

# Joint Audit and Governance Committee



Report of Interim Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 22 June 2021

## Internal audit activity report quarter one 2021/22

### Recommendation

That members note the content of the report

### Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider. The committee is asked to review the report and the main issues arising and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Richard Green Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 07849 574860.

## Strategic objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

## Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

**Full assurance:** There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

**Substantial assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

**Satisfactory assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

**Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

**Nil assurance:** Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

## Completed audit reports

7. As at 22 June 2021, since the last joint audit and governance committee meeting the following six audits and three follow up reviews have been completed:

Audit Area	Assurance Rating	Total Recs	High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
<b>Audit Plan 2020/21</b>								
<b>Joint</b>								
1. Pro-active Anti-Fraud	Limited*	2			2	2		
2. General Ledger	Satisfactory	5			1	1	4	4
3. Council Tax*	Limited*	14	1	1	7	7	6	6
4. Capital Management	Limited	10	4	4	4	3	2	2
5.NNDR*	Substantial	8			3	3	5	5
6.Treasury Management	Satisfactory	5			4	3	1	1
<b>SODC</b>								
None								
<b>VWHDC</b>								
None								

\* As these audits have findings relating to services provided by Capita, the interim internal audit manager will take away any questions the committee may have for Capita and will obtain responses in due course.

- The three remaining reviews HB & CTR, Payroll and Covid-19 Response are in draft stages and will be completed shortly.

**Follow Up Reviews**

Audit Area	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
<b>Joint</b>							
Lone Working & officer security	Satisfactory	12	3	9			
Data protection	Satisfactory	8	7	1			
<b>SODC</b>							
None							
<b>VWHDC</b>							
Moorings	Limited	8	2	2		4	

- Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee.
- Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.

11. A copy of each report has been sent to the appropriate service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published on the councils' intranet and limited assurance reports are reviewed by the strategic management team.
12. Internal audit continues to carry out a six month follow up on all non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

**Financial implications**

13. There are no financial implications attached to this report.

**Legal implications**

14. There are no legal implications attached to this report one.

**Climate & ecological implications**

15. There are no climate or environmental implications.

**Risks**

16. Identification of risk is an integral part of all audits.

Richard Green  
INTERIM INTERNAL AUDIT MANAGER

## Pro-Active Anti-Fraud Review 2020/2021

### MANAGEMENT SUMMARY

#### 1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to pro-active anti-fraud review. The audit has been undertaken in accordance with the 2020/2021 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 19. The audit approach is provided in the audit framework in Appendix 1.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- anti-fraud and corruption controls with the councils' systems and associated functions are sufficient to identify and reject false transactions/exceptions/data entry errors;
- upon a data entry being identified as inappropriate/unauthorised, management review the data and the appropriate action is taken within the system;
- any remedial action is taken promptly by management, clearly documented and where appropriate reported to the Section 151 Officer and internal audit;
- management are taking action to enhance the anti-fraud and corruption controls within the system where ongoing issues are identified.

#### 2. BACKGROUND

2.1 The councils have a joint anti-fraud, bribery and corruption policy, which was approved by SODC's Cabinet member on 8 February 2010 and VWHDC's Cabinet member on 16 March 2010. The policy was last reviewed and updated in November 2019. This is supported by an anti-fraud and corruption response plan covering how the councils should respond to suspected or apparent irregularities, fraud or corruption.

#### 3. PREVIOUS AUDIT REPORTS

3.1 Pro-active anti-fraud was last subject to an internal audit review in March 2020 and three recommendations were raised. The recommendations were all agreed, and a limited assurance opinion was issued.

- 3.2 One recommendation is no longer valid as the payroll function has now moved back in house. One recommendation has not been implemented and is restated as part of this review. The remaining recommendation relates to controls within the Agresso system. A new system is set to go live in April 2021 and therefore this recommendation will be followed up as part of internal audit work relating to the new system.

#### 4. 2020/2021 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Two recommendations have been raised in this review. Both recommendations are medium risk.

#### 5. MAIN FINDINGS

##### 5.1 Overall

- 5.1.1 A set of four tests were agreed and undertaken in order to check that adequate controls are in place to identify and appropriately manage exposures to fraudulent activities across key financial and IT processes. The tests were discussed and approved by the interim internal audit manager and interim head of finance (s151 officer), prior to their initiation.

- 5.1.2 The following four tests were instigated:

**Test 1:** Submission of a dummy member expense claim through MyView;

**Test 2:** Submission of a dummy officer expense claim through MyView;

**Test 3:** A request to change an officer's bank details through an email request to payroll services;

**Test 4:** A dummy request for a new IT user.

The tests on invoicing and supplier maintenance were not undertaken in 2020/2021 because a new Agresso system is due to go live in April 2021.

- 5.1.3 From the four tests undertaken, internal audit established control weaknesses for two tests, where changes were applied as per the false requests. Two of the tests were appropriately checked and identified as suspicious and were not actioned.

##### 5.2 Test 1: Dummy member expense claim

- 5.2.1 The constitution includes a section covering the members' allowances scheme, which states that expense claims will not be paid unless claiming for official business. In this test, a member agreed to submit an expense claim within MyView, which included one false expense item for attendance at a meeting which they had not attended. Following submission of the dummy claim, the false expense items were queried with the member, by the democratic services team. Internal audit is satisfied that appropriate checks were carried out on the false expense items and were therefore not approved for payment.

5.2.2 Area assurance: Full

**5.3 Test 2: Dummy officer expense claim**

5.3.1 A non-finance officer agreed to submit an expense claim within MyView, which included an inflated expense item for business mileage. Following submission of the dummy claim, the inflated expense item was authorised by their line manager. The line manager did not query the mileage claimed or request a mileage receipt as required in the councils travel and expenses policy.

5.3.2 Area assurance: Limited  
One recommendation has been made as a result of our work in this area (Rec 1).

**5.4 Test 3: Dummy request to change an officer’s bank details**

5.4.1 A request to change an officer’s bank details was submitted by internal audit to HR via email. HR responded to advise audit that this needed to be done by the officer themselves and also attached the related MyView guidance.

5.4.2 Area assurance: Full

**5.5 Test 4: Dummy request for a new IT user**

5.5.1 A request for network, email, and telephone access was submitted by the auditor to Capita IT helpdesk for a fictitious user. Capita IT helpdesk actioned the request without validating the legitimacy of the request with the authorisation matrix provided by the council, or the auditor’s service manager and/or head of service. It is noted that Capita failed this test also in both the 2019/2020 and the 2018/2019 reviews.

5.5.2 Area assurance: Limited  
One previous recommendation has been restated as a result of our work in this area (Rec 2).

**6. ACKNOWLEDGEMENTS**

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

**7. CATEGORISATION OF RECOMMENDATIONS**

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

**High risk** Fundamental control weakness for senior management action

**Medium risk** Other control weakness for local management action **Recs 1 and 2**

**Low risk**

Recommended best practice to improve overall control



## OBSERVATIONS AND RECOMMENDATIONS

### OFFICERS EXPENSES CLAIM

#### 1. Test 2: Officers expenses claim

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Line managers should query any suspicious expenses claims and should also request a mileage receipt as evidence of the journey having been undertaken.</p> <p><u>Findings</u> A dummy expenses claim was approved by the line manager.  The line manger did not request a mileage receipt as evidence of the journey having been undertaken.</p> <p><u>Risk</u> False expense claims are paid.</p>	<p>Issue a reminder, via SMT, of line managers responsibilities in checking and authorising expenses claims.</p>	<p>Strategic HR Manager</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>Management response: Strategic HR Manager</p>		<p>30 June 2021</p>

### PREVIOUS RECOMMENDATION RESTATED

#### 2. Test 4: New user access set up

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Requests to set-up a new user onto the IT network are validated with the authorisation matrix, relevant service manager and/or head of service, prior to authorisation and processing.</p> <p><u>Findings</u> A request was submitted by the auditor via the IT helpdesk for network, email, and telephone access for a fictitious, new starter.  Capita IT helpdesk actioned the request without validating the legitimacy of the officer request with the authorisation matrix, service manager or head of service.  It is noted that Capital also failed this test in both the 2019/2020 and the 2018/2019 audit review.</p>	<p>Head of IT Service – 5 Councils (Capita) to issue an instruction to Capita IT helpdesk of the requirement to verify requests for IT changes or new starter set-up with the authorisation matrix provided by the council, and/or the appropriate service manager.</p>	<p>Interim Head of IT Services – 5 Councils and IT Applications Manager</p>

<p><u>Risk</u>          Non-authorized personnel may have the opportunity to access council systems surreptitiously, with a view to disrupt, de-fraud or disable systems, functions and associated information. This could lead to a breach of sensitive data and subsequent reputational damage.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b>           Management response: [Head of Corporate Services]</p>		<p>30 June 2021</p>

## Council Tax 2020/2021

### MANAGEMENT SUMMARY

#### 1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to council tax. The audit has been undertaken in accordance with the 2020/2021 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 20. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- valuation records are appropriately maintained and reconciled with new or amended properties identified, and reported in a timely manner;
  - liability for council tax is correctly determined with discounts appropriately managed and applied in accordance with agreed processes and legislation;
  - exemptions are appropriately documented and managed in accordance with legislation and agreed procedures;
  - annual, new and revised bills are correct and issued in accordance with legislation and billing suppressions are appropriately utilised and monitored;
  - payments, credits, refunds and suspense transactions are appropriately recorded and managed with collection rates monitored and accurately reported; and
  - recovery, enforcement and write-offs are undertaken in accordance with agreed procedures and legislation and recovery suppressions are appropriately used and monitored.

#### 2. BACKGROUND

- 2.1 Each year the district authorities calculate their council tax base and, subsequently, the district precept. Oxfordshire County Council (OCC), the police and crime commissioner and the town and parish councils also set their precepts based on the tax base. These precepts together make up the final council tax charge.
- 2.2 Capita continue to administer council tax and since 1 August 2016 this has been as part of the five councils' partnership (5CP). In addition to homeworkers, Capita have a contact centre and staff based at their Bromley offices who carry out valuation updates and system administration functions. The Capita ONE Revenues & Benefits system is used to manage council tax accounts and correspondence is captured on the Information at Work (I@W), electronic document and records management system (EDRMS). The contract is overseen by the councils' revenues and benefits team.

