



Leicestershire Revenues & Benefits Partnership – Council Tax & Business Rates 2021/22

January 2023

Final Internal Audit Report

mazars

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This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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01 Introduction

As part of the 2021/22 Internal Audit Plan for Hinckley & Bosworth Borough Council, resource is included to carry out internal audits on behalf of the Leicestershire Revenues and Benefits Partnership. We have therefore undertaken a review of Council Tax & NNDR. The objective of the audit was to provide members of the Management Board, Joint Committee, elected members of the constituent councils, Chief Executives and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Council Tax and NNDR.

We are grateful to all staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

Council tax is a property tax introduced in April 1993 as a means for local authorities to collect contributions from households towards the cost of local services. Council tax rates are set locally by councils and charged based on the valuation band of each property.

Business rates (non-domestic rates) are levied in respect of most non-domestic properties, unless exempt. The amount to be paid is worked out based on the 'rateable value' of the property which is determined by its open market rental value on 1 April 2015, based on Valuation Office Agency (VOA) estimates, however, a revaluation also came into effect on 1 April 2017 with a further one expected in April 2023.

Council tax and business rates are administered and dealt with by the Leicestershire Revenues & Benefits Partnership. The Partnership manages Revenues and Benefits for the following Councils: Hinckley and Bosworth Borough Council; Harborough District Council and North-West Leicestershire District Council, and is hosted by Hinckley & Bosworth Borough Council.

Each Council publishes its Council Tax and Non-Domestic policies and guidance on its respective website, with internal guidance documents available on shared drives.

On a weekly basis, the Valuation Office (VO) posts a valuation update list on its website which details changes to rateable values of individual properties within the boroughs. The VO listing is then downloaded by a NNDR and CTAX officer for their respective area, and changes are input onto the Capita system upon receipt of information.

The Partnership utilises the Capita Academy system as its council tax and NNDR software management system, and uses Enterprise for its document storage. Access to the system should be restricted based on the user's role and access permissions. Capita assigns unique account and property references.

Council Tax and NNDR parameters are updated in the Capita system annually.

Residents for each authority are able to use a self-serve system to register and pay their council tax, set up direct debits, request payment arrangements, view all notices/benefit award letters and request amendments to their accounts.

Each authority sets out its criteria for entitlement to discounts and exemptions on its respective website, including single person discount, disabled band reductions, and for those with severe mental impairments.

Where appropriate residents are required to complete an application form and provide supporting evidence for their discount/exemption request. A review timetable is in place for all discounts and exemptions, stating when the type of discount/exemption should be reviewed.

Individual councils can offer a relief for, or charge a premium on, empty domestic properties subject to Council Policy.

There is an annual billing timetable in place for both council tax and business rates, with bills sent out in advance of charges becoming due. Actual notice/award letters generated are reconciled against those sent to the mailroom for their dispatch to ensure all correspondence has been dispatched.

All income due should be received and recorded accurately, with the Partnership providing Finance with monthly reconciliations.

Council tax and business rate refunds are processed automatically on a weekly basis. Refunds must be input by one officer and approved by another before being issued.

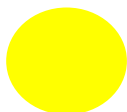
Debt management timetables are in place for both council tax and business rates which set out stages of recovery and key timescales. Stages of recovery are processed automatically through the system. After the opening bill has been sent around a month later a reminder letter is sent, culminating in a summons if payment is not received.

Write-off procedures are in place for debt related to council tax and business rates, with set approval levels for write offs differing per Council.

Each month, the management board is advised on the Partnership's collection rate and arrears position. Financial statements are also produced and shared monthly with finance, including movement in debt by financial year.

