Item 2(m)

28th September 2022

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Title of the Audit: Financial Services – Non-Domestic Rates and Council Tax Changes 2021-22

1. Introduction

1.1 As part of the agreed Internal Audit plan, we have carried out a review of changes to the Non-Domestic Rates (NDR) and Council Tax (CT) systems for 2021/22.

Non-Domestic Rates

1.2 The Scottish Government approved several changes to the Non-Domestic Rates system in its 2021/22 Budget. These changes included a reduction in the Basic Property (poundage) Rate, and extensions to the Retail, Hospitality, Leisure and Aviation (RHL), Business Growth Accelerator (BGA) and Fresh Start (FS) reliefs