- 2.3 As at December 2020, there were 63,169 banded properties in SODC and 59,573 banded properties in VWHDC.
- 2.4 The Covid-19 pandemic has impacted council tax operations in a number of areas and should be acknowledged. In agreement with the cabinet members for finance and SMT, the council took the decision in March 2020 to not pursue formal recovery, and all revenue recovery ceased across council services. This was still the case for council tax recovery at the time of review, in March 2021, apart from statutory reminders which were issued in January 2021.
- 2.5 In the interim, efforts moved to focus on issuing payments through the new Covid-19 hardship grant fund, that provided support to individuals who were finding it difficult to provide payment of council tax through the Council Tax Support Scheme (CTS). Review of these payments will be covered within the 2020/21 housing benefit and council tax reduction scheme audit, currently ongoing.
- 2.6 The Revenues and Benefits Manager advised that discussions are now being held with Capita to assess when the next manageable court dates may be available (whether this be physical court appearances or virtual). Once this information is obtained, and in consultation with the council's legal representatives, agreement and approval can be sought from the members for finance and SMT to proceed with all recovery actions.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Council tax was last subject to an internal audit review in February 2020 and 12 recommendations were raised. All 12 recommendations were agreed, and a limited assurance opinion was issued.
- 3.2 Eight previous recommendations are restated as part of this review, five medium risk and three low risk. One previous recommendation has been implemented and three have not been reviewed as part of this review. These recommendations are associated with debt recovery, which is currently on hold, and will now be reviewed as part of the 2021/22 audit review.

### 4. 2020/2021 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 14 joint recommendations have been raised in this review, one high risk, seven medium risk and six low risk.

## 5. MAIN FINDINGS

### 5.1 Valuation records

5.1.1 The process for maintaining valuation records remains unchanged from the 2019/2020 audit review. On a weekly basis, Capita downloads schedules from the VOA website and updates the council tax system with any new, amended or deleted properties. In addition to a weekly check on property numbers as part of processing VOA schedules, a full reconciliation of VOA property listings against the council tax system property data is undertaken every quarter. A review of full reconciliations for July 2020 established that actions are taken to rectify issues identified such as mismatches between property reference numbers and the removal of composite indicators.

5.1.2 Our review of the weekly VOA listings from the July and August 2020 valuation schedules confirmed that actions received from the VOA were actioned appropriately and efficiently. Per our review of 40 accounts (20 SODC and 20 VWHDC), two VWHDC accounts tested did not contain property notes within the Capita ONE Revenues & Benefits system to support the applied amendments. One VWHDC account had a different postcode recorded within the Capita ONE Revenues & Benefits system to that on the VOA schedule, which was amended once highlighted by internal audit.

5.1.3 The inspection team is also responsible for routine visits, and for inspecting properties where an exemption or discount has been applied, e.g. alterations to aid a disability. The impact of Covid-19 lockdowns has had a knock-on effect across the inspection routines for 2020/21. The Revenues & Benefits Performance Manager (Capita) provided a copy of the client performance spreadsheet which demonstrates that there were 321 outstanding visits for SODC and 83 visits for VWHDC, as at October 2020. It is also noted that where there has been an increase of 4,576 new builds across both districts since April 2019 (2188 for SODC and 2388 for VWHDC), the total number of inspectors has remained consistent with prior years, at two.

5.1.4 Current inspection routines rely on inspectors writing up paper-based notes and entering their findings into the system at a later date. As a result, this process creates inefficiencies and increases the risk of human error. Consideration should be given to modernise this process and implement hand-held portable devices, to upload findings to the system in real-time, freeing up additional time and resource for inspecting properties.

5.1.5 Area assurance: Satisfactory  
Two previous recommendations have been restated in this area (Recs 1 and 2) and one recommendation has been made as a result of our work in this area (Rec 9).

### 5.2 Council tax liability and discounts

5.2.1 Discounts are available to council taxpayers, including personal discounts, second home and empty property discounts, and reduction for disabilities. During our review of 40 discounts (20 SODC and 20 VWHDC), it was found

that two VWHDC accounts did not have supporting notes/documentation retained on the council tax I@W/EDRMS (electronic document records management system) to support the applied change in council tax liability. This supporting documentation was located and available on the individuals benefits file.

- 5.2.2 During the review of discounts, it was also found that three (two SODC and one VWHDC) council tax accounts contained errors or omissions in supporting documentation to validate the applied discounts (e.g. incorrect discount type applied on the Capita ONE Revenues & Benefits system or insufficient documentation to support applied discounts retained on the I@W system). One VWHDC account was found to have a discount applied beyond the course end date of supporting apprenticeship documentation, no discount end-date parameters had been set within the system.
- 5.2.3 An expanded review of 'discount to' and 'provisional end date' parameters for student discounts within the Capita ONE Revenues & Benefits system highlighted that there were 34 accounts for SODC (16 historic and 18 applied in 2020) and 56 accounts for VWHDC (33 historic and 23 applied in 2020) where the discount end-date parameter had not been entered onto the system. As a result, discounts may continue to be applied to these accounts in excess of the eligible period (past university/college course end date, or where the individual's circumstances may have changed). Subsequent work on these accounts completed by Capita's Revenues Manager, identified 35 historic accounts (14 SODC and 21 VWHDC) where the student discount was either still in place past the course end-date recorded on supporting documentation, or the discount required amendment due a change in personal circumstance (i.e. student had moved out from home and discount required to be changed to single persons discount). The discounts were then amended as appropriate.
- 5.2.4 The 5CP service specification for the revenues and benefits contract with Capita requires a system to be in place to review claims for discount, disregards, reliefs and exemptions periodically, and on at least an annual basis, to identify any changes in circumstances. This also includes a requirement to utilise all available information including credit reference agencies.
- 5.2.5 Per our review of 40 (20 SODC and 20 VWHDC) accounts with live discounts applied, a total of 31 (14 SODC and 17 VWHDC) had no evidence of a recent annual review retained on the I@W/EDRMS system. This included five accounts with no review evidenced since 2017, fourteen since 2018, two since 2019 and ten outstanding for 2020. Due to the impact of Covid-19, Capita resources were diverted and redeployed to support additional priorities from March 2020. The annual reviews that were scheduled to be instigated in March 2020, were put on hold. Capita's Revenues & Benefits Performance Manager advised that annual reviews for students had since been issued for 2020.
- 5.2.6 Area assurance: Limited  
Two recommendations have been made as a result of our work in this area (Recs 10 and 11).

### 5.3 Exemptions

5.3.1 Council taxpayers can apply for property exemptions for both unoccupied and occupied properties. If properties are occupied, the council taxpayer must meet criteria to qualify for the exemption, for example, wholly student occupied or armed forces accommodation. Exemptions granted due to the property being unoccupied are inspected by the inspectors (Capita).

5.3.2 Per the 5CP service delivery plan, Capita are required to perform the following in relation to property inspections:

- physically inspect all unoccupied and substantially unfurnished properties to confirm their status within three months of first being notified and within a six-monthly work cycle thereafter; and
- undertake a rolling review of all properties that are the subject of discount and exemption applications (excluding CTRS – which is dealt with in the Benefits specification), ensuring that each property is reviewed at least annually.

Occupied properties are reviewed through a mailshot requesting that the council taxpayer signs to confirm if there are no changes or provides details of changes. It is noted that reviews and inspections for certain occupied properties are not required, i.e. diplomatic or armed forces' residents.

5.3.3 Review of 60 (30 SODC and 30 VWHDC) accounts with an exemption identified the following:

- for three exemptions for visiting forces (CLASS P) (one SODC and two VWHDC), provisional end dates for the exemption were not recorded in the Capita ONE Revenues & Benefits system, as stated on the supporting letter submitted with the initial exemption request;
- for three exemptions (two SODC and one VWHDC) awarded in 2020 for properties where the account holder has entered a care home (CLASS E), there was no formal evidence documented in the Capita ONE Revenues & Benefits system of an inspection being completed within three months of the exemption being applied;
- for 20 (12 SODC and eight VWHDC) CLASS E historic exemptions (awarded prior to 2020), inspection results were not formally documented in the Capita ONE Revenues & Benefits system within the first three months of the exemption being applied, although there was evidence of subsequent inspections being completed in 2020;
- four CLASS E exemptions (one SODC and three VWHDC) are overdue first inspections, having been awarded in 2020. These had not yet been completed at the time of review; and
- for ten (five SODC and five VWHDC) historic exemptions (awarded prior to 2020), there was no evidence of a rolling six-monthly inspection documented within the Capita ONE Revenues & Benefits system. This included eight CLASS E exemptions (patient in nursing home), one CLASS F (persons deceased) and one CLASS D (persons in detention).

5.3.4 Review of 40 exemptions (20 SODC & 20 VWHDC) where an annual review is expected, identified the following:

- annual reviews for 2020 had been delayed due to the impact of Covid-19 and Capita diverting resources to support changing

priorities. These were due to be issued in March 2020 and are now expected to be completed by the end of the financial year;

- annual review for nine (five SODC and four VWHDC) historic exemptions, awarded prior to 2020 for Severe Mental Impairment (SMI), was not formally documented within the Electronic Document and Records Management System (EDRMS); six not evidenced since 2017, one since 2018 and two are overdue for 2020; and
- annual review for three VWHDC historic student exemptions (awarded prior to 2020) was not formally documented within the EDRMS; two not evidenced since 2017 and one overdue for 2020.

**5.3.5 Area assurance: Satisfactory**

Two previous recommendations have been restated in this area (Recs 3 and 4) and one recommendation has been made as a result of our work in this area and amalgamated within (Rec 11).

**5.4 Billing**

**5.4.1** Capita staff based at Bromley enter the annual billing precept parameters into the Capita ONE Revenues & Benefits system. Internal audit testing confirmed that once the annual billing parameters are agreed and entered onto the Capita ONE Revenues & Benefits system, checks for accuracy are performed by both Capita and council representatives, prior to being signed off and implemented.

An annual bill production and posting reconciliation is undertaken along with other reconciliations, including the number of live accounts and banded/unbanded properties.

**5.4.2** There is a legal requirement to provide 10 working days' notice to account holders of a payment due and testing confirmed that this parameter is built into the billing process routines, and bills produced for the 2020/21 period had been issued and distributed within these timescales.

**5.4.3** Billing may be suppressed through diary codes where a temporary hold is placed on the account that, due to a variety of reasons, may require further investigation. Diary codes are reviewed as part of the daily billing routine. Based on our review of diary codes as at 1 March 2021, 954 (93.4%) of SODC diary codes and 1,028 (98.3%) of VWHDC diary codes were added within one week of the report date. Furthermore, the oldest diary code was 29 days for SODC and 46 days for VWHDC. Internal audit is satisfied that there is regular review of diary codes and explanations for aged diary codes appear reasonable.

