



**Internal Audit Report**

Revenues Team

**Internal Audit Review of Income: Council Tax**

May 2013

## 1 INTRODUCTION

As part of the annual audit plan for 2012/13 internal audit undertook a review of Council Tax functions and its activities. An internal audit review of Income was undertaken that considered the activities of the Revenues Team, which is led by the Revenues Supervisor who reports to the Revenues and Benefits Manager, both of whom are based at Witchburn Road, Campbeltown.

With regards to Council Tax responsibilities, the Revenues Supervisor is supported by the Council Tax Support Officer and Council Tax Team Leader. The staff in the Council Tax Assessment Unit (9 FTE) report to the Council Tax Team Leader and the unit is supported by Clerical Assistants (Scanning) (1 FTE).

Appendix 3 shows the position of staff with Council Tax responsibilities within the Revenues Team structure. Council Tax positions are highlighted in light grey whilst the Corporate Debt Recovery Team, which is responsible for pursuing the recovery of overdue Council Tax accounts, is highlighted in dark grey.

The monthly collection statistics for 2012/2013 Council Tax year at 31 December 2012 showed the following:

Gross Council Tax Billed	£55,186,708
Total Net Billed	£41,847,730
Total Collected*	£35,832,327

\*The collection rate of 85.63% is well above the target set at 31 December of 85.10%. Council tax is payable over 10 instalments April to January so not all the amount bill is due and payable at 31 December. At the year-end we achieved cumulative collections of 96.28% after allowing for year end adjustments for cash in transit, refunds due in respect of overpaid accounts and accruals for discounts and exemptions not yet granted.

As at 9 January 2013 Council records identified that there are 47,216 domestic properties subject to Council Tax.

As at 31 January 2013 the total amount of outstanding Council Tax debt (1993/94 – 2012/13) being pursued by the Sheriff Officers was £12,998,398.49.

The annual Council Tax target, 1 June to 31 May each year, for the Sheriff Officers collections is £2.9m. In the 6 month period, 1 June to 30 November 2012, £1,534,336 of Council Tax bad debt was collected. As at 31 December 2012, the projected collection rate for the year, 1 June 2012 to 31 May 2013, was 108.97% (£3,160,150).

## 2 AUDIT SCOPE AND OBJECTIVES

This is the first year of a 3 year cycle of income audits. The scope of this audit was to undertake a high level review and assess the adequacy of

controls in place to ensure that the Revenues Team identify, bill, collect and account for Council Tax income owed to the Council on a timely basis.

Testing was undertaken to assess the effectiveness of the present operational controls. The intended approach is for internal audit to undertake substantive testing over the next 2 years that will cover Welfare Reform changes as they occur.

### **3 RISK ASSESSMENT**

As part of the audit process the risk register was reviewed to identify any risks that potentially impact on the audit. The following risks were identified.

- SR16 Failure to have a robust internal control process and system;

### **4 CORPORATE GOVERNANCE**

No corporate governance issues were identified during the audit.

### **5 MAIN FINDINGS**

The only major issue identified during the review relates to members of the public being able to access restricted areas due to a broken internal security door. Although the likelihood of an incident is low, the potential consequences represent a significant legal, financial and reputational risk to the Council.

It is clear from interviews with staff and observation of the various teams at work that the Revenues Team is a close knit group that comprises experienced and capable staff with sufficient collective knowledge and ability to deliver the Council's requirements.

Whilst some members of staff have significant experience and need little guidance, it is also important that documented guidance is current and complete to ensure that new and less experienced staff members are familiar with their responsibilities.

### **6 RECOMMENDATIONS**

One high and two low recommendations were identified during the audit.

The recommendations are detailed in the action plan attached at Appendix 2, which has been compiled with the co-operation and agreement of the Revenues Supervisor and Revenues & Benefits Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescales. Where

management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as high, medium or low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Based on the findings of the audit review we are satisfied that there are adequate controls and procedures in place to ensure that the Revenues Team identify, bill, collect and account for Council Tax income on a timely basis.

The recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

Thanks are due to the Revenues Team for their co-operation and assistance at all stages of the audit.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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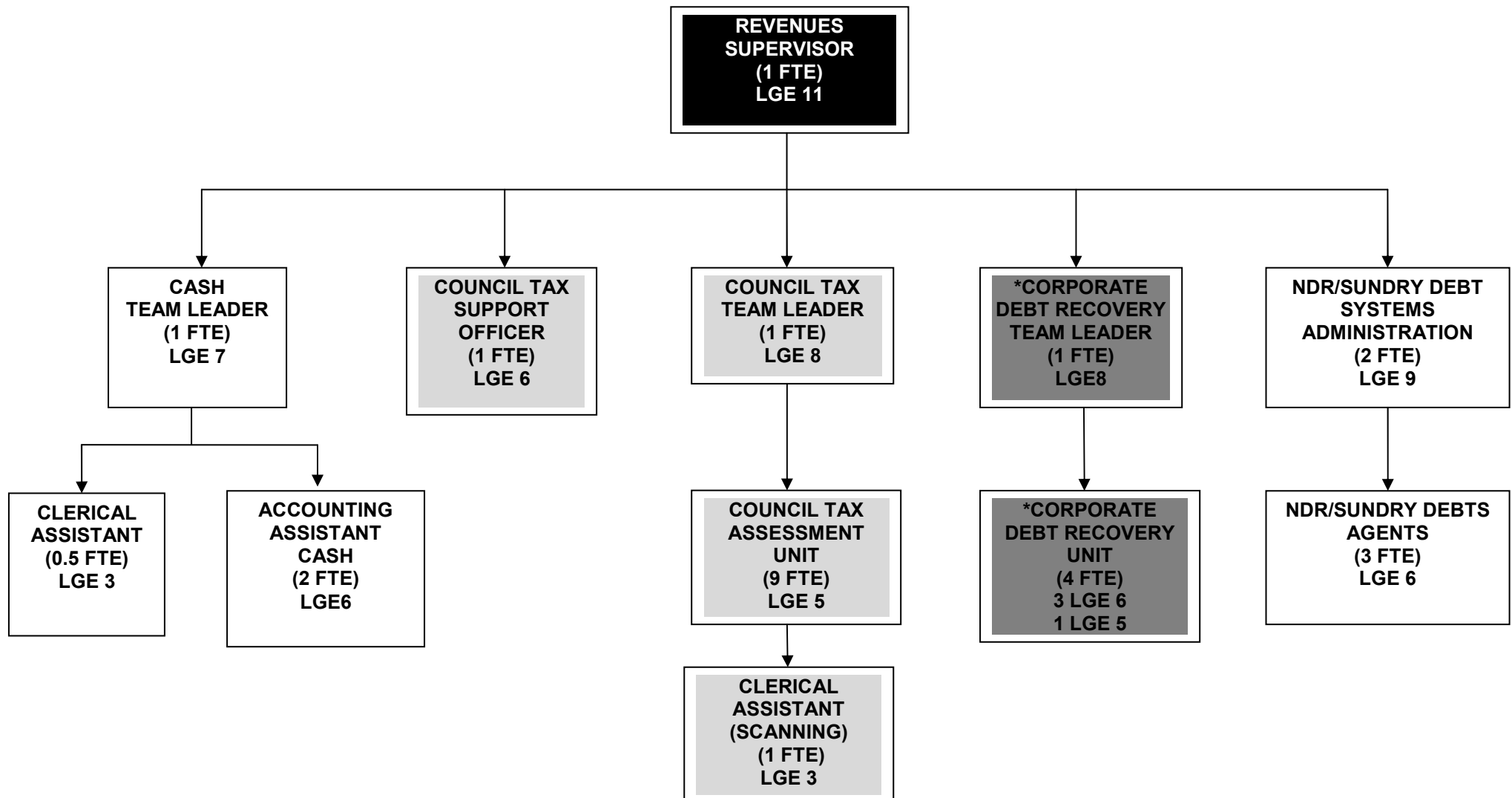
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## APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Due to a broken internal security door it is possible for members of the public to gain access to restricted areas.	High	The broken internal security door should be fixed to prevent public access. .	Revenues and Benefits Manager	Complete

