

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 June 2012

BY: Executive Director (Support Services)

SUBJECT: Internal Audit Report – Council Tax Refunds

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Council Tax Refunds.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Council Tax Refunds.

3 BACKGROUND

- 3.1 A review of the internal controls surrounding the administration of Council Tax Refunds was undertaken as part of the Audit Plan for 2011/12.
- 3.2 The objective of the audit was to ensure that Council Tax refunds were valid and that an adequate audit trail exists for all amounts paid in respect of refunds.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT COUNCIL TAX REFUNDS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Council Tax Refunds was carried out as part of the Audit Plan for 2011/12. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A clear audit trail exists for all refunds processed due to a change in Council Tax liability.
- Adequate segregation of duties exists between the processing and authorisation of Council Tax refunds.
- The checking procedures in place for all refunds processed are considered adequate.
- Procedures are in place to ensure that refunds are not made to taxpayers who have other outstanding debts due to the Council.

1.3 Areas with Scope for Improvement

- The existing arrangements in place for reconciling refunds between the Council Tax system and the Council's General Ledger require review. *Risk – errors and irregularities may occur and remain undetected.*
- The approved authorised signatory list was incomplete and failed to properly record all members of staff authorising refunds. *Risk – inappropriate refunds may be made.*
- There is a lack of checking procedures in place to ensure that all transfers between Council Tax accounts are valid. *Risk – errors and irregularities may occur and remain undetected.*
- There was a failure to review all refunds that may result in a debit balance on the taxpayer's account. *Risk – inappropriate refunds may be made.*
- No reviews are currently undertaken of Council Tax accounts with credit balances. *Risk – errors and anomalies may remain undetected.*

1.4 Summary

Our review of Council Tax Refunds identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	The existing procedures in place should be updated to reflect all key stages in the Council Tax refund process.	Council Tax Team Leader	Agreed. A comprehensive process review will be carried out. Full process will be mapped out using Nimbus.		July 2012
3.3.1	Management should review the arrangements in place for the authorisation of refunds – refunds should only be approved by staff with the appropriate authorisation limit as detailed on the authorised signatory list.	Council Tax Team Leader	Agreed. Will be reviewed as part of the wider process development work.		July 2012
3.3.3	Management should ensure that a clear audit trail exists to support all refunds made.	Council Tax Team Leader	Agreed – as above.		July 2012
3.3.4	Management should ensure that a report is produced prior to refunds being made – the report should identify all refunds which will lead to a debit balance on the Council Tax account. Council Tax staff should review all refunds that will lead to a debit balance to ensure that they are appropriate.	Systems & Control Team Leader Council Tax Team Leader	Script written and report in place.		In place

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	<p>Regular reconciliations should be undertaken between refunds recorded on the Council Tax system and those recorded on the General Ledger.</p> <p>All differences identified should be fully investigated and appropriate action taken.</p>	Finance Manager	Recommendation being considered by the Finance Manager.		N/A
3.5.1	For all transfers between Council Tax accounts the reasons for the transfer should be clearly recorded on the system.	Council Tax Team Leader	Agreed. Reasons for transfer will be noted on account.		June 2012
3.5.2	<p>Regular reports should be produced of all transfers between Council Tax accounts.</p> <p>Management should review the reports and examine a sample of transfers to ensure that they are legitimate.</p>	<p>Systems & Control Team Leader</p> <p>Council Tax Team Leader</p>	<p>Monthly report to be produced and checked by senior Council Tax Officer or Team Leader.</p> <p>As above.</p>		July 2012
3.6.1	The existing arrangements in place for dealing with rejected BACS payments should be reviewed.	Council Tax Team Leader / Systems & Control Team Leader	Agreed. Will be reviewed as part of the wider process development.		July 2012

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	All refund requests passed to the Creditors section for processing should be accurate and complete.	Council Tax Team Leader	Agreed. Process will be reviewed.		July 2012
3.6.4	A clear audit trail should exist to evidence relevant checks being carried out – reports that form part of the checking process should be retained.	Council Tax Team Leader	Agreed		July 2012
3.7.1	Management should ensure that credit balances are monitored on a regular basis and appropriate action taken where discrepancies or anomalies are identified.	Council Tax Team Leader	Monthly credit balance report to be reviewed by senior Council Tax Officer or Team Leader.		July 2012
3.8.1	Refunds should only be made from the Council Tax account to which the credit balance relates.	Council Tax Team Leader	Agreed. To review system limits for refunds on individual accounts.		June 2012
3.8.2	Council Tax staff should ensure that appropriate adjustments are made to the Capita system to reflect refunds made following direct debit indemnity claims.	Council Tax Team Leader	Agreed		In place