**5.4.4** Area assurance: Full

No recommendations have been made as a result of our work in this area.

**5.5 Collections, payments and refunds**

**5.5.1** Information on how to pay is communicated to council taxpayers in a variety of ways, including through the councils' website and billing correspondence. Daily, a reconciliation of payments is undertaken and imported into the Capita ONE Revenues & Benefits system, with detailed reports produced. Unallocated payments are posted to a suspense account for each council.



As at 8 March 2021, suspense account balances for 2020/21 totalled £12,947.28 for SODC and £8,853.08 for VWHDC.

- 5.5.2 Following initial checks, refund requests are compiled by Capita and sent to the council's Revenue and Benefits Client Officer on a monthly basis. The Revenue and Benefits Client Officer would then usually conduct a detailed 15% batch sample check, but due to an increased workload related to Covid-19 business grants, this secondary checking processes has temporarily ceased with authorisation from the Revenues and Benefits Manager. A high-level overview check of the refund values within the batch is still completed, prior to being signed off as authorised for processing.
- 5.5.3 Internal audit conducted a 15% sample review of unchecked batch refunds, authorised by the Revenue and Benefits Client Officer for processing. Three refunds (one SODC and two VWHDC) from the 21 individual refunds reviewed, contained minor errors including omissions in account notes recorded in the Capita ONE Revenues & Benefits system and supporting correspondence on EDRMS.
- 5.5.4 Live credit balances, as at 1 March 2021, totalled at £2,706,518 for SODC, (of which £343,541 relates to 2020/21), and VWHDC £2,204,175, (of which £293,483 relates to 2020/21).  
A sample of 20 (10 SODC and 10 VWHDC) live credits were tested to ensure processes were undertaken to ensure accounts in credit have been managed accordingly. Based on our testing, 14 (70%) of accounts tested still showed the full credit value on the account (seven SODC and seven VWHDC). This being the result of no response from the account holder following the issue of a credit note and no further formal trace/follow up or review being documented.
- 5.5.5 Based on our review, we confirmed that the revenues and benefits performance report is produced by Capita on a monthly basis, in line with the 5CP contract. The report provides an overview of performance of agreed key performance indicators (KPIs) for the council tax and benefits service. Due to the impact of Covid-19, for both South & Vale, council tax collection rate performance compared to last year has decelerated, the latest cumulative collection rate to February 2021 for SODC is -1.62% behind last year at 95.36% and for VWHDC is -1.54% behind at 95.39%.
- 5.5.6 At the request of the revenues and benefit manager, in addition to the monthly 5CP reporting, Capita have historically provided the councils with monthly performance analysis (word document), which provides more detailed analysis specific to SODC and VWHDC. However, due to the impact of Covid-19, this report has ceased to focus on additional priorities, although some tweaks were made to the monthly Five Councils Client Performance Report to capture data that was contained within this word document (including age of outstanding correspondence, e-billing take up figures and, more recently, Direct Debit take up rates).
- 5.5.7 **Area assurance: Substantial**  
Two previous recommendations have been restated in this area (Recs 5 and 6) and one recommendation has been made as a result of our work in this area (Rec 12).

**5.6 Recovery, enforcement and write offs**

- 5.6.1 Due to the Covid-19 pandemic, and in agreement with the cabinet members for finance and SMT, the council took the decision in March 2020 to not pursue formal recovery and all revenue recovery ceased across council services. This was still the case for council tax recovery at the time of review, in March 2021, apart from statutory reminders which were issued in January 2021 and two rounds of softly worded 'nudge' reminders issued in July 2020 and November 2020 to encourage taxpayers in arrears to engage with the councils to claim Council Tax Support, or make arrangements where appropriate. As such, internal audit was unable to complete testing on recovery and enforcement processes within 2020/21. This will now be reviewed as part of the 2021/22 audit review.
- 5.6.2 In the previous audit, a file containing enforcement agent returns containing personally identifiable information (e.g. debt, case history details, enforcement actions) for several council tax accounts was attached to each individual account within EDRMS. As such, a recommendation was raised for the Capita Data Protection Officer (DPO) to liaise with the councils' Information Governance and Data Protection Officer (IGDPO) to ensure compliance with GDPR regulations in relation to the attachment of enforcement agent returns in EDRMS. The IGDPO confirmed that this consultation remains outstanding.
- 5.6.3 Circumstance codes are used if recovery is required to be put on hold, and on an annual basis the accounts on hold are reviewed and placed back into the recovery cycle. Capita's Revenues & Benefits Performance Manager confirmed to internal audit that, due to the impact of Covid-19, the review of additional accounts on hold within the errors and warnings report had only run once this financial year, in January 2021, as a result of the hold on recovery.
- 5.6.4 As at 1 February 2021, there were 3,131 accounts (1,647 SODC and 1,484 VWHDC) totalling £1,718,244 (£954,855 SODC and £763,389 VWHDC) coded to pending write off in the Capita ONE Revenues & Benefits system; 1,716 (1049 SODC and 667 VWHDC) of which predate 2011. At the time of the audit (March 2021) there had been one write off valued at £63.03 processed in 2020/21 for SODC and none for VWHDC. Additionally, Capita reports to confirm the processing of five (two SODC and three VWHDC) write offs authorised in 2019/20 remain outstanding from the last review. A further request for these reports from Capita was placed during this review by the Revenues & Benefits Client Officer.
- 5.6.5 Area assurance: Satisfactory  
Two previous recommendations have been restated in this area (Recs 7 and 8) and two recommendations have been made as a result of our work in this area (Recs 13 and 14).

**6. ACKNOWLEDGEMENTS**

- 6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

**7. CATEGORISATION OF RECOMMENDATIONS**

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Rec 10</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 1, 2, 4, 7, 8, 11 and 13</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Recs 3, 5, 6, 9, 12 and 14</b>

## OBSERVATIONS AND RECOMMENDATIONS

### PREVIOUS RECOMMENDATIONS RESTATED:

#### OBJECTIVE 1: Valuation Records

##### 1. Property Inspections

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)																																										
<p><u>Best Practice</u> Adequate resources are available to conduct property inspections, ensuring the The Valuation Office Agency (VOA) are notified of properties for banding in a timely manner.</p> <p><u>Findings</u> The impact of Covid-19 has had a knock-on effect across the inspection routines for 20/21. The Revenues &amp; Benefits Performance Manager (Capita) provided a copy of the client performance spreadsheet for (October 2020), which demonstrates the following rolling results:</p> <table border="1" data-bbox="236 927 869 1099"> <thead> <tr> <th>Council Tax Inspections</th> <th>2020/21 In-month Performance</th> <th>2020/21 Cumulative Performance</th> <th>2020/21 Year-End Target</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Oct-20</td> <td>Ad-hoc visits carried forward</td> <td>Ad-hoc visits received</td> <td>Ad-hoc visits Outstanding</td> <td>TOTAL Outstanding</td> <td>TOTAL Out of target</td> </tr> <tr> <td>South</td> <td>143</td> <td>19</td> <td>129</td> <td>321</td> <td>172</td> </tr> <tr> <td>Vale</td> <td>106</td> <td>6</td> <td>80</td> <td>83</td> <td>50</td> </tr> </tbody> </table> <p>Where there has been an increase in new builds across both the SODC and VWHDC districts in 2020/21, the total number of inspectors has remained consistent with prior years at two.</p> <table border="1" data-bbox="236 1283 866 1435"> <thead> <tr> <th>Council tax dwellings</th> <th>Dec-20</th> <th>Last month comparison</th> <th>Apr-19</th> <th>Apr-18</th> <th>Apr-17</th> </tr> </thead> <tbody> <tr> <td>South</td> <td>63,169</td> <td>63,115</td> <td>60,981</td> <td>60,112</td> <td>59,604</td> </tr> <tr> <td>Vale</td> <td>59,573</td> <td>59,478</td> <td>57,185</td> <td>56,189</td> <td>54,751</td> </tr> </tbody> </table> <p><u>Risk</u> Delays to property bandings may result in delays in issuing council tax bills to rate payers, which may need additional recovery actions. Furthermore, if new properties are not identified in a timely manner, this may adversely affect the amount of new homes bonus currently received by the councils.</p>	Council Tax Inspections	2020/21 In-month Performance	2020/21 Cumulative Performance	2020/21 Year-End Target			Oct-20	Ad-hoc visits carried forward	Ad-hoc visits received	Ad-hoc visits Outstanding	TOTAL Outstanding	TOTAL Out of target	South	143	19	129	321	172	Vale	106	6	80	83	50	Council tax dwellings	Dec-20	Last month comparison	Apr-19	Apr-18	Apr-17	South	63,169	63,115	60,981	60,112	59,604	Vale	59,573	59,478	57,185	56,189	54,751	<p>Ensure that there are adequate resources in place to complete property inspections and notify the VOA in a timely manner.</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p>
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<b>Management Response</b>		<b>Implementation Due Date</b>																																										
<p>Recommendation is <b>Agreed</b></p> <p>A review of inspection resources and working practices is a priority for the councils and Capita in order to help maximise our council taxbases. Recent discussions with the new Capita Revenues and Benefits Contract Director have taken place to address this issue. It is accepted that new ways of working and innovation will be required to meet the gap in resource required to keep abreast of our fast-growing property bases.</p>		<p>January 2022</p>																																										

Management response: Revenues and Benefits Manager	
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**2. Accuracy of account information**

**(Medium Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Council tax account information is accurately recorded for each account within the Capita ONE Revenues &amp; Benefits system, which provides a sufficient audit trail.</p> <p><u>Findings</u> Two (10%) accounts from the 20 VWHDC accounts tested did not contain property notes within the Capita ONE Revenues &amp; Benefits system to support the applied VOA amendments (it is noted that the required amendments had been completed accurately); and one account had a different postcode recorded on the VOA schedule, to that recorded within the Capita ONE Revenues &amp; Benefits system (this was amended once highlighted by internal audit).</p> <p><u>Risks</u> Incorrect or missing information within the Capita ONE Revenues &amp; Benefits system may increase the risk of non-collection of debts and may adversely impact the councils' reputation.</p>	<p>a) Review the account errors identified by internal audit testing and take suitable corrective actions.</p> <p>b) Remind individuals of the importance of documenting sufficient notes for each council tax account within the Capita ONE Revenues &amp; Benefits system to maintain an adequate audit trail.</p>	Assistant Valuation Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>a) Checks of 10 per cent do take place and will continue. Unfortunately, they did not pick up on the cases mentioned. Notepads do not affect the accuracy of the actual amendments which accordingly would be recorded as very low risk. However, it is acknowledged that postcode errors have implications.</p> <p>b) Email reminder to all staff to be sent plus verbal reminder at the time.</p> <p>Management response: Revenues and Benefits Manager</p>		April 2021

