



Council Tax and NNDR City of York Council Internal Audit Report

Business Unit: Customer and Communities
Responsible Officer: Director of Customer and Communities
Service Manager: Head of Customer and Exchequer Services
Date Issued: 25th July 2023
Status: Final
Reference: A1320/001

	P1	P2	P3
Actions	0	2	1
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Council tax and national non-domestic rates (NNDR) are key sources of funding for the provision of services by the council. Therefore, as a fundamental financial system, Council Tax and NNDR is audited regularly to provide assurance that risks are managed, and controls are operating effectively.

City of York Council is currently a member of the Leeds City Region (LCR) Business Rates Pool. The pool was formed for 2020/21 and retains 50% of business rates, in line with national policy. The North and West Yorkshire (NWX) Business Rates Pool, of which CYC was a member, disbanded on 31 March 2021.

For 2022/23, the council tax requirement was set at £102 million from a total base of 68,220 and retained NNDR income was projected at £33.3 million. Collection rates for both business rates and council tax were below target at the end of 2021/22 but were higher than in the previous financial year. At the end of the first quarter of 2022/23, the collection rate for business rates was 22%, which was 1.25% above the current year target and 2% above the collection rate in 2021/22. For council tax the collection rate was 20%, 0.62% below current year target but 0.13% above the collection rate in 2021/22.

Objectives and Scope of the Audit

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

- The council maintains an accurate database of taxable properties and liable persons.
- Bills and demand notices are calculated and issued correctly, in a timely manner and apply legitimate discounts, exemptions, disregards and reliefs.
- Council tax and NNDR income is correctly accounted for, and income is correctly recorded.
- Arrears are promptly and effectively pursued
- Refunds and write-offs are legitimate, correctly processed and authorised.

Key Findings

Following the emergence from the Coronavirus pandemic, the demand upon the service area to maintain its core activities continued to be severely challenged. Central Government's response to the cost-of-living crisis meant that the council's resources were diverted to implementing financial support measures through Energy Rebate payments. In addition, staff turnover and recruitment to key roles has impacted upon some areas of service delivery. In response to these challenges, the service area were forced to critically prioritise

workloads and operational activities in order to achieve the key priorities and outcomes of the Council Plan. Nevertheless, we found that controls largely continued to operate effectively.

The council's database of taxable properties and liable persons is generally well maintained. Quarterly reconciliations between the Valuation Office (VOA) and the Revenue and Benefits IT system (NEC/SX3) databases are carried out. Discrepancies are identified, investigated, and resolved. However, there has been no Income Officer in post for several months which has meant that council tax completion notices have not been issued or sent to the VOA during this time. Whilst officers confirmed that alternative processes have been used to identify new properties, there is still the risk that some have not been identified and council income lost.

Overall, we found that bills and demand notices were issued and calculated correctly for both council tax and NNDR. Where the council has been notified of a change to the liable party, the account has been updated correctly.

We found that full reviews of historical discounts and exemptions had not been conducted in 2022 with the exception of Single Person Discounts, student and probate related exemptions. Officers confirmed that some discounts and reviews are conducted on a daily basis, for example, new applications for Small Business Rate Relief and change of occupancy for council tax. For NNDR a prioritised schedule of full reviews to be conducted in 2023/24 was provided. For council tax, officers confirmed full reviews are to take place this year.

Quality assurance checks were conducted for the audit period tested. Whilst there was no contextual data to assess whether they were proportionate to the total number of transactions performed, those conducted were in line with procedure. Where transactional errors were identified, feedback was provided to staff to ensure corrective action was taken.

We found that council tax and NNDR income is correctly accounted for, and income is correctly recorded. Suspense accounts are reconciled weekly with corrective action taken. Cash reconciliations are completed periodically and customers with rejected direct debits are contacted in a timely manner with a request for payment. At the end of 2022/23, the collection rate for council tax was 96.84% and 98.02% for NNDR. This was an increase in both areas compared to the previous year. The council were ranked as having the second highest collection rate in their benchmark group of five local authorities.

The council has a comprehensive Corporate Debt Policy which is made available to customers on the council's website. Arrears are promptly and effectively pursued with a detailed debt recovery timetable in place for issuing reminders, final notices, and summons. Accounts on hold are reviewed regularly and Special Payment Arrangements (SPAs) are authorised by the appropriate officers. We found that SPA defaults were reviewed regularly and action taken to recover the debt.

Refunds for individual customer accounts are reviewed regularly and authorised by a suitable officer. However, refund reconciliations between the property database and the finance system had not been completed for the audit period tested. Write offs had been properly authorised and appropriate reasons for write offs were evidenced and documented.

Overall Conclusions

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. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Council Tax Completion Notices

Issue/Control Weakness

Council Tax Completion Notices are not being issued.

Risk

The council's property database is not up to date and income is being lost.

Findings

No council tax completion notices have been issued or sent to the Valuation Office since the Income Officer post became vacant in November 2021. Action to partly address the issue has been put in place using alternative processes to identify new properties and minimise the risk of lost income. However, these are a temporary measure and do not fully compensate for the issuing of completion notices.

Agreed Action 1.1

The new Income Officer has been visiting properties for the last 2 months and will attend a dedicated Completion Notice course in October. Completion notices will be issued before the end of October 2023.

Priority

2

Responsible Officer

Council Tax and Debt Recovery Manager

Timescale

31 October 2023

2 Council Tax Discount Review

Issue/Control Weakness

Full reviews of historical discounts, disregards and exemptions are not being conducted.

Risk

Loss of income to the council and inaccurate customer records.

Findings

Full reviews of historical discounts and exemptions had not been conducted in 2022 with the exception of Single Person Discounts, student and probate related exemptions. Officers confirmed that some discounts and reviews are conducted daily, for example, new applications for NNDR Small Business Rate Relief (SBRR) and change of occupancy for council tax. Whilst, for NNDR, officers provided a prioritised schedule of full reviews to be conducted in 2023/24, council tax officers confirmed that full reviews would be conducted over the coming months, although a structured plan was not in place.

Agreed Action 2.1

The team has already been working through some of the reviews this year and will be on schedule by September 2023.

Priority

3

Responsible Officer

Council Tax and Debt Recovery Manager

Timescale

30 September 2023

3 Refund Reconciliations

Issue/Control Weakness

Refund reconciliations are not being conducted.

Risk

Refunds are made erroneously. Customer accounts are incorrect.

Findings

Refunds for individual customer accounts are reviewed regularly and authorised by a suitable officer. However, refund reconciliations between the property database and the finance system had not been completed for the audit period tested meaning that refunds may have been issued incorrectly.

Agreed Action 3.1

The Service has asked Accountancy if this process is necessary going forward and will act on their response.

Priority

2

Responsible Officer

Revenues/Benefits & Subsidy Manager

Timescale

31 October 2023

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	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.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

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

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