03 Key findings

Assurance Rating



Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

We have identified some areas of significant control deficiency and some areas for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	-
Medium	2
Low	2
TOTAL	4

3.1 Examples of areas where controls are operating reliably

- Review of the websites for Hinckley & Bosworth, NW Leicestershire and Harborough found that policies are located on each website setting out information related to both council tax and business rates, and that all policies have been updated for 2022/23.
- We selected a sample of six properties (two per Council) with changes to Council Tax banding detailed in the January 2022 Valuation Office (VO) schedule. We confirmed in all six cases that the required changes set out in the VO schedule had been made and reflected in the Capita system.
- We selected a sample of five properties (two per Council, only one change for Harborough) with changes to business rates (NDR) detailed in the July VO schedule. We found in all five cases that the required changes set out in the schedule had been made and reflected in Capita.
- We reviewed the Capita system and through our testing confirmed that each account has a unique account number, and each property has a unique reference number. These numbers are shared between the main system and document management system allowing for searches to be made easily.
- We confirmed via review of the Capita system that parameters 2022/23 had been uploaded.
- Each Council has its own self-serve system available to council taxpayers, we confirmed this was in place for all three Councils.
- Each respective Council has published criteria and guidance notes on its websites for council tax discounts/exemptions, as well as application forms for such discounts.
- The Partnership maintains a review timetable for all discounts and exemptions including dates of review.
- The Partnership has an Annual Billing Timetable in place for 2022/23, which includes anticipated posting dates ensuring that the appropriate notice is given before payments fall due

- We reviewed a reconciliation between actual letters sent/printed and properties on the system during annual billing for 2022/23.
- The Partnership has a debt recovery timetable in place for 2022/23. Our testing found no issues with the Partnership following its debt recovery process, accounting for changes in enforcement action due to Covid-19.
- Suspense account balances for all three Councils did not exceed £8k individually.
- The Partnership issued an Annual Performance report for 21/22 which detailed recovery rates and arrears position.
- We confirmed monthly performance reports had been sent to the Management Board for September, August and July.

3.2 Risk Management

Risks considered as part of the audit included:

- Transactions processed inconsistently with external and internal policies and procedures;
- Loss of income from new / amended properties;
- Discounts / exemptions / allowances invalidly awarded;
- Inaccurate records are maintained;
- Invalid refunds are made leading to loss of income;
- Excessive or inappropriate write-off of debt.

We found that current controls are operating effectively, however, we identified areas for improvement, as detailed in Section 04.

3.3 Value for Money

Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

The partnership delivers Revenue and Benefits across three Councils: Harborough District Council, Hinckley and Bosworth Borough Council and North West Leicestershire District Council. The purpose of the partnership is to *‘provide a high-quality Revenues and Benefits service to residents and*

businesses at an economical cost and in accordance with the principles of continuous improvement and changing requirements.’

A shared service allows the partnership to employ staff who work across all three councils and respond to changing needs. We identified that although staff work across councils in their respective areas, some processes are not standardised as in a true shared service. For example, write off and refund authorisation pathways differ across the three Councils.

3.4 Sector comparison

We have taken the findings from this audit and compared them to findings from other audits recently carried out at Local Authority clients. It was found the controls in place with the partnership are broadly similar to those used across the sector.

Redirection of resources and services due to the impact of COVID-19 have affected many local authorities. This has had a significant effect on the functioning and operation of many local authority services.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p>Process documents</p> <p>Our review found that there were a number of documents in place highlighting key council tax and business rates processes.</p> <p>We identified that some key processes were not documented such as Valuation Office reconciliations, adding parameters to the Capita system and processes for full refunds.</p> <p>Process documents are not currently on a programme of regular review and are updated on an ad-hoc basis.</p> <p><i>Risk: Processes are carried out inconsistently or incorrectly due to a lack of guidance. Guidance is not reviewed regularly and therefore does not reflect changes in current practice.</i></p>	<p>The partnership should implement standard operating processes for all key council tax and business rate processes and ensure these are easily available to staff for reference.</p> <p>All procedures should be given a review period and be reviewed in line with this schedule.</p>	Medium	Existing procedures are amended when process/ legislation changes. It should be noted that processes for the three LA's are different in some areas. Processes will be reviewed at the point of BPR or changes to legislation and in accordance with the work programme.	Ongoing Head of Leicestershire Revenues and Benefits Partnership
4.2	<p>Empty property relief- Inspection Process</p> <p>We selected a sample of ten empty properties receiving empty property relief and found that five out of ten had been recorded as empty based only on a telephone call. The Revenues and Benefits Manager confirmed that inspections had been paused and communication had moved to phone/email, both in response to Covid-19 and to ensure efficiency in delivery of the service.</p> <p>We also identified two properties that had not been reviewed regularly and status confirmed - one since 2012 and one since</p>	The Partnership should review the inspection process and reintroduce physical inspections where intelligence has not been established, to confirm properties are empty.	Medium	The cases that hadn't been reviewed weren't due to process, but officer error. The process is that when officers are unable to contact via phone and email, they will visit. This is in place. Though, it should be noted if the	Completed

