

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	SYSTEM BASED AUDIT
AUDIT TITLE	Revenues and Benefits
AUDIT DATE	February 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Revenue and Benefits within Customer Services as part of the 14/15 Internal Audit programme. Council Tax is a property based tax payable by the resident, owners or tenants of each property. There are a number of circumstances where a property may be exempt from Council Tax or entitled to a reduction if all the relevant criteria are met, these include Single person's discount, Status discounts such as students, People with disabilities and second homes/ unoccupied homes.

Argyll and Bute Council must adhere to Liability, Billing, Collection, and Enforcement Legislation and Regulations. The main legislation governing Council Tax is contained in the Local Government Finance Act 1992 and The Local Government in Scotland Act 2003.

Additionally, the Council agreed a policy on charging double Council Tax on unoccupied properties in line with new powers prescribed by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 with effect from 1 April 2014.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to:

- Review of Policies and Procedures regarding Council Tax exemptions;
- Review of applications for Council Tax exemption or discount;
- Review of additional charges levied in respect of the double charge of Council Tax;
- Verification of systems and evidence to support the applications;

3. RISKS CONSIDERED

SRR - Major reduction in income /funding as result of reduced collection of council tax or fees and charges.

ORR - Failure to ensure income from local taxes and sundry debtors is maximised and properly controlled.

Audit Risk - Non-compliance with operational policy leading to inaccurate application of exemptions, discounts and charges.

4. AUDIT OPINION

The level of assurance given for this report is Substantial

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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.

5. FINDINGS

- Local Authorities are required to submit a Council Tax Assumptions (CTAS) return to Scottish Government in March each year. Returns include details of the policy in relation to the discounts (second-homes and/or long-term empty) and increases (long-term empty only) for the forthcoming year. It was evidenced that the CTAS return was completed for 13/14 and arrangements are in place to meet CTAS return requirements for 14/15.
- Local Authorities are required to provide details of the additional income collected on an annual basis to the Scottish Government through the March Council Tax Revenue Return (CTRR) return. It was evidenced that the Council met CTRR requirements for 2013/14 and arrangements are in place to ensure 2014/15 returns are completed.
- Local Authorities are required to consider how they will publicise their policy in relation to the council tax variation for second-homes and long-term empty, prior to the financial year to which the policy relates. It was evidenced that arrangements are in place to comply with this requirement. A paper is scheduled for submission to March 2015 Policy and Resources committee requesting a variation to policy which if agreed will then be publicised along with full policy.
- It was evidenced that discounts applied in respect of single persons status were supported by relevant documentation, appropriately authorised and a clear audit trail was in place in respect of the sample records tested.
- It was evidenced that discounts applied in respect of short term empty homes status were supported by relevant documentation, appropriately authorised and a clear audit trail was in place in respect of the sample records tested.

- It was evidenced that premium charges in respect of long term empty properties were supported by relevant documentation, appropriately authorised and a clear audit trail was available.
- The service utilises the Civica W2 system for document management to support Council Tax administration. Systems controls were evidenced as being in place in respect of authorisations and segregation of duties.

6. CONCLUSION

This audit has provided a Substantial level of assurance. Policies and procedures are in place and appropriate controls were evidenced as being in place.

Thanks are due to the Customer Services staff and management for their co-operation and assistance during the Audit and the preparation of the report.

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