**OBJECTIVE 3: Council tax exemptions**

**3. Exemptions**

**(Low Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Provisional end dates for occupied property exemptions are recorded in the Capita ONE Revenues &amp; Benefits system.</p>	Remind individuals of the requirement to formally record provisional end dates for exemptions in the Capita ONE Revenues & Benefits system.	Capita – Council Tax Manager

<p><u>Findings</u> Review of 40 (20 SODC and 20 VWHDC) accounts with a discount or exemption identified the following:</p> <ul style="list-style-type: none"> <li>No provisional end date was recorded in the Capita ONE Revenues &amp; Benefits system against the exemption for three (one SODC and two VWHDC) visiting forces official (CLASS P), where a supporting letter stated the estimated return date.</li> </ul> <p><u>Risk</u> Property exemptions may be granted beyond the approved end date, resulting in unauthorised exemptions.</p>		
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>This is basic council tax administration and good practice and aids the process of reviewing exemptions in a timely fashion</p> <p>Management response: Revenues and Benefits Manager</p>		August 2021

**4. Property inspections**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommended Action(s)</b>	<b>Action Owner(s)</b>
<p><u>Best Practice</u> Property inspections are performed in line with the 5CP service delivery plan and property inspection notes are formally documented.</p> <p><u>Findings</u> Per the 5CP service delivery plan, output specification ref. CO14 (administration of council tax), Capita are required to perform the following in relation to property inspections:</p> <ul style="list-style-type: none"> <li>Physically inspect all unoccupied and substantially unfurnished properties to confirm their status within three months of first being notified and within a six-monthly work cycle thereafter; and</li> <li>Undertake a rolling review of all properties that are the subject of discount and exemption applications ensuring that each property is reviewed at least annually.</li> </ul> <p>During our review of 40 (20 SODC and 20 VWHDC) exemptions, we identified:</p> <ul style="list-style-type: none"> <li>Three accounts (two SODC and one VWHDC) with vacant exemptions applied in 2020 due to the account holder entering a care home, had no evidence of an</li> </ul>	<p>Remind individuals of the requirement to perform property inspections in line with the 5CP service delivery plan, to check that exemption criteria have not changed and to formally record inspection notes in the Capita ONE Revenues &amp; Benefits system.</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p>

<p>inspection being completed within three months of the exemption being applied.</p> <ul style="list-style-type: none"> <li>In addition, a further six accounts (four SODC and two VWHDC) with historic vacant exemptions applied did not have a physical inspection completed within the first three months, although there was evidence of subsequent inspections being completed.</li> </ul> <p>A further expanded review was conducted for a further 20 unoccupied property exemptions, 10 for SODC and 10 for VWHDC. The following findings are noted:</p> <ul style="list-style-type: none"> <li>14 accounts (eight SODC and six VWHDC) with vacant exemptions applied did not have a physical inspection completed within the first three months, although there was evidence of subsequent inspections being completed in 2020.</li> <li>One VWHDC account has no evidence of an inspection being completed within the Capita ONE Revenues &amp; Benefits system/ EDMRS; exemption granted 7 May 2020; and</li> <li>Ten accounts (five SODC and five VWHDC) did not have an inspection completed within a rolling six-monthly period.</li> </ul> <p><u>Risks</u> If evidence of property inspection results is not formally documented, there is an increased risk of unauthorised council tax exemptions.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p><b>Please see the comments to Rec 1 above.</b></p> <p>Management response: Revenues and Benefits Manager</p>		<p>January 2022</p>

**OBJECTIVE 5: Collections, payments and refunds**

**5. Live Credits**

**(Low Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Credit balances are reviewed on a regular basis, with sufficient evidence of the review recorded in the files, with the outcome adjusted in the council tax system (Capita ONE Revenues &amp; Benefits system) accordingly.</p>	<p>Formally document review activity in the Capita ONE Revenues &amp; Benefits system for accounts in credit and ensure appropriate follow up action is conducted where no response is received from account holders.</p>	<p>Capita – Council Tax Manager</p>

<p><u>Findings</u>  As at 1 March 2021, the live credit balance for SODC was valued at £2,706,518.30, of which £343,541.74 was from the period 1 April 2020 to 1 March 2021.  The VWHDC Live credit balance as at 1 March 2020 was valued at £2,204,175.72 of which £293,483.37 was from the period 1 April 2020 to 1 March 2021.</p> <p>During the 2020/21 audit, A sample of 20 (10 SODC and 10 VWHDC) live credits were tested to ensure processes were undertaken to ensure accounts in credit have been managed accordingly.</p> <p>Based on our testing we noted that for 14 accounts (seven SODC and seven VWHDC) there was lack of formal documentation to validate whether regular reviews had been performed. These 14 accounts (70%) of the 20 tested, still showed the full credit value on the account. This being the result of no response from the account holder following the issue of a credit note and no further trace/follow up being documented. This included three accounts (two SODC and one VWHDC) awaiting probate due to deceased account holders.</p> <p><u>Risk</u>  Lack of formal review of live credit balances results in lack of audit trail and may result in process inefficiencies.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed in Principle</b></p> <p>A 'cleansing' exercise is still required to clear out old unclaimed credit, however, as far as regular reviews is concerned to trace closed account credit, this is something which the councils would not dedicate much time and resource on. Credit bills are sent to last known addresses and refund claims forms are sent out in all cases. Other than this the councils <b>will focus resources on collecting and enforcing unpaid debt as a priority, especially in the current climate.</b></p> <p>It should be noted that there is a clear audit trail of when the credit was raised and also when the closing bill and refund forms were issued via CIC on One Revenues and Benefits.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>To be determined</p>



6. Performance reporting

(Low Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u>  Monthly performance analysis for SODC and VWHDC is provided by Capita to the councils' revenues and benefits team. Formal acknowledgement is provided by Capita to the revenues and benefits manager of the completion of monthly reconciliations (i.e. accounts to bills produced, CTS balancing, credit transfers, and bills produced).</p> <p><u>Findings</u>  Based on our review, we confirmed that the revenues and benefits performance report is produced by Capita on a monthly basis, in line with the 5CP contract. The report provides an overview of performance of agreed key performance indicators (KPIs) for the council tax and benefits service, as well as other data which is of interest.</p> <p>In addition to the monthly 5CP reporting and at the request of the revenues and benefits manager, Capita have historically provided the councils with monthly performance analysis (word document), which provides more detailed analysis specific to SODC and VWHDC. However, Due to the impact of Covid-19, production of this report ceased to focus on additional priorities, although some tweaks were made to the monthly Five Client Performance Report to capture some of the data that was contained within this word document, including age of outstanding correspondence, e-billing take up figures and, more recently, Direct Debit take up rates.</p> <p>Per the 5CP output specification document (section C020) Capita are required to carry out monthly reconciliations (i.e. accounts to bills produced, CTS balancing, credit transfers, and bills produced). However, it was noted that there is no formal evidence or confirmation from Capita to the revenues and benefits team that these reconciliations have been undertaken.</p> <p><u>Risk</u>  Lack of regular performance analysis reporting may limit management's decision-making ability.</p>	<p>a) Consider reinstating the monthly performance analysis (word document) reporting specific to SODC and VWHDC.</p> <p>b) Formally communicate to the Revenues and Benefits Manager upon completion of the monthly reconciliations (e.g. consider adding monthly reconciliation reporting to the performance analysis).</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p>

Management Response	Implementation Due Date
<p>Recommendation is <b>Agreed</b></p> <p>The additional monthly report was reintroduced but Covid workloads de-prioritised it. Instead, other key data was added to the 5C performance, as covered above.</p> <p>A whole suite of monitoring reports and statistics are produced, balanced and retained by Capita on a daily, weekly and monthly basis, such as cash reconciliation, balancing, notices issued (bills, rems, finals, summonses, 14-day letters), accounts escalated to Enforcement Agents etc. Any of these can be provided to the council on request, however, the value of receiving a mass of reports on a regular basis is questionable, so confirmation of reconciliations being done/balanced in the monthly reports may be the way to go – and this will be considered.</p> <p>Management response: Revenues and Benefits Manager</p>	<p>November 2021</p>

**OBJECTIVE 6: Recovery, enforcements and write-offs**

**7. Data protection (GDPR)**

**(Medium Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Where documents are attached to multiple accounts within EDRMS containing personally identifiable information, data is redacted for anything not relating to the reference it is linked with, or an extract of only the relevant data is held on an individual's account.</p> <p><u>Findings</u> During the 2019/20 review, it was found that a zip file containing enforcement agent returns relating to a number of council tax accounts, was attached to each individual account within EDRMS. The returns contain personally identifiable information regarding debt, case history details, enforcement actions and other personal information for each account. During the 2020/21 review, internal audit contacted the council's Data Protection Officer (DPO) to ascertain whether the Capita DPO had made contact to consult on the agreed findings. Their response is as follows:</p> <p>“The issue is that we breach the DP principle of limiting the use of the data and the argument that access to the entirety of that data is secured is irrelevant in that case. Officers may see more than they need to for the purpose of the task they are working on, which is not related to whether they are authorised to do so.</p>	<p>Capita DPO should liaise with the councils' information governance officer to ensure compliance with GDPR regulations in relation to the attachment of enforcement agent returns in EDRMS.</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p> <p>Councils - Information Governance officer</p>

