuation totals for each valuation band, are reconciled weekly with the Council Tax system, after the interface report has been run. This ensures that all properties which have been assessed have been allocated the correct band on the Council Tax system. Each report is signed by a supervising officer and discrepancies resolved.</p>	
Strength of Internal Controls:	Strong

Control Objective: To ensure that all persons liable for Council Tax have been identified and all discounts, benefits, exemptions and allowances have been correctly recorded to comply with statutory requirements.	
<p>Auditor's Comments: There are procedures manuals which cover the legislative background and operational instructions for the administration and enforcement of Council Tax. Thus the legal basis behind the actions to be taken (i.e. the basis of Council Tax with reference to property and liable parties, discounts and disregards for processing changes) are described in detail. These are used as training materials to ensure that members of staff have an adequate understanding of the law surrounding Council Tax prior to implementing any changes on the system.</p> <p>Testing on supervisory checks of reliefs and exemptions for properties and personal discounts showed that where they were evidenced as having taken place, adequate information was used to confirm that they were justified and supported. However, in the absence of seven complete months of evidenced management checks, there is insufficient support to confirm that adequate checks have been undertaken by management throughout the year, and to confirm that the reductions in liability were appropriately applied.</p>	

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Moreover, the absence of the records from the Council Tax office is indicative of a lack of sound records management practice and due to the nature of the records, whose absence management cannot definitively account for, there are Data Protection issues.

Strength of Internal Controls:	Moderately strong
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Control Objective: To ensure that income is recorded correctly within the individual's accounts.

Auditor's Comments: The General Ledger Council Tax accounts are reconciled against Council Tax system receipts monthly. Discrepancies are identified and investigated. Separation of duties is maintained as this work is done by Exchequer Team within Finance although Local Taxes management are involved in the investigation of some discrepancies. Each month's reconciliation is signed off as having been reconciled to the satisfaction of the Assistant Incomes Manager ensuring that the balances on the Council Tax accounts are correct.

Strength of Internal Controls:	Strong
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Control Objective: To ensure that arrears are identified promptly and pursued.

Auditor's Comments: The timetable for arrears ensures that late Council Tax payments are identified promptly and that persons liable for Council Tax debt are sent bills and reminders in compliance with legislation and to provide reasonable opportunity for debts to be paid.

Strength of Internal Controls:	Strong
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Control Objective: To ensure that all write offs are valid and authorised.

Auditor's Comments: The Service has in place a process for identifying debts for write-off and for ensuring that the write-offs are accurately recorded on the system. The identified debts are then incorporated within the annual report on debt write-off submitted to Strategic Policy & Resources Committee for approval.

Strength of Internal Controls:	Strong
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Management Action and Follow-Up

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

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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 lists minor points of non-compliance. These findings do not form part of the Action Plan and are considered to be attached to very low risk. They were drawn to the attention of management during the audit, and will only be followed up as part of a subsequent audit.

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.

Feedback

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

Distribution

This report has been distributed to:

B Malone, Chief Executive

D Burke, Executive Director of Housing & Community Care

J Walker, Depute Director of Housing & Community Care

A Taylor, Head of Finance & Support Services (Housing & Community Care)

J Symon, Head of Finance

L. Brady, Revenues & Benefits Service Manager

K Fraser, Assistant Revenues Manager

M Kay, Senior Committee Officer

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was A Gallacher. The supervising auditor was D Farquhar.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 6 September 2012

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Missing Records	Medium

Appendix 2: Action Plan

Action Point 1 - Missing Records

In a test to confirm that adequate monthly checks are carried out by management to confirm the application of legislation in the award of discounts, reliefs and exemptions, the Auditor found that records of seven full months of checks were not held or available for examination.

Without the record of checks undertaken by Council Tax management, the Auditor is unable to place reliance that sufficient checks have been carried out throughout the year.

The Service states that these checks were undertaken, but the records were subsequently shredded by mistake when an officer was preparing to go on maternity leave.

The absence of the records indicates weaknesses in records management practice and, due to the nature of the statements and documents, are a breach of Data Protection legislation.

Management Action Plan

a) Staff will be reminded, by high priority email, of the need to adhere to the Council's Policy On Records Management.

b) Management will implement the use of warnings on audit header sheets, stating due year of destruction in compliance the Council's Policy On Records Management.

Importance:	Medium
Responsible Officer:	K Fraser, Principal Officer (Local Taxes)
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	a) Completed b) Completed
Required Evidence of Completion:	a) Copy of email b) Audit header sheet

Auditor's Comments

Satisfactory

Appendix 3: Minor Points of Non-compliance

- 1 . The guidance on legislation includes a section on members of the public's right of appeal. The section is headed "Appeals to Director of Finance" a post which was deleted from the establishment in 2002.
- 2 . Two Data Protection notices instruct members of the public, in the event of a query, to write to the Executive Director (Corporate Services), a post that was deleted from the establishment in 2010.

