



Internal Audit Report

Customer Services

**Council Tax
Second Homes and Unoccupied Homes**

November 2013

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1 INTRODUCTION

As part of the 2012/2013 Audit Plan a comprehensive Report was completed in February 2013 covering Council Tax functions and activities. This report relates to the Internal Audit review of Council Tax (Second Homes and Unoccupied Homes) as part of the 2013/14 Internal Audit programme. There are currently 2,665 Second Home properties and 1,318 Un-occupied properties registered for Council Tax within Argyll & Bute Council.

There have been a number of recent legislative changes to the rules in respect of council tax and non-domestic rates charges for empty premises which came into effect on 1 April 2013.

The following proposal was accepted by Council on the 8th of August 2013:

- Council exercises its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to increase the council tax charge on unoccupied properties which are not being actively marketed for sale or for let under appropriate conditions and which have been unoccupied for over 12 months by 100% across the whole of the council area with effect from 1 April 2014.
- Council exercises its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to increase the council tax charge on unoccupied properties which are being actively marketed for sale or for let under appropriate conditions and which have been unoccupied for over 24 months by 100% across the whole of the council area with effect from 1 April 2014.

It is estimated that the potential increase in recurring Council Tax income may be between £0.7m and £1.55m. This increase will not be ring-fenced and will be available to the Council to spend as it sees fit.

2 AUDIT SCOPE

The focus of the audit was to ensure that all calculations, decisions, actions, payments & refunds are valid, controlled and accurately recorded.

The specific objectives of the audit were to:

- Ensure that Liability, Billing, Collection, and Enforcement Regulations, are up-to-date and are being adhered to;
- To ensure systems and procedures are in place to deal with the recent legislative changes to the rules in respect of council tax and non-domestic rates charges for empty premises which came into effect on 1 April 2013.

Computer Audit Software IDEA was used to select a 5% random sample of second homes and a 5% random sample of un-occupied properties were reviewed as part of the audit process.

3 RISK ASSESSMENT

As part of the audit process the risk register was reviewed to identify any areas that needed to be included within the audit. The area identified was:

SR16 Failure to have a robust internal control process and system.

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

- Liability, Billing, Collection, and Enforcement Regulations, are up-to-date and are being adhered to;
- Systems and procedures are in place to deal with the recent legislative changes to the rules in respect of council tax and non-domestic rates charges for empty premises which came into effect on 1 April 2013.

6 RECOMMENDATIONS

One recommendation was identified as a result of the audit, this is of low priority. The recommendation is shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Head of Customer and Support Services.

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 achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks 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 fundamental, material or minor. The definition for each classification is 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 we can conclude that there are systems and procedures in place to deal with the recent legislative changes. Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations 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 Revenue and Benefit staff for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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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