

Internal Audit Report

Council Tax 2023/24

Draft report: 1 March 2024

Final Report: 27 March 2024

Last audited: April 2023 (Satisfactory)

Audit Objective To provide assurance on the effectiveness of council tax processes and controls at South and Vale.

Assurance Opinion		Number of Actions					Key Risks Reviewed
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Priority	Joint	South	Vale	Ref	
		Priority 1	0	-	-	-	-
		Priority 2	1	-	-	-	2
		Priority 3	1	-	-	-	1
		Total	2	-	-	-	Appx 1

- Lack of valuation checks, resulting in incorrect council tax bandings being applied to properties.
- Discounts and exemptions are not reviewed, resulting in undetected fraudulent claims.
- Liability is not established, resulting in incorrect recovery action and reputational damage.
- New and amended properties are not promptly identified and monitored, resulting in non-billing of properties and loss of income.
- Debt recovery arrangements are not monitored, and recovery action is not taken.

Open actions (from previous audit)

The council tax 2022/23 audit recommended five management actions. Since the audit, one action in relation to annual discount reviews has been implemented and four actions have not been implemented and remain open. Open actions relate to review of suspense accounts, debt recovery process, exhausted recovery status, and accounts pending write-off. Work is progressing in this area and open actions are monitored and reported to the Joint Audit and Governance Committee (JAGC) quarterly.

The audit scope included:

Objective	Audit Scope
1 Valuation records	Valuation records are appropriately maintained, reconciled, and reported in a timely manner.
2 Council tax liability and discounts	Liability is correctly determined, with discounts appropriately managed in accordance with agreed processes and legislation.
3 Council tax exemptions	Exemptions are appropriately documented and managed in accordance with legislation and agreed procedures.
4 Billing	Billing is correct and issued in accordance with legislation and billing suppressions are appropriately utilised and monitored.
5 Payments, credits, refunds, and suspense	Payments, credits, refunds, and suspense transactions are appropriately managed and collection rates monitored and accurately reported.
6 Recovery, enforcement, and write-offs	Recovery, enforcement, and write-offs are undertaken in accordance with agreed procedures and legislation and recovery suppressions are used appropriately and monitored.

Key Findings		
Objective	Key Findings	
1	Valuation records	<ul style="list-style-type: none"> The Valuation Office Agency (VOA) provides bi-weekly valuation schedules to Capita containing new properties and amendments to existing properties. We reviewed a sample of valuation records and actions per the VOA schedules were accurately made within two working days in the One Revenues and Benefits System. We reviewed the quarterly full valuation reconciliation and confirmed that the number of properties on VOA list reconciles to our system.
2	Liability and discounts	<ul style="list-style-type: none"> During April to October 2023 there were 55,651 (26,107 South and 29,544 Vale) changes to council tax liability, and we found them to be actioned timely, formally supported, and updated on the system. Discounts and exemptions are available to residents, including single person discount, empty properties, and reduction for disabilities. As of October 2023, there were 40,190 (20,403 South and 19,787 Vale) liabilities with discounts applied. Our review confirmed that discounts were calculated accurately and supported by application forms and other documentation. The 5CP service specification requires Capita to review claims for discount, disregards, reliefs and exemptions at least annually to identify any changes in circumstances. Capita use credit reference agency data to apply a risk scoring metric to accounts in receipt of Single Person Discount (SPD) and perform reviews across three risk bandings (High, Low and No risk), as directed by the Revenues and Benefits Manager. In 2023/24, a total of 9,320 (4,849 South and 4,471 Vale) SPD accounts identified as 'High' and 'Low' risk were eligible for review. From our testing we are satisfied that these reviews had been completed in line with the Capita review schedule. However, several 'No risk' accounts displayed an 'outstanding item' notice for SPD reviews in the system, although these accounts were not due for review.
3	Exemptions	<ul style="list-style-type: none"> Council taxpayers can apply for property exemptions for both unoccupied and occupied properties. The 5CP service delivery plan states that Capita are required to 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, 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. Reviews and inspections for certain occupied properties are not required, i.e., diplomatic, or armed forces' residents. The sample of exemptions we reviewed were correctly applied to the account, had supporting documentation and timely inspections were undertaken. Annual reviews for Student (Class N) properties were performed in line with the Capita review schedule. Annual reviews for Deceased (Class F – Over 12 months) exemptions are performed in January for South and February for Vale. Report data shows that there are 734 (386 South and 348 Vale) Class F exemptions, of which 191 (102 South and 89 Vale) are eligible for review. The oldest exemptions being granted in 2012 for South and 2017 for Vale. Capita confirmed the review process had concluded on completion of the audit review.
4	Billing	<ul style="list-style-type: none"> Bills can be suppressed using diary or circumstance codes and can be applied to either the account, the property, or a notice (such as the bill). There is an option to stop recovery within the parameters for both the diary codes and circumstance codes. Capita has council tax procedures to cover the use of diary and circumstance codes, and these are used to place a temporary hold on accounts. The procedures state that circumstance codes are not to be used to suppress recovery; diary codes are to be used instead. Through testing, we identified that circumstance codes are routinely used to suppress recovery, and a regular review of circumstance codes is not regularly undertaken. As of November 2023, a total of 4,948 (4,184 South and 764 Vale) accounts had circumstance codes applied, of which, 878 South and 408 for Vale have been in place for at least 12 months. The oldest accounts with recovery suppressed dated March 2007 for South and September 2007 for Vale.

