

Final Internal Audit Report

Council Tax

February 2025

Distribution: Head of Payments, Revenues, Benefits & Debt
Director of Finance & Deputy S151 Officer
Corporate Director, Resources & S151 Officer (final only)
Technical Support and Development Manager
Local Land Charges and Address Management Manager
Strategic Head of Finance (Corporate/ACE/Resources)
Governance Officer (Audit Liaison for Resources)

Assurance Level	Issues Identified	
Full Assurance	Priority 1	0
	Priority 2	0
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment, and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations, and confidentiality.

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Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

1. Introduction

- 1.1. Council Tax is payable on all domestic dwellings, although reductions and discounts are available where certain criteria are met. Council tax information on billing and payment, empty homes and discounts and exemptions was made available to the public via the Croydon Council (Council) website.
- 1.2. Dwellings are placed in one of eight bands (A to H) reflecting valuations as of 1 April 1991. Council Tax for Band D in the London Borough of Croydon was set at £1,642.29 for Council services for the year 2024/25.
- 1.3. The Council can also add an additional precept to council tax bills to pay for Adult Social Care, which was set at £253.22 for 2024/25.
- 1.4. The tax payable for other bands is calculated from the Band D rate, by multiplying against a fixed multiplier. In addition to the council tax levied by the Council, it also collects council tax on behalf of the Greater London Authority, whose precept is set at £471.40 for Band D. From the resident's perspective, this is combined with the Council's precepts to form a single council tax bill payable to Croydon Council.
- 1.5. The administration of council tax and associated records are maintained by the Council using the Northgate Council Tax Management System. Access to this system is restricted to users with individual log-ins.
- 1.6. Council tax banding is reconciled with Valuation Office reports on a bi-weekly basis to ensure that the correct bands have been recorded in the system.
- 1.7. Prior to the start of the financial year in April, the Council conducts an annual billing exercise, whereby each property is sent an annual council tax bill. Taxpayers usually pay their bill in ten monthly instalments. Collection rates are monitored daily throughout the year and compared to the previous year's collection rate. Exception reports are run daily which identify all properties which have not been billed, and actions are taken by Revenues officers to rectify account issues to allow for billing. New properties registered throughout the year undergo billing throughout the year.
- 1.8. Certain classes of property or residents may be eligible for exemptions or discounts on the standard rate of council tax. These include households occupied by students or pensioners, those on low incomes, or single-person households. Conversely, in some cases a higher rate may be applied, such as for vacant properties. Discounts and exemptions are applied to residents' accounts automatically by the Council Tax Management System once the relevant evidence has been received and reviewed by the Payments, Revenues, Benefits & Debt Team.
- 1.9. Council tax debts are enforceable for a maximum of six years unless the Council obtains a liability order for the debt. If a liability order is obtained for the debt within six years, then there is no time-limit for collection activities. As a

result, aged debts with a liability order will remain on the debt recovery system beyond six years.

- 1.10. A bulk debt write-off process takes place annually in which specific write off criteria are set by Revenues managers and reviewed by the Deputy Section 151 Officer as part of the report sign off. This criterion is often set to write off the oldest debts for which there has been no correspondence for over six years, up to just under £500k, as this is the amount that can be written off by the Section 151 Officer under the Scheme of Financial Delegation.
- 1.11. The audit was undertaken as part of the agreed Internal Audit Plan for 2024/25. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

There were no Priority 1 or Priority 2 findings.

The Priority 3 finding is listed under Item 3 below.

3. Priority 3 Issue

Agreed action	Findings
<u>Control Area 6: Collection, Debt Recovery and Management Reporting</u> <u>Action proposed by management:</u> Going forward The Director of Finance (Deputy S151) officer, if acting as S151 will sign as “acting S151 officer”. The Head of Payments Revenues Benefits and Debt will work with the Head of Internal Audit to review the Financial Scheme of Delegation to say that the Section 151 Officer can delegate to the Director of Finance Deputy S151 officer. <u>Responsible Officer:</u> Head of Payments, Revenues, Benefits & Debt <u>Deadline:</u> 31 March 2025	Expected Control Appropriate authorisation in line with the Council’s Scheme of Financial Delegation is evidenced for write-offs. The Scheme of Delegation details that the Section 151 Officer can approve debt write-offs up to the value of £500k. Finding/Issue A Council Tax debt write-off report from January 2023, for a total of £494,635.96 was examined. This amount was within the £500k limit for write-offs by the Section 151 Officer as per the Scheme of Financial Delegation. Review found that while the write-off had been signed off by the Deputy Section 151 Officer (Director of Finance) on behalf of the Section 151 Officer (Corporate Direction of Resources), but not by the Section 151 Officer themselves. The Deputy S151 Officer explained that they regularly deputise for the Section 151 Officer and that it is standard practice for the Deputy S151 Officer to sign off on decisions on behalf of the S151 Officer. It is accepted that the Deputy S151 Officer will deputise for the S151 Officer in her absence and thus sign off on financial decisions as Acting S151 Officer. However, in these circumstances it would be expected that the Deputy S151 Officer would sign as ‘Acting S151 Officer’, which was not evident with the authorisation of the write-offs examined.

Agreed action	Findings
	It should be noted that the Council's Financial Scheme of Financial Delegation does not directly provide any delegation to the Director of Finance & Deputy S151 Officer for the authorisation of write-offs. Risk Where there is a failure to adhere to the Financial Scheme of Delegation, there remains the risk that Council Tax debt may be written off inappropriately, causing financial loss for the Council.

AUDIT TERMS OF REFERENCE

Council Tax

1. INTRODUCTION

- 1.1 Council Tax is payable on all domestic dwellings, with certain exemptions, reductions, and discounts available if certain criteria are met.
- 1.2 Dwellings are placed in one of eight bands (A to H) reflecting valuations as of 1 April 1991. Council Tax for Band D in the London Borough of Croydon is set at £1,642.29 for Council Services for the year 2024/25.
- 1.3 The Council can also add an additional precept to pay for Adult Social Care, which is set at £253.22 for 2024/25.
- 1.4 The tax payable for other bands is calculated from the Band D rate, by multiplying against a fixed multiplier. In addition to the Council Tax levied by Croydon Council, the Council also collects Council tax on behalf of the Greater London Authority, whose precept is set at £471.40 for Band D. From the resident's perspective, this is combined with the Council's precepts to form a single Council Tax bill payable to Croydon Council.
- 1.5 Prior to the start of the financial year in April, the Council conducts a billing exercise, whereby each property is sent an annual Council Tax bill. Taxpayers usually pay their bill in 10 monthly instalments. Collection rates are monitored daily throughout the year.
- 1.6 Certain classes of property or residents may be eligible for reductions or discounts on the standard rate of Council Tax. These include households occupied by students or pensioners, those on low incomes, or single-person households. Conversely, in some cases a higher rate may be applied, such as for vacant properties.
- 1.7 This audit is part of the agreed Internal Audit Plan for 2024/25.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each control / process being considered:
 - Walked-through the processes to consider the key controls;
 - Conducted sample testing of the identified key controls, and
 - Reported on these accordingly.

3. SCOPE

- 3.1 This audit, focused on Council Tax, was undertaken as part of the 2024/25 Internal Audit Plan. The specific scope included the following areas and recommendations:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Regulatory and Organisational Requirements	0	0	0
Amendments to Data	0	0	0
Discounts and Reductions	0	0	0
Empty Properties	0	0	0
Billing and Payments	0	0	0
Collection, Debt Recovery, and Management Reporting	0	0	1
Total	0	0	1

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives, and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to London Borough of Croydon 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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