<p>I agree that when documents are released (Freedom of Information Request), they are redacted of third-party information, but that does not remove the risk. I do agree that implementing the recommendation would have a large resource impact that may need to be considered as an accepted risk, but that would probably need sign off by the Senior Information Risk Owner (SIRO)”</p> <p>Therefore, the previous recommendation is restated.</p> <p><u>Risk</u> If personal data is available in more instances than are necessary, the councils may be in breach of the GDPR minimisation principle, which could lead to penalties/fines and reputational damage.</p>		
<p><b>Management Response</b></p>	<p><b>Implementation Due Date</b></p>	
<p>Recommendation is <b>Agreed</b></p> <p>The recommendation to consult with the councils information governance officer is agreed. I accept that this issue is medium risk. This is because all data held is secure and within a protected environment. No one (other than staff) can view such information and the Online Portal does restrict the user to only seeing their council tax account, transactions and statements. It does not allow any public access to the Capita secure EDMS system so, there is no risk of breaching GDPR.</p> <p>Furthermore, should any Subject Access Request (SAR) be received by the councils then any data held on an account, which mentions or contains other party details, are redacted. This occurs as part of the SAR vetting process prior to dispatch.</p> <p>The ‘Returns’ are a mandatory requirement to progress enforcement action, such as committal to prison, where it is a requirement in law for the matter to first progress to an Enforcement Agent and obtain a return certificate (often Nulla Bona certificate) prior to being able to seek committal to prison. If we did not have the return file saved against the account then it would certainly slow recovery progress in such cases and also remove the recovery audit trail.</p> <p>We will look at alternative options but, considering there are vast amounts of reports containing numerous details and accounts that must be retained then I do not believe we will ever get to a point of being able to show everything individually, without seriously impacting on performance and resource.</p> <p>Management response: Revenues and Benefits Manager</p>	<p>February 2022</p>	

**8. Write offs pending**

**(Medium Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Accounts coded to write offs pending are regularly communicated to the</p>	<p>To continue with the agreed process to regularly review council tax accounts and write off amounts</p>	<p>Capita – Council Tax Manager</p>

<p>revenues and benefits team for review and approval.</p> <p><u>Findings</u>          In 2020/21 to date (March 2021), there had been one SODC write off batch under £5k (£63.03) sent to the revenues and benefits team (5CP client) for approval, and none noted for VWHDC.</p> <p>At the time of review, 22 February 2021, a copy of the write off confirmation report had been requested by the Revenues &amp; Benefits Client Officer but had not yet been received.</p> <p>Capita's Revenues &amp; Benefits Performance Manager provided the Recovery Stage Report for each council, as at 1 February 2021. Review confirmed the following findings:</p> <p><b><u>SODC</u></b></p> <ul style="list-style-type: none"> <li>• A total of 1,647 write-off cases are outstanding, 1,049 of which predate 2011.</li> <li>• These pending write-offs are valued at £954,855.31;</li> <li>• 435 cases are currently being traced with debt valued at £255,182.26; and</li> <li>• 315 cases are recorded at pre-committal with a debt of £182,598.88</li> </ul> <p><b><u>VWHDC</u></b></p> <ul style="list-style-type: none"> <li>• A total of 1,484 write-off cases are outstanding, 667 of which predate 2011.</li> <li>• These pending write-offs are valued at £763,388.97;</li> <li>• 233 cases are currently being traced with debt valued at £129,445.74; and</li> <li>• 996 cases are recorded as nulla bona and pre-committal with a debt of £588,505.86</li> </ul> <p>The Revenues and Benefits Officer informed internal audit that despite chasing, confirmation reports also remain outstanding to verify that write offs had been actioned from the previous financial year (2019/20), therefore the recommendation has been restated.</p> <p><u>Risk</u>          If a review of accounts, where recovery has been exhausted, is not carried out regularly and write offs</p>	<p>where recovery actions have been exhausted.</p>	
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proposed, this may cause inefficiencies in recovering council tax where the taxpayer has the ability to pay.		
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>As with recommendation 5 a 'cleansing exercise' is overdue to clear dead system debt off the system, which has already been identified as 'Write-Off', due to all avenues (tracing etc.) being exhausted. Progress has been delayed due other priorities during the pandemic but should hopefully move up the list later in the year.</p> <p>Management response: Revenues and Benefits Manager</p>		March 2022

**2020/21 RECOMMENDATIONS**

**OBJECTIVE 1: Valuation Records**

**9. Property Inspections**

**(Low Risk)**

<b>Rationale</b>	<b>Recommended Action(s)</b>	<b>Action Owner(s)</b>
<p><u>Best Practice</u> Officers conduct property inspections and upload their inspection notes to the system in real time via a handheld portable device.</p> <p><u>Findings</u> Inspectors currently take notes of their inspection visits on an A4 notepad. Once back in the office/at home, the inspectors complete a VOA 605 property update request form (known as a new build report within the team) The VOA 605 request form is sent back to the valuation team (Capita) to be raised in the Capita ONE Revenues &amp; Benefits system and reported to the VOA. After the 605 request form is completed and sent to the valuation team (Capita), it is kept on Capita's S'Drive in alphabetical order by street name, in case the VOA contact with a query. Following discussions with the Principle Revenues Officer (Capita), concerns were raised regarding the inspection and reporting of new properties in a timely manner. It was stated that inspectors may be spending too much time on administration and not maximising time spent out inspecting.</p> <p><u>Risk</u> There is an increased risk of human error where inspection notes are</p>	<p>Consider the introduction of hand-held, portable electronic devices to improve efficiencies in uploading inspection visits in real-time, automatically, to associated systems.</p>	<p>Revenues and Benefits Manager and Capita Contract Director</p>

<p>required to be manually transferred across different systems. There is also a risk of paper documents being misplaced, prior to being entered onto the system following a visit. The current process indicates inefficiencies where time and labour savings could be better utilised with further property inspections.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b>  <b>Please see the comments to Rec 1 above.</b>  Management response: Revenues and Benefits Manager</p>		<p>January 2022</p>

**OBJECTIVE 2: Council tax liability and discounts**

**10. Discounts**

**(High Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Documentation to support applied discounts is suitably assessed prior to the discount being awarded, is valid, in date and a copy is retained on the account within I@W (EDRMS). Officers ensure the correct discount code is applied to the account and that the 'discount to' or 'provisional end date' parameters are accurately applied within the Capita ONE Revenues &amp; Benefits system.</p> <p><u>Findings</u> From 40 accounts reviewed, (20 SODC and 20 VWHDC), three (two SODC and one VWHDC) council tax accounts contained errors or omissions in supporting documentation to validate the applied discounts (e.g. incorrect discount type applied on the Capita ONE Revenues &amp; Benefits system or insufficient documentation to support applied discounts retained on the I@W EDRMS system). One VWHDC account was found to have a discount applied beyond the course end date of supporting apprenticeship documentation, no discount end-date parameters had been set within the system.</p> <p>An expanded review of 'discount to' and 'provisional end date' parameters for student discounts within the Capita ONE Revenues &amp; Benefits system</p>	<p>a) Review the issues identified by internal audit testing and take suitable corrective actions.</p> <p>b) Remind officers of the importance of retaining supporting documents for discounts applied to accounts within I@W to maintain an adequate audit trail.</p> <p>c) Remind officers to utilise the 'discount to' and 'provisional end date' parameters within the Capita ONE Revenues &amp; Benefits system to ensure that discounts do not extend beyond the eligible period.</p>	<p>Capita – Council Tax Manager</p>

<p>highlighted that there were 34 accounts for SODC (16 historic and 18 applied in 2020) and 56 accounts for VWHDC (33 historic and 23 applied in 2020) where the discount end-date parameter had not been entered onto the system. As a result, discounts may continue to be applied to these accounts in excess of the eligible period (past university/college course end date, or where the individual's circumstances may have changed). Subsequent work on these accounts completed by Capita's Revenues Manager, identified 35 historic accounts (14 SODC and 21 VWHDC) where the student discount was either still in place past the course end-date recorded on supporting documentation, or the discount required amendment due a change in personal circumstance (i.e. student had moved out from home and discount required to be changed to single persons discount). The discounts were then amended as appropriate.</p> <p><u>Risk</u>          If required documentation to support applied discounts is not retained on the I@W (EDRMS) system, there is no audit trail to validate the discount has been appropriately assessed prior to being applied.          If discounts are not accurately recorded and appropriately applied within the Capita ONE Revenues &amp; Benefits system, there is a risk that the incorrect discount value may be applied to the account.          If discount parameters are not accurately recorded within the Capita ONE Revenues &amp; Benefits system, there is a risk that discounts may continue to be applied to accounts past their eligible period.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p>This is basic council tax administration and good practice and aids the process of reviewing discounts in a timely fashion</p> <p>Management response: Revenues and Benefits Manager</p>		<p>July 2021</p>

11. Annual Review

(Medium Risk)

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Annual reviews for discounts and exemptions are instigated timely, monitored for response and supporting evidence retained within the I@W and Capita ONE Revenues &amp; Benefits systems.</p> <p><u>Findings</u> <u>SODC</u></p> <ul style="list-style-type: none"> <li>• Annual discount reviews were outstanding for 14 (70%) of the 20 SODC accounts sampled, with no review evidenced within the following date ranges:                             <ul style="list-style-type: none"> <li>○ One account since 2017;</li> <li>○ Nine accounts since 2018;</li> <li>○ One account since 2019; and</li> <li>○ Three accounts required in 2020.</li> </ul> </li> </ul> <p>(It is noted that for the above records, there was no further review evidenced on the system following the initial review period stated).</p> <p><u>VWHDC</u></p> <ul style="list-style-type: none"> <li>• Annual discount reviews were outstanding for 17 (85%) of the 20 VWHDC accounts sampled, with no review evidenced within the following date ranges:                             <ul style="list-style-type: none"> <li>○ Four accounts since 2017;</li> <li>○ Five accounts since 2018;</li> <li>○ One account since 2019; and</li> <li>○ Seven accounts required in 2020.</li> </ul> </li> </ul> <p>(It is noted that for the above records, there was no further review evidenced on the system following the initial review period stated).</p> <p>Review of 20 SODC &amp; 20 VWHDC exemptions provided the following findings:</p> <p><u>SODC</u></p> <ul style="list-style-type: none"> <li>• Annual review for five historic accounts with Severe Mental Impairment (SMI) exemptions was not evidenced within I@W; three not evidenced since 2017, and two are overdue for 2020.</li> </ul> <p><u>VWHDC</u></p> <ul style="list-style-type: none"> <li>• Annual review for four historic accounts with Severe Mental Impairment (SMI) exemptions was</li> </ul>	<p>Ensure that the annual review process for discounts and exemptions is completed as per the Service Output Specification and that supporting documentation is retained on the I@W/ Capita ONE Revenues &amp; Benefits system, as appropriate.</p>	<p>Capita – Council Tax Manager</p>