Key Findings		
Objective	Key Findings	
5	Payments, credits, refunds, and suspense	<ul style="list-style-type: none"> Capita undertake daily cash and electronic card payment reconciliations between Pay360 and One Revenues and Benefits systems. From review of 2023/24 cash balancing to date (December 2023), we are satisfied that report values were accurately declared through sample testing. Weekly refund batches were reviewed for a five-week period. A total of 873 (434 South and 439 Vale) refunds were processed for payment, totalling £388,913 (£161,180 South and £227,733 Vale). No issues were noted. Refund batch checks usually completed by the councils' revenues and benefits team were not completed on four (40%) weeks reviewed. Evidence was presented for the approval of refund checking to temporarily cease, or reduce, to facilitate Alternative Energy Payment Scheme applications. For the weeks identified, refunds were signed-off for processing without secondary client checks being undertaken. Further audit sample testing validated ten refunds had been processed correctly. Capita provides monthly performance statistics to the Revenues and Benefits team. The cumulative collection rate to December 2023 is 85.05% for South and 84.92% for Vale, only slightly behind the prior year performance.
6	Recovery, enforcement, and write-offs	<ul style="list-style-type: none"> The Corporate Debt Recovery Strategy is under review and is awaiting final publication. A management action to refresh the strategy was raised within the 2022/23 Accounts Receivable audit and remains open at the time of review (February 2024). We reviewed the debt recovery actions on a sample of accounts in arrears and found that the Debt Recovery Strategy and recovery timetable was followed; however, the outstanding aged debt for five (four South and one Vale) accounts requires reestablishing suitable recovery action, or debt write-off where this has been exhausted. There is historic debt dating back to 1995/96, with the aged debt level (as at 31 December 2023) reported as South - £11,588,475 (pre Covid-19 2019/20 and older £4,745,349) and Vale - £10,431,331 (pre Covid-19 FY2019/20 and older £5,640,705). As of 31 December 2023, there are 3,240 (1,673 South and 1,567 Vale) accounts coded as pending write-offs on the One Revenues and Benefits system totalling £1,788,626 (£974,929 South and £813,694 Vale). Debts are only written off once the recovery process is exhausted. No council tax debts have been written off in 2023/24 to date (February 2024), however, progress is being made in this area with a recent batch sent to the Revenues and Benefits team for review.