To: **Ian Wilson, Local Taxation Manager**

For information: **Carl Roberts, Head of Revenues**
                Pauline Coletta, Head of Finance

1.   Introduction

An audit of Council Tax has been carried out as part of the 2006/07-audit plan. Detailed tests have been carried out on the systems of control and the management of risk within this area.

2.   Findings and recommendations

The detailed findings and recommendations are set out in the report attached as Appendix 1. The Management Action Plan as completed by the officers responsible is attached as Appendix 2. A satisfaction survey is also attached for completion.

3.   Conclusions

During the course of this audit, we identified that many key systems of control are in place and are complied with. We however, identified two areas of high risk relating to Council Tax refunds and Pericles security.

S H Martin
Audit Partnership Manager
January 2007

Council Tax 2006-07

1.   AREAS COVERED DURING THE AUDIT

At the start of this audit we identified a number of **possible** risks that may prevent related service objectives being met. The key areas of possible risk identified at the planning stage of the audit were as follows:

a) Council tax not charged.
b) Council tax charged incorrectly (wrong amount).
c) Council Tax not collected.
d) Business continuity plans not in place.
e) Property records are not maintained and up to date.
f) Incorrect accounting.
g) Debt recovery is not adequate, not initiated or correctly recorded.
h) Staff training and people management.
i) Service aims and objectives have been formally set out and monitored.
j) Failure to adequately reconcile council tax system balance to the financial system.
k) Loss of Council Tax revenue due to inadequate documentation.
l) Loss of Council Tax revenue due to fraud and corruption
m) Procedures manuals are not up to date or available to staff.
n) Systems access is not limited to authorised users.
o) IT system is not backed up. Back ups are not securely stored off site

The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

2.   OVERALL AUDIT OPINION

> **We identified that various systems of control are in place and are complied with. We however, identified two areas of key weakness relating to Council Tax refunds and Pericles security.**

3.   BACKGROUND

3.1   Stevenage Borough Council is responsible for issuing 33,920 Council Tax Demands and collecting £34.9m of Council Tax revenue.

3.2   The Revenue and Benefit system, Pericles, was implemented more than two years ago.

4.   PREVIOUS RECOMMENDATIONS

4.1   The previous audit report contained five recommendations. We have reviewed these recommendations and found that two have not been implemented. These two recommendations have been restated in this report and identified as having been made previously.

5.   2006-07 AUDIT FINDINGS

Reconciliation of Property Totals

5.1   There is no evidence that regular monitoring and reconciliation of Valuation Office Agency (VOA) property totals and Pericles is undertaken and independently reviewed by the Principal Revenue Officer or Local Taxation Manager, to avoid discrepancies in the Councils property totals.

We recommend that Valuation Office Agency property totals be reconciled to Pericles on a monthly basis. The Principal Revenue Officer or Local Taxation Manager should review the reconciliation and sign and date the reconciliation.

5.2   During this audit, verification of the year-end Valuation Office Agency property listing and Pericles revealed a discrepancy in the Disabled Relief in the value of £135.89. There was no evidence of management review or explanation of this variance.

We recommend that discrepancies noted during reconciliation's are investigated, documented and management sign as being reviewed.

Documented Procedures

5.3   We have confirmed through discussion and observation with relevant officers that "Operational" procedures relating to the Revenue Section are out of date and do not reflect the process introduced with Pericles.

We recommend that The Council Tax Section operational procedures are brought up to date and inclusive of Pericles processes.

Property Amendments

5.4   It is a requirement of the Valuation Office Agency that monthly schedule of amendments submissions are made. Review found that two months, June and October submissions could not be verified. No evidence of management review and sign off of submissions were evidenced.

We recommend that every month the property submission report be produced, including nil submissions. These reports should be initialled / signed and dated to certify that the report has been submitted and reviewed.

Disaster Planning

5.5   As reported in the **previous two audits** (04/05 & 05/06), the Revenue Section does not have contingency plans in place.

We recommend that in addition to a formal Council wide disaster plan; the Council Tax (Revenue) section should have in place a contingency document that would instruct staff on how to continue operations where access to IT is not possible.

Register of Interest

5.6   As **reported in the 2005-06 audit** a register of staff interest has not been implemented. The Local Taxation Manager has stated that a register of interest will be in place in February 2007.

We recommend that a staff register of interest should be produced. The register should reference what may constitute a conflict of interest. All staff should make an annual declaration of interest.

Training

5.7   The Council has a general corporate training plan. However, there is no specific Revenue staff-training (Council Tax) plan. Training for Council Tax staff is informal.

We recommend that the Revenue section develop an annual plan that includes Institute of Revenues Rating and Valuation courses.

Refunds

5.8   The testing of the process and controls for granting and issuing refunds confirmed that there is no separation of duty in the process of input to Pericles by the Revenue Officer. The Revenue Officer will review refund request, input refunds to Pericles for payment and authorise / issue refunds to tax payers. There is no independent review of the payment run in advance of cheques being issued. There is no output report produced for review in advance of refund cheques being posted.
The current process, by which refunds are processed by Pericles and Integra, eliminates the controls of verification, validation and authorisation.

We recommend that:
a) Refund request be investigated by the Assistant Revenue officer, and then passed to the Revenue Officer for input to Pericles.
b) The use of **"batch authorisations" in Pericles** should be implemented. This would then require the Principle Revenue Officer to authorise every refund through Pericles batch authorisations. No refund should be made without this independent authorisation.
c) The ICT Project Manager should investigate the operation and implementation of "batch authorisation". This could also be used for write off authorisations.

Analysis of Refunds

5.9   The monitoring and analysis of refunds and refund levels does take place. Analysis completed by the auditor indicates that refunds will increase during the course of 2006/07 by 7.5% to c. £310k.

We recommend that management review the number, value and percentage movement of refunds as compared to previous periods, each month in order to identify anomalies that may occur.

Request for access to Pericles

5.10   Access to the Pericles Revenue and Benefit system is requested from the section to IT. The request form does not include an area in which to specify the user group required. Testing found that from the sample (8) taken, four staff documents were not available. Pericles user groups were found to give greater system level of access than the individual job function requires. We also noted that at present there are 218 users where the maximum total capacity of the three Pericles servers is 90.

We recommend that:
a) The starter / change form should list systems that access is being requested to and the level of access required.
b) All request forms / documents (in 5.10a) should be retained on file with IT helpdesk.
c) Review of Pericles users should be completed on a regular (quarterly) basis to ensure that staff with legitimate need have access.

Pericles system security

5.11   Access to Pericles is through Windows login and a Citrix login that is identical to the Windows NT login. In comparing Pericles access to other key systems it was found that Pericles is the only key system that does not have its own unique login and password.

We recommend that to adequately safeguard the Pericles Benefit and Revenue system, the Pericles login requirement should be activated.

Kevin Hartnett
Internal Auditor
30 January 2007