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>May 2021. Management confirmed that the failure to review these properties was due to staff error.</p> <p><i>Risk: Properties are being incorrectly claimed as empty, leading to lost revenue for the Councils.</i></p>			property is empty, it is likely no one will be at the property.	
4.3	<p>Capita Academy Access</p> <p>The partnership operates a number of live and test databases- one live and one test database for council tax and business rates, for each Council. There are a total of six live databases and six test databases that staff are given access to.</p> <p>Through our testing, we did not identify any staff members that had inappropriate access to a system, however, the Business Development and Support Officer advised their preference for a full security review to ensure access across all systems is correct and appropriate.</p> <p><i>Risk: User access is not reviewed, allowing users to inappropriately access reports and transactions</i></p>	<p>The partnership should complete a review of all users with access to the Capita system.</p> <p>The partnership should introduce a periodic reconciliation for users with access to the Capita system.</p>	Low	It is unlikely officers would be able to access reports and there are layers of authentication prior to accessing Academy which manages the risk. Agree an annual review should be undertaken together with a reminder of the process to be followed when an officer leaves the partnership.	<p>June 2023</p> <p>Business Development and support team</p>
4.4	<p>Single Person Discounts</p> <p>The partnership reviews single person discounts every two years, following receipt of information from the National Fraud Initiative.</p> <p>At peers, we see more regular review of single person discounts, in the form of annual credit check reports.</p> <p><i>Risk: Discounts are being incorrectly or fraudulently claimed, leading to lost revenue for the Councils.</i></p>	The partnership should consider reviewing its single person discounts on a more regular basis, using credit reports.	Low	The SPD review is currently managed at a County level with the County Council contributing to the review. The use of credit reports is a direct cost to LA's, and at the point of writing haven't had a response from peers re their process.	<p>September 2023</p> <p>Head of Leicestershire Revenues and Benefits Partnership</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
				Consideration will be given, with outputs and finding to Management Board.	

A1 Audit information

Audit Control Schedule	
Client contacts:	Leigh Butler: Revenues and Benefits Manager
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Senior Audit Manager Jessica Holt: Assistant Manager Connor Wood: Internal Auditor
Finish on-site / Exit meeting:	16 November 2022
Draft report issued:	22 November 2022 / 5 January 2023
Management responses received:	18 January 2023
Final report issued:	19 January 2023

Report Distribution List		
Report	Name	Job Title
Draft & Final	Leigh Butler	Revenue and Benefits Manager

Draft & Final	Sally O’Hanlon	Head of Leicestershire Revenues and Benefits Partnership
Draft & Final	Ashley Wilson	Head of Finance (Section 151 Officer)
Final	Leicestershire Revenues and Benefits Partnership Board (LRPB) Management Board LRPB Joint Committee	

Scope and Objectives

The overall objective of this internal audit was to provide stakeholders with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the of the key controls relating to Council Tax and NNDR processes. To achieve this, a risk-based audit was conducted.

Our review considered the following areas:

- Roles and Responsibilities;
- Transactions and Records;
- Discounts, Exemptions, Allowances and Premiums;
- Billing and Receipts;
- Refunds;
- Debt Recovery, Enforcement and Write-off; and

Testing performed was carried out on a sample basis by a member of the Internal Audit Team. Our work is limited by the information which we are privy to throughout the audit fieldwork. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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