**APPENDIX 3 COUNCIL TAX TEAM (WITHIN REVENUES STRUCTURE)**




































**\*Includes Corporate Debt Recovery Team, which is responsible for pursuing overdue Council Tax accounts**



#### APPENDIX 4 COUNCIL TAX PYRAMID SCORECARD (9.1.13)

	CTAX Total payments received this period	£ 5,127,992 (Dec 12)		
	CTAX Total payments received to date	£ 48,695,067 (Dec 12)		
	Council Tax % income received to date	85.63 % (Dec 12)		
	CTAX account monitoring meetings	1 (FQ3 10/11)		
	CTAX annual bills issued on time	100 % (FY 09/10)		
	CTAX Complaints - received at Council	1 (Feb 12)		
	CTAX Complaints - upheld by Ombudsman	0 (Feb 12)		
	CTAX income due	£ 41,847,730 (Dec 12)		
	CTAX income received this period	£ 48,695,067 (Dec 12)		
	CTAX income received to date	£ 35,832,327 (Dec 12)		
	CTAX no of chargeable dwellings	47,213 (Dec 12)		
	CTAX no of staff	13.5 (Jan 13)		
	SPI local - CTAX % income received QTD	95.68 % (FQ4 11/12)		
	SPI local - CTAX Collection Costs per chargeable dwelling	£ 11.95 (FY 10/11)		
	CTAX payments - % DD payments this period	65.43 % (Dec 12)		
	CTAX payments - % income received by DD this period	81.00 % (Dec 12)		
	CTAX payments - % income received by DD to date YTD	75.98 % (Dec 12)		
	CTAX payments - income received by DD this period	£ 4,153,844 (Dec 12)		
	CTAX payments - income received by DD to date	£ 36,999,878 (Dec 12)		
	CTAX payments - Number of DD payments this period	30,893 (Dec 12)		
	CTAX payments - Number of DD payments to date	280,984 (Dec 12)		
	CTAX payments - Payments this period	47,213 (Dec 12)		
	CTAX payments - payments to date	£ 48,695,067 (Dec 12)		
	CTAX periodic bills issued on time	100 % (Dec 12)		
	CTAX Queries - %correspondence dealt with within 10 working days	79.17 % (Dec 12)		



	CTAX Queries - % customers dealt with within 15 minutes	100 % (Dec 12)		
	CTAX Queries - % telephone calls answered within 5 rings	0.00 % (Dec 12)		
	CTAX staff per 1000 chargeable dwellings	0.2859 (Dec 12)		
	IF01aA1 - Tax by direct debit	On track (Jan 11)		
	IF01aA2 - Monitor monthly collections	On track (Jan 11)		
	IF01aA3 - Work closely with sheriff officers under new contract	On track (Jan 11)		
	CTAX and NDR Debt type & profile targetting	1 (FQ3 10/11)		
	CTAX Qtly account meeting with Sheriff officers	Yes (FQ3 10/11)		
	IF01aA4 - Investigate eBilling	Concerns, being addressed (Jan 11)		
	CTAX follow up documentation issued on time	100 % (Dec 12)		
	IF01aA5 - Be responsive to difficult economic climate	On track (Jan 11)		
	CTAX % of returns in time to Scottish Government	100.0 % (FQ3 10/11)		
	test	85.63 (Dec 12)		
	CTAX income received details			

### 1.CT Investigate eBilling

	Subjective assessment
Apr 10	Concerns, being addressed
May 10	Concerns, being addressed
Jun 10	Concerns, being addressed
Jul 10	Concerns, being addressed
Aug 10	On track
Sep 10	On track
Oct 10	On track
Nov 10	On track
Dec 10	On track
Jan 11	Concerns, being addressed
Feb 11	
Mar 11	