



Council Tax and NNDR

City of York Council

Internal Audit Report - 2016/17

Business Unit: Customer & Corporate Services
Responsible Officer: Director, Customer & Corporate Services
Service Manager: Head of Customer, Resident & Exchequer Services
Date Issued: 13/06/17
Status: Final
Reference: 10310/008

	P1	P2	P3
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Money that is raised through taxing local properties (Council Tax) and local businesses (National Non-Domestic Rates) are a key source for funding the provision of local services. In 2015/16 the service processed bills for approximately 77,000 domestic properties and 7,000 businesses. The total liability for the year was approximately £93 million for Council Tax and £105 million for NNDR. Target collection rates for the year were 97.8% for CT and 98.5% for NNDR.

A City of York council tax bill is made up of the amount levied by City of York Council and precepts for the North Yorkshire Police Authority, the North Yorkshire Fire and Rescue Authority and, for properties in a parished areas of the city, the individual Town or Parish council.

Billing and collection of Council Tax and NNDR is the responsibility of Financial Services and is delivered through four separate teams: the Customer Centre, NNDR, Council Tax Administration and Debt Recovery.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- The authority maintains an accurate database of taxable properties and liable persons;
- Bills and demand notices are calculated and issued correctly, in a timely manner and apply legitimate discounts, exemptions, disregards and reliefs;
- Arrears are promptly and effectively pursued;
- Refunds and write-offs are legitimate, correctly processed and authorised.

This audit did not cover some elements that were tested in 2014/15, such as issues related to customer data, customer service, or the returns made to central government. There were no issues identified in these areas in the last audit, and this year's audit focused on the areas of highest risk.

Key Findings

Overall, the council tax and NNDR systems in place provide a good degree of assurance. The database of taxable properties is well maintained, regular checks and good communication with the VOA ensure it is kept up to date. Arrears can be shown to be promptly and effectively pursued,

with appropriate action in acceptable timescales. In addition, refunds and write-offs tested were legitimate, correctly processed and authorised appropriately.

One issue that was noted is that management spot checks of discounts, exemptions, disregards, and reliefs are not conducted with enough frequency. This reduces management oversight in the area.

One other area in which a weakness was identified relates to the empty property premium. The system relies on manual input of end dates to ensure that it progresses to the next stage, at which a 50% premium is automatically applied. In some cases, the end date was not entered, and accounts were not progressed.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Spot Checks on discounts, exemptions, disregards and reliefs

Issue/Control Weakness	Risk
------------------------	------

Management spot checks of awarded discounts, exemptions etc were not done with enough regularity.

With inadequate review of the discounts awarded, there is a higher chance that errors could occur. If discounts, exemptions, disregards and reliefs are awarded in error, the council will not be collecting all revenue it is entitled to.

Findings

The target for spot checks of awarded discounts, exemptions, disregards, and reliefs is 3 per week, which averages 156 checks in a year. There were a total of 38 spot checks for the year leading up to the date the document was received: (04/10/15 -04/10/2016). The service area manager has expressed that this area is not considered a priority and it was generally done when there was less demand on their time.

A report showing dates that spot checks are conducted was received on 04/10/2016. Up to this date, the most recent spot checks were carried out on 08/08/2016, this is a two month gap.

Agreed Action 1.1

Due to the period of change and staff issues in the Benefits Tech Team this support was limited during 2016. These issues have now been resolved and a Tech officer has a work pattern to locate within the CTax team on a weekly basis to support the CTax Team Leader. These spot checks are now being done on a weekly basis to maintain discount, exemptions, disregards and reliefs.

Priority	3
Responsible Officer	Income Manager
Timescale	Implemented



2 Empty property premium

Issue/Control Weakness

End dates for properties with empty status were not entered consistently.

Risk

An exemption could be applied for too long, and the council may not collect revenue on properties that should be paying 150% of the CT rate.

Findings

All properties that are empty for more than 2 years incur a premium charge of 50%.

There were a total of 52 properties that had the status of "PCLC - Empty >2 Years." This stage needs to have an end date in order to automatically progress to the next stage - "PREM - LTR", which is the status of having the 50% added. Of these 52 properties with the status "PCLC", 12 did not have an end date entered. This represents approximately 23% of the population.

Agreed Action 2.1

Instructions have been issued for end dates to be entered.

Priority

3

Responsible Officer

Income Manager

Timescale

30/06/17

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.