



Internal Audit Assurance & Consultancy  
**Final Internal Audit Report**  
Stevenage Borough Council  
Council Tax 2007 - 08

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

**For Information:** Clare Fletcher, Head of Finance  
Carl Roberts, Head of Revenues

**Date Final Report Issued:** 27th May 2008

### **1. Introduction**

An audit of Council Tax has been carried out as part of the 2007/08 Audit Plan. Detailed testing has 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 A to this memo. A Management Action Plan is attached as Appendix B and is intended to be completed by the officers responsible, as identified on the plan.

### **3. Conclusions**

There continues to be effective controls in the operation of the council tax system. Recommendations have been made where relevant for improvement and to minimise the residual risks to achieving service objectives. These areas relate to documented procedures, register of interest and refunds.

Therefore, based on our audit findings, Internal Audit has assigned **substantial assurance**<sup>1</sup> to the systems and procedures which underpin Council Tax.

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<sup>1</sup> See Appendix C for definition of Assurance Levels

## Council Tax 2007/08

### 1. AREAS COVERED DURING THE AUDIT

- 1.1 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
- 1.2 The methodology stated in the terms of reference document were 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

Based on our audit findings, Internal Audit have assigned **substantial assurance**<sup>1</sup> to the systems and procedures which underpin Council Tax.

### 3. BACKGROUND

- 3.1 In 2007/08 Stevenage Borough Council was responsible for issuing 34,183 Council Tax Demands and collecting £37,596,170 of Council Tax revenue.

### 4. PREVIOUS RECOMMENDATIONS

- 4.1 The previous audit report dated January 2007, made eleven recommendations. These recommendations were followed up in this audit and it was found that three had not been implemented; these have been restated in this report and identified as having been made previously.

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<sup>1</sup> See Appendix C for definition of Assurance Levels

## 5. CURRENT RECOMMENDATIONS

### 5.1 Documented Procedures

Through observation the auditor was able to confirm the detailed level of Pericles procedures and help notes.

Operational procedures exist but are out of date and incomplete.

**It is recommend that** the Council Tax operational procedures be brought up to date and include the Pericles processes.

Procedures should be reviewed and updated as required using date and version numbers for control.

This recommendation was previously made in the 2006/07 report.

### 5.2 Register of Interest

A new officer declaration form has been produced and completed by 8 of the 13 post holders in Council Tax, however there was an objection from one member of staff to the form which has resulted in the issue being passed to Legal.

**It is recommended that** the Local Taxation Manager to raise the situation with Legal to resolve the matter and then fully implement a register of interests.

This recommendation was previously made in the 2005/06 and 2006/07 report.

### 5.3 Refunds

Through examination and discussion with the Local Taxation Manager and Principal Revenues Officer it was confirmed that where an account goes into credit the Revenues Assistant prints an account summary or a request for a refund which goes to the Revenue Officer. The credit balance will be reviewed and if correct the refund will be carried out. Refunds are input and batched in Pericles.

The batch is automatically sent to Integra weekly.

This produces the batch payment run and cheques the next working day.

Batches are checked by an officer independent of the officer raising the refund but only after the refund cheques have been produced.

**It is recommended that** a new process for authorisation of refunds is introduced to enable the independent checking to take place before a refund cheque is produced.

This recommendation was previously made in the 2006/07 report.

## APPENDIX B

## MANAGEMENT ACTION PLAN: Council Tax 2007/08

Appendix/ Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
5.1	<p><b>It is recommended that</b> the Council Tax operational procedures be brought up to date and include the Pericles processes.</p> <p>Procedures should be reviewed and updated as required using date and version numbers for control.</p> <p>This recommendation was previously made in the 2006/07 report.</p>	M	Agreed	Ian Wilson	Operational procedures to be brought up to date	01/01/09
5.2	<p><b>It is recommended that</b> the Local Taxation Manager to raise the situation with Legal to resolve the matter and then fully implement a register of interests.</p> <p>This recommendation was previously made in the 2006/07 report.</p>	M	Agreed	Ian Wilson	Matter to be reviewed and Legal Section input requested	01/08/08
5.3	<p><b>It is recommended that</b> a new process for authorisation of refunds is introduced to enable independent checking to take place before a refund cheque is produced.</p> <p>This recommendation was previously made in the 2006/07 report.</p>	H	Agreed	Ian Wilson	Being reviewed at present	01/08/08

**ASSURANCE, PRIORITY AND RISK DEFINITIONS****Assurance Levels**

<b>Assurance Level</b>	<b>General Definitions</b>
Full	<p><b>Evaluation opinion:</b> there is a sound system of control designed to achieve the system objectives; and</p> <p><b>Testing opinion:</b> the controls are being consistently applied.</p> <p>Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.</p>
Substantial	<p><b>Evaluation opinion:</b> basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or;</p> <p><b>Testing opinion:</b> there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> <p>Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.</p>
Limited	<p><b>Evaluation opinion:</b> weaknesses in the system of controls are such as to put the system objectives at risk, and/or;</p> <p><b>Testing opinion:</b> the level of non-compliance puts the system objectives at risk.</p> <p>Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.</p>
No	<p><b>Evaluation opinion:</b> control is generally weak leaving the system open to significant error or abuse, and/or;</p> <p><b>Testing opinion:</b> significant non-compliance with basic controls leaves the system open to error or abuse.</p> <p>No Assurance will be attributed to a system where in the auditors' judgement they can place no reliance on the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.</p>