<p>not evidenced within I@W; three not evidenced since 2017 and one since 2018.</p> <ul style="list-style-type: none"> <li>Annual review for three historic accounts with Student exemptions was not evidenced within I@W; two not evidenced since 2017 and one overdue for 2020.</li> </ul> <p><u>Risk</u> If annual discount and exemption reviews are not completed there is a risk that changes in circumstance may not be declared or identified timely, resulting in discounts and exemptions being applied to accounts longer than is eligible.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p>This is necessary to maintain an accurate database and maximise the taxbase accordingly. It is good practice and reduces the incidence of many potential issues going forward.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>January 2022</p>

**OBJECTIVE 5: Collections, payments and refunds**

**12. Refunds**

**(Low Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Refunds are processed timely with supporting notes and correspondence retained within the Capita ONE Revenues &amp; Benefits system and I@W (EDRMS).</p> <p><u>Findings</u> Per our review of testing 15% of approved refund batches, a total of 21 (11 SODC and 10 VWHDC) individual refunds were randomly selected from the 89 batches completed year to date for 2020/21, the following findings are noted:</p> <p><b>SODC</b></p> <ul style="list-style-type: none"> <li>One SODC refund had text copy of an email sent to the taxpayer recorded within the Capita ONE Revenues &amp; Benefits system notepad, however, a copy of the email was not retained on the I@W (EDRMS) system.</li> </ul> <p><b>VWHDC</b></p>	<p>Remind officers to include detailed updates to account notes within the Capita ONE Revenues &amp; Benefits system and ensure all supporting correspondence is retained on EDRMS (I@W) appropriately, ensuring a sufficient audit trail to support refunds.</p>	<p>Capita – Council Tax Manager</p>

<ul style="list-style-type: none"> <li>Supporting email correspondence for one VWHDC refund was not retained on I@W. The I@W evidence file dated for that entry was blank.</li> <li>One VWHDC refund did not have the date of property vacation recorded within the account notes, entered by the officer on the Capita ONE Revenues &amp; Benefits system.</li> </ul> <p><u>Risk</u> If detailed supporting notes and correspondence are not documented within the Capita ONE Revenues &amp; Benefits system and I@W (EDRMS) there is a risk that a suitable audit trail is not maintained across both systems.</p>		
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b></p> <p>However, providing there is a clear audit trail, either within the council tax database (Capita ONE Revenues and Benefits) <u>or</u> I@W then this may also be acceptable, as it is not always necessary to duplicate work or account Notes on to I@W. All staff are aware to view account Notepads, as well as I@W.</p> <p>It is accepted and agreed that it is good practice and helps maintain an accurate database if a full audit trail is available. As such, all staff will be reminded to make sure either Notepads and/or I@W correspondence items are available for all Refunds processed.</p> <p>Management response: Revenues and Benefits Manager</p>		June 2021

**OBJECTIVE 6: Recovery, enforcements and write-offs**

**13. Debt Recovery**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommended Action(s)</b>	<b>Action Owner(s)</b>
<p><u>Best Practice</u> Debt recovery is managed in line with the council's debt recovery strategy, ensuring revenue loss is minimised.</p> <p><u>Findings</u> Due to the Covid-19 pandemic and in agreement with the cabinet members for finance and SMT, the council took the decision in March 2020 to not pursue formal recovery and all revenue recovery ceased across council services. This was still the case for council tax at the time of review, March 2021, apart from statutory reminders which were issued in January 2021 and two rounds of softly worded 'nudge' reminders issued in July 2020 and November</p>	Debt recovery actions to be fully reinstated on direction from the councils and managed in line with the approved approach.	Revenues and Benefits Manager/Legal Services/ Capita – Council Tax Manager

<p>2020 to encourage taxpayers in arrears to engage with the councils to claim Council Tax Support, or make arrangements where appropriate.</p> <p>On discussion with the Revenues and Benefits Manager, following the central government directive, all bailiff enforcement ceased, and court hearings initially paused, prior to moving to a virtual environment.</p> <p>The Revenues and Benefits Manager advised that discussions are now being held with Capita to assess when the next manageable court dates may be available (whether this be physical court appearances or virtual). Once this information is obtained, and in consultation with the council's legal representatives, agreement and approval can be sought from the members for finance and SMT to proceed with court summons to clear the back log of cases.</p> <p><u>Risk</u> If debt recovery is not managed in line with the council's debt recovery strategy, there is an increased risk to lost revenue.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p> <p>Absolutely and the sooner the better. We are now in discussion with Oxfordshire Magistrates to finalise court hearing availability and manageable volumes.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>July 2021</p>

**14. Recovery review cycle**

**(Low Risk)**

Rationale	Recommended Action(s)	Action Owner(s)
<p><u>Best Practice</u> Regular review of accounts on hold within the errors/warnings report is conducted and eligible accounts are reintroduced to the recovery cycle where change in circumstances are noted.</p> <p><u>Findings</u> Recovery can be suppressed by placing a diary code or circumstance code on an account. The hold is reported within each recovery run within the errors/warnings report.</p>	<p>Regular review of accounts on hold within the errors/warnings report to be completed and, where appropriate, applicable accounts to be reintroduced to the recovery cycle.</p>	<p>Capita – Council Tax Manager</p>

<p>Each recovery run has an errors/warnings list which will include:</p> <ul style="list-style-type: none"> <li>• Accounts with balances below the minimum set for recovery;</li> <li>• Accounts with diary codes;</li> <li>• Accounts with recovery on hold.</li> </ul> <p>The council tax reminder extract: error/warning reports (ct6160b) for January 2021 were obtained for both SODC and VWHDC. Capita's Revenues &amp; Benefits Performance Manager confirmed to internal audit that, due to the impact of Covid-19, this report was the first run of the financial year. Per our review the following findings are noted, as at January 2021:</p> <table border="1" data-bbox="236 689 719 806"> <thead> <tr> <th></th> <th>Errors</th> <th>Warnings</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>January 2021</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>SODC</td> <td>618</td> <td>25</td> <td>643</td> </tr> <tr> <td>VWHDC</td> <td>492</td> <td>63</td> <td>555</td> </tr> </tbody> </table> <p><u>Risk</u> If a regular review of accounts on hold is not completed, there is a risk that eligible accounts may not re-enter the recovery cycle on a timely basis, impacting recovery and revenue loss performance reporting.</p>		Errors	Warnings	Total	<b>January 2021</b>				SODC	618	25	643	VWHDC	492	63	555		
	Errors	Warnings	Total															
<b>January 2021</b>																		
SODC	618	25	643															
VWHDC	492	63	555															
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>																
<p>Recommendation is <b>Agreed</b></p> <p>However, as the first recovery run was in January 2021 explains why the council tax reminder extract error/warning reports (ct6160b) was not produced prior to this date. It is imperative that cases "on hold" are regularly reviewed in order that accounts do not stagnate. This can lead to loss in income and reputational damage when cases are progressed to court action where the councils maybe criticised for delayed action. This is particularly true regarding committals. Reviews should be monthly, as was the case prior to the Covid-19 recovery freeze. These recovery error reports are produced whenever a reminder run is carried out to ensure cases are identified and checked. Many cases will be diarised for a specific period but the report will capture all these cases as well.</p> <p>Management response: Revenues and Benefits Manager</p>		<p>June 2021 &amp; ongoing with all monthly recovery runs</p>																

# Capital Management and Accounting 2020/2021

## MANAGEMENT SUMMARY

### 1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to capital management and accounting. The audit has been undertaken in accordance with the 2020/2021 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 16. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during this review to provide assurance that:
- the councils have an up-to-date capital financial strategy and asset management plan in order to develop and manage the capital programme;
  - adequate monitoring is undertaken in relation to capital contracts and approved budgets;
  - appropriate capital accounting arrangements are in place;
  - there is adequate authorisation of additions, disposals, write-offs, transfers and amendments of the asset register;
  - the asset register is regularly reconciled to other sources and adequate controls are in place over the completeness of the register.

### 2. BACKGROUND

- 2.1 Previously, as part of the five councils' partnership (5CP), Capita provided the accountancy service and Arcadis provided property services. Property services and strategic finance teams were brought back in-house in April 2018 and December 2018 respectively. In April 2020, the remaining accountancy functions were brought back in-house including capital management functions.
- 2.2 Capital management covers how the councils' assets are maintained and managed. Capital accounting looks at how capital is financed and accounted for, including the recording of assets in a register with an appropriate categorisation to determine how they are measured within the balance sheet.
- 2.3 Capital accounting is based on IFRS standards as implemented by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. Transactions such as purchase/disposal of assets, depreciation and revaluation are recorded in the accounts. The annual financial statements, which include details of capital assets and capital expenditure, are reviewed by the councils' external auditors, Ernst and Young (EY). The 2019/2020 statement of accounts for both SODC and VWHDC are still to be finalised.

- 2.4 The balance for asset values, for the draft accounts, as at 31 March 2020, as taken directly from the statement of accounts are:

	<b>SODC</b>	<b>VWHDC</b>
Property, plant and equipment	£33,226,000	£46,545,000
Investment properties	£7,763,000	£6,202,000
Intangible assets	£19,000	£36,000

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Capital management and accounting was last subject to an internal audit review in March 2020, and nine recommendations were raised, of which five recommendations were restated from the previous review in 2018/2019. All 11 recommendations were agreed, and a limited assurance opinion was issued.
- 3.2 One of the nine recommendations have been implemented. Eight recommendations have not been implemented and have been restated as part of this review (Recs 1 to 9). One of the restated recommendations has been split in to two recommendations (Recs 3 and 4).

### 4. 2019/2020 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 10 (nine joint and one VWHDC) recommendations have been raised in this review. Four high risk, four medium risk and two low risk.
- 4.3 Nine of the 10 recommendations are restated from previous year's audits. In fact, of these nine recommendations:
- 4 were originally made in 2015/2016
  - 2 were originally made in 2017/2018 and
  - 3 were originally made in 2019/2020.

### 5. MAIN FINDINGS

#### 5.1 **Capital financial strategy and asset management plan**

- 5.1.1 Both SODC and VWHDC have a capital strategy for the period 2020/2021 to 2029/2030. In December 2017, new CIPFA guidance came into force on the prudential code for capital finance in local authorities, which requires all councils to have a capital strategy in place by 2019. The councils' capital strategy has been developed to ensure that the councils' capital expenditure and investment decisions are in line with their service objectives, and properly takes account of stewardship, value for money, prudence, sustainability and affordability. Both SODC and VWHDC capital strategies were approved by full council in February 2020.

5.1.2 As noted originally in the 2015/2016 audit, the last joint asset management plan in place was for 2015 to 2019. Alongside this, there are draft portfolio strategies (developed by Arcadis in 2017) for each council. Both the existing asset management plan and the portfolio strategies have not been approved or adopted by the councils. Review of the portfolio strategies found that they fulfil the requirements of the CIPFA guidance for an asset strategy but not for an asset management plan.

5.1.3 Area assurance: Satisfactory  
One previous recommendation has been restated as a result of our work in this area (Rec 1). This recommendation was originally made in 2015/2016.

## 5.2 **Capital contracts and budget monitoring**

5.2.1 The strategic finance team maintain and update the capital programmes for both SODC and VWHDC, which record the individual projects and expenditure to date with expected spend profiled by year. It is noted that SODC's capital programme is split into 'approved' and 'provisional', while VWHDC only has an 'approved' programme; this is due to the differing positions of the two councils. At the time of the audit review (March 2021), the latest capital programmes covered the period 2020/2021 to 31 March 2025 and were approved by Cabinet in February 2020 for both councils.

5.2.2 The capital programmes are reviewed as part of the budget setting process. Any growth bids are considered as part of preparing the capital programmes along with, for SODC only, any capital projects to be moved from provisional to the approved capital programme. During the year, the capital programmes are reviewed and updated in line with cabinet or cabinet member decisions, that affect the budget or project viability. From review of both council's capital programmes, they now include the responsible officer for each project. Through the corporate delivery framework, there is now a process in place for the evaluation of projects following their delivery.

5.2.3 Since December 2018, capital budget monitoring is undertaken monthly with budget holders; however, the capital position is reported to Cabinet every quarter. There is a standard documented monthly budget monitoring process in place, which is in accordance with a budget monitoring timetable. This involves the strategic finance team obtaining initial capital budget positions from budget managers which are then presented to the senior management team (SMT) to agree the reported position. As at March 2021, there has been no detailed capital monitoring reported to Cabinet because there has been limited movement in capital. A report did go to Cabinet in September 2020 which detailed the additional pressures on capital budgets due to Covid. A detailed budget monitoring report is due to go in March 2021.

5.2.4 In 2020/2021 year to date (March 2021) there have been no virements at either SODC or VWHDC and therefore no testing has been undertaken in this area.

5.2.5 Area assurance: Substantial  
No recommendations have been made as a result of our work in this area.

**5.3 Capital accounting arrangements**

- 5.3.1 Capital accounting relates to the recording of transactions for asset purchases, disposals, depreciation and revaluation within the accounts and these transactions. The previous five audit reviews have recommended that formal capital management procedures should be documented. Progress is being made to these procedures as at the current audit, but they are still not complete.
- 5.3.2 Guidance on the budget setting process is available to council officers via the intranet, and this includes budget responsibilities for capital projects and covers growth bids. However, as reported in the 2019/2020 audit review, the guidance held on the intranet relates to the current financial year, 2019/2020, rather than the current budget setting year, 2021/2022. Year-end closedown guidance, including capital expenditure, is emailed to heads of service, service managers and other officers involved with budgets in the form of a memorandum. It is noted that guidance is also held on the intranet, but it is for the 2018/2019 financial year not the current 2020/2021 financial year.
- 5.3.3 As identified in the 2019/2020 audit, there is currently only one finance officer involved with capital accounting. Therefore, there continues to be a lack of resilience within strategic finance in relation to capital accounting.
- 5.3.4 Area assurance: Satisfactory  
One previous recommendation has been restated as two recommendations as a result of our work in this area (Recs 2 and 3). Recommendation 2 was originally made in 2015/2016 and recommendation 3 in 2019/2020.

**5.4 Asset registers**

- 5.4.1 The strategic finance team maintain the fixed asset registers in excel and the property services team maintain the property register on the Concerto system. Property valuations are recorded on the fixed asset registers and the net book value at the end of each financial year is adjusted to allow for additions, disposals, depreciation and revaluation. Review of the SODC and VWHDC fixed asset registers confirmed that they comply with the requirements of the councils' financial procedure rules and CIPFA guidelines.
- 5.4.2 As at December 2020, the latest fixed asset registers were for 2019/2020, for the financial year ending 31 March 2020. Review of the 2019/2020 fixed asset register found that there were eight (five SODC and three VWHDC) asset additions, totalling £456,032 (£356,076 SODC and £99,956 VWHDC). There was one asset disposal for SODC (£310,000) and no asset disposals for VWHDC.
- 5.4.3 Based on our review we found that the eight asset additions had been approved in accordance with the councils' financial procedure rules and recorded correctly in the council financial systems. The asset disposal at SODC had also been appropriately approved and correctly recorded.



- 5.4.4 Review of the VWHDC fixed asset register identified that it did not agree to Agresso, the council's financial system.
- 5.4.5 The councils have a five-year asset revaluation schedule in place which was undertaken by Lambert Smith Hampton in 2020/2021. Asset revaluations have been split into the following categories:
- Year one (2016/2017) – car parks;
  - Year two (2017/2018) – leisure centres and parks, cemeteries, allotments and open spaces;
  - Year three (2018/2019) – public conveniences, civic estates and housing (including mobile homes);
  - Year four (2019/2020) – investment properties and long leases;
  - Year five (2020/2021) – ex – investments/long leases, community centres and surplus / vacant sites;
- It is noted that the five-year schedule has been approved by the section 151 officer, as required by CIPFA guidance.
- 5.4.6 At the time of the audit (March 2020), the latest asset revaluation undertaken was for the year four asset categories, for financial year 2019/2020. A total of 22 (11 SODC and 11 VWHDC) properties were revalued and testing identified that all the revaluations agreed to the values held on the council's financial systems.
- 5.4.7 Review of the property register within Concerto in the 2019/2020 audit identified that the property data is outdated and requires additional resources to ensure that the records are reviewed for completeness and accuracy. At the time of the audit, a project was underway to review and update the Concerto property data.
- 5.4.8 The previous audit recommended that all the land and property data required by the Local Government Transparency Code 2015 should be added to the property register, for publishing annually on the council websites. In addition, it was previously recommended to formally document asset management procedures. Review confirmed that the two previous recommended actions have not been implemented.
- 5.4.9 Area assurance: Limited  
Four previous recommendations have been restated (Recs 5, 6, 7 and 9) as a result of our work in this area. These recommendations were originally made in:  
Rec 5 - 2019/2020;  
Rec 6 - 2015/2016 and;  
Recs 7 & 9 - 2017/2018.

In addition, a new recommendation has been raised (Rec 10).

## 5.5 **Asset register reconciliation**

- 5.5.1 The strategic finance team maintains the fixed asset registers on spreadsheets for accounting purposes, whilst the property services team is responsible for maintaining the main asset register (Concerto), which lists all physical assets owned by both councils. As detailed in 5.4.6, the asset register held on Concerto is incomplete and outdated and therefore a

reconciliation of it to the fixed asset register has not been undertaken since prior to the 2015/2016 review. It is, therefore, critical that the asset register is completed, and that this reconciliation is also completed.

5.5.2 Area assurance: Limited

One recommendation has been restated as a result of our work in this area (Rec8). This recommendation was originally made in 2015/2016.

**6. ACKNOWLEDGEMENTS**

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

**7. CATEGORISATION OF RECOMMENDATIONS**

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 1, 5, 6 and 8</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 3, 4, 7 and 10</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Recs 2 and 9</b>

**OBSERVATIONS AND RECOMMENDATIONS**

**PREVIOUS RECOMMENDATIONS RESTATED**

**ASSET MANAGEMENT PLAN**

**1. Asset management plans**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Up-to-date and approved asset management plans are in place and adopted by the councils.</p> <p><u>Findings</u> A joint asset management plan 2015 to 2019 was in place at the time of the 2018/2019 audit (undertaken in February 2019). However, at the time of this audit, the plan had never been approved by the councils.</p> <p>At the time of the 2020/2021 audit, it was planned that an asset management plan would be in place by 31 July 2021.</p> <p>Risk Lack of strategic planning in relation to the council’s assets.</p>	<p>a) Ensure that a revised Asset Management Plan is in place by 1 September 2021;</p> <p>b) Obtain the appropriate approval for the revised Asset Management Plan.</p>	<p>Property Services Manager</p>

Management Response	Implementation Due Date
Agreed  Management response: Property Services Manager	1 September 2021

## CAPITAL ACCOUNTING ARRANGEMENTS

### 2.Guidance / procedures

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Up-to-date and comprehensive capital accounting guidance notes are in place.</p> <p><u>Findings</u> Strategic Accountancy are currently developing a set of comprehensive capital procedure notes (this has been a recommendation in the previous two years audits).</p> <p>These will include the entire capital cycle including: Capital budgeting; Maintenance of the capital programme; Capital monitoring and Capital closedown.</p> <p>They will also include dates of review to ensure that they are regularly updated / maintained.</p> <p>Currently the budget setting guidance on Jarvis is for the financial year 2019/20 rather than 2021/22 and the closedown guidance is for financial year 2018/19.</p> <p>Furthermore, budget managers were not issued with a schedule of budget monitoring return dates in 2020/2021.</p> <p><u>Risk</u> If appropriate and up-to-date guidance notes are not in place, there is a risk of officers unknowingly taking incorrect actions within capital accounting.</p>	<p>a) Complete the set of capital procedure notes including dates for next review;</p> <p>b) Ensure that up to date budget setting and closedown guidance is loaded onto Jarvis in future years;</p> <p>c) Ensure that budget managers are issued with a set of budget monitoring return dates.</p>	Interim Strategic Finance Manager
Management Response	Implementation Due Date	
<p>Recommendation is <b>Agreed in principal</b></p> <p>Preparation of full and detailed capital accounting notes is a time-consuming piece of work. As for all financial accounting processes, finance staff refer to the CIPFA guidelines were internal guidelines may be out of date. However updated guidelines will be prepared after the 21/22 budget round in late 2021</p> <p>Budget setting guidance was sent directly to all Heads of Service and their service managers. Also Finance Business Partners met with all service mangers during the budget process. It is very doubtful that the old guidelines were incorrectly referred to. However, Jarvis will be updated in future.</p>	31 Jan 2022	

<p>Capital budget monitoring reports are circulated with revenue budget monitoring reports according to the agreed May/Aug/Nov/March timetable. Return dates are circulated with the reports. 'Normal' budget monitoring timetables were disrupted in 2020 due to finance staff being involved with Covid grant allocation in May/June and preparing an emergency budget in August/Sept. I feel the audit criticism here is unfair and doesn't reflect the unique situation in June 2020. A timetable will be set for 2021 budget monitoring returns however it is unlikely to differ significantly to previous year's requirements</p> <p>Richard Spraggett Interim Strategic Finance Manager</p>	<p>31 July 2021</p>
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**3. Resilience within the capital accounting function**

**Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Back up officers are in place to ensure that capital accounting functions can be undertaken as required.</p> <p><u>Findings</u> At the time of the 2019/2020 audit, there were plans in place for the finance business partner to cascade her knowledge to a colleague but there was no timescale in scale in place for doing so. As at the 2020/21 audit, this had not been actioned.</p> <p><u>Risk</u> if Strategic accountancy staff with specific capital knowledge are moved / not available, there is a risk of the councils being exposed to greater risk of errors.</p>	<p>Ensure that appropriate back up officers are in place.</p>	<p>Interim Strategic Finance Manager</p>
Management Response		Implementation Due Date
<p><b>Agreed</b></p> <p>Resourcing continues to be a problem in the strategic finance dept. The financial accounting function came back in house in April 2020 having previously been outsourced to CAPITA. Of the 4 experienced staff TUPEed in 2016 only two inexperienced junior staff returned. Recruiting up to the old levels of head count and experience has been very difficult. The principal accountant involved with Capital accounting started to train a new staff member during 2020 but this staff member subsequently left.</p> <p>There is resilience within the strategic finance dept however: my own knowledge of council capital processes has improved considerably since the last audit, other staff are aware of the basic process and as mentioned in point 2) above, the fallback is always the CIPFA guidelines on the correct accounting treatment.</p> <p>A vacancy for a principal accountant is about to be advertised and the finance dept will be restructured in the summer at which point cover and associated training will be addressed further.</p> <p>Richard Spraggett Interim Strategic Finance Manager</p>		<p>31 Dec 2021</p>

**ADDITIONS AND DISPOSALS**

**4. Asset disposals (VWHDC only)**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Asset disposals are correctly recorded on the financial system, in line with financial reporting standards and financial procedure rules.</p> <p><u>Findings</u> As at December 2019, the latest fixed asset registers were for 2018/2019. Review found that there were eight (four SODC and four VWHDC) asset additions, totalling £1,060,092 (£364,843 SODC and £695,249 VWHDC). There was one asset disposal for VWHDC (£3,430,000) and no asset disposals for SODC.</p> <p>Review of the VWHDC asset disposal, in relation to the Parade, identified that the costs incurred from the sale of the asset (e.g. auctioneers, agents' fees etc.) totalling £48,704 were incorrectly recorded as capital receipts instead of revenue receipts in the 2018/2019 accounts. The costs comprised the following:</p> <ul style="list-style-type: none"> <li>• two rents: £8,932;</li> <li>• auctioneers' fees: £37,800;</li> <li>• search fees: £519; and</li> <li>• agents' fees: £1,453.</li> </ul> <p>As At the 2020/2021 audit, the journal had been prepared but not actioned on Agresso.</p> <p><u>Risk</u> Incorrect treatment of asset disposal costs increases the risk of financial misstatement and therefore non-compliance to financial procedure rules.</p>	<p>Action a prior year adjustment to correct the miscoding between revenue and capital receipts.</p>	<p>Interim Strategic Finance Manager</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is Not agreed</p> <p>We do not make prior year adjustments for £48,000. An error of this level would be corrected in the financial year it was discovered. This error was made by the CAPITA accountancy team whilst preparing the 2018/19 financial statements and will be corrected as part of the 2020/21 Year End.</p> <p>Richard Spraggett Interim Strategic Finance Manager</p>		<p>Completed</p>

**ASSET REGISTERS**

**5. Property Register Data**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The property register (held on Concerto) holds accurate data on all the Councils assets.</p>	<p>Ensure that a fully populated Asset Register is in place by 1 July 2021.</p>	<p>Property Services Manager</p>

<p><u>Findings</u> The 2018/19 had audit identified that all the land and property data required by the Local Government Transparency Code 2015 should be added to the property register.</p> <p>Fieldwork identified that there are also concerns around the accuracy of the data currently held on the property register.</p> <p>The 2019/2020 audit identified that there was project/working party in place in relation to loading all data onto the property register / updating the property register. This also includes the remit of improvements on the property register. Also, that a Property Data Officer has been seconded for six months tasked with loading the primary property sites onto the property register.</p> <p>As at the 2020/2021 audit, Audit were advised that the updating of the asset register is in progress and is expected to be completed by 31 May 2021.</p> <p><u>Risk</u> If the councils do not hold accurate data on its land and buildings, then these cannot be managed efficiently and effectively.</p>		
<b>Management Response</b>		<b>Implementation Due Date</b>
<p><b>Agreed</b></p> <p>Management response: Property Services Manager</p>		1 July 2021

**6. Concerto land and property details**

**(High Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Land and property data, required by the Local Government Transparency Code 2015, is held in the property register and published on the councils' website on an annually basis.</p> <p><u>Findings</u> The Concerto system is used to publish the councils' land details as required by the Local Government Transparency Code 2015. Review of both SODC and VWHDC websites found that the property detail lists both dated 5 November 2015, therefore the property lists are not annually published as required by the code.</p> <p>Also, from review of the property detail lists on the website found that not all the required information is recorded as an indicator for council occupied property and whether an asset is land only or land with a permanent building was not stated.</p>	<p>All of the land and property data required by the Local Government Transparency Code 2015 should be added to the Property Register and published in a timely manner annually.</p>	<p>Property Services Manager</p>

<p><u>Risks</u> There is a risk that If the required land and property data is not made available to the public, there is a risk that the councils are not complying with the Local Government Transparency Code 2015 resulting in an adverse impact to the councils' reputation.</p> <p>Furthermore, if accurate information on the councils' assets is not publicly available, this may result in additional freedom of information requests, which may have adverse financial impact.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b> Property to generate and upload the necessary export files</p> <p>Management response: Property Services Manager</p>		<p>30 June 2021</p>

**7. Asset management procedures**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procedures are available to officers to guide them in managing property assets.</p> <p><u>Findings</u> Since April 2018, property services have been brought back in-house, with responsibility for the asset register passing from Arcadis to the councils' property services team. A project has been initiated to review of the workflow within the Concerto system to align to revised process maps.</p> <p>However, there is currently no formal procedures in place for the ongoing maintenance of asset data recorded in the Concerto system, to ensure data is complete and accurate.</p> <p>As at the 2020/2021 audit, work is ongoing to develop these procedures. There is also a wider review of Concerto currently being undertaken involving the requirements of other departments and therefore the need for additional procedures. The full procedures are expected to be completed by 31 March 2022.</p> <p><u>Risk</u> Lack of asset management procedures, may increase the risk that reviews, and ongoing quality checks are not performed.</p>	<p>Ensure that comprehensive asset management procedures are in place by 31 March 2022.</p>	<p>Property Services Manager</p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b></p>		<p>31 March 2022</p>

Management response: Property Services Manager	
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**ASSET REGISTER RECONCILIATION TO PROPERTY REGISTER**

**8. Asset register reconciliations**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The fixed asset register (FAR) is regularly reconciled to property records.</p> <p><u>Findings</u> The Concerto property asset register is currently incomplete as full details of all the council's assets are not loaded.</p> <p>Furthermore, there are concerns around the accuracy of data already loaded onto the system.</p> <p>Therefore, there was no reconciliation of the FAR to the asset register in 2019/2020. As at the 2020/2021 audit, the reconciliation has still not been completed because the property asset register is not yet complete / fully populated. Following this population, the expectation is that a reconciliation will be completed by 30 September 2021.</p> <p><u>Risk</u> The councils accounts are mis-stated; do not accurately record the councils' assets and their value.</p>	<p>Ensure that a documented and signed off reconciliation of the FARR to the Asset Register has been undertaken by 31 December 2021.</p>	<p>Property Services Manager and Interim Strategic Finance Manager</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> This will need to be a joint exercise once the property asset database is reviewed and updated.</p> <p>Management response: Property Services Manager and Interim Strategic Finance Manager</p>		<p>31 December 2021</p>

**PROPERTY AND ASSET MANAGEMENT SYSTEM**

**9. Concerto system**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> System passwords are changed regularly to ensure that secure system access is maintained.</p> <p>System access is limited only to officers who require the access.</p> <p><u>Findings</u> The Concerto system does not currently enforce a password change after a set number of days, although it has the capability to do so.</p>	<p>a) Activate the enforced password change within Concerto, on at least a quarterly basis.</p>	<p>Property Services Manager</p>



<p>Review of the Concerto last logged in report identified the following:</p> <ul style="list-style-type: none"> <li>• 1 user had not logged in since 2016;</li> <li>• 4 users had not logged in since 2017;</li> <li>• 18 users had not logged in since 2018;</li> <li>• 18 users had never logged in to Concerto.</li> </ul> <p>In the 2018/19 audit, three contractors with access were identified as not requiring access. As at this year's fieldwork one of the three contractors still had access.</p> <p>The Property Operations Team Lead, who is responsible for removing leavers Concerto access, does not currently receive the HR monthly leavers report, which would assist in the timely removal of leavers access from Concerto.</p> <p><u>Risk</u> Passwords are identified / located, and the Concerto system is accessed inappropriately.</p>	<p>b) Review the officers who have not accessed Concerto within the last six months and remove their access if it is no longer required;</p> <p>c) On a regular basis, undertake a review of Concerto user access;</p> <p>d) Establish an agreed upon process to ensure that the monthly leavers listing is provided to the Property Operations Team Lead.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p><b>Agreed</b> Management response: Property Services Manager</p>		<p>1 December 2021</p>

**2020/2021 AUDIT RECOMMENDATIONS**

**ADDITIONS AND DISPOSALS**

**10. Fixed Asset register and statement of accounts (VWHDC only) (Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The fixed asset register agrees to the statement of accounts</p> <p><u>Findings</u> The VWHDC fixed asset register does not agree to the VWHDC to the statement of accounts. There is a £300,000 difference.</p> <p><u>Risk</u> Accounts mis-stated.</p>	<p>Action a prior year adjustment to correct the miscoding between revenue and capital receipts.</p>	<p>Interim Strategic Finance Manager</p>
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p><b>Agreed in Principle</b> At the time of the audit the 2019/20 financial statements had not been signed and are (May 2021) still being audited by Ernst and Young. This correction was made to the 19/20 accounts prior to their completion, there was no need for a prior year adjustment.</p> <p>Richard Spraggett Interim Strategic Finance Manager</p>		<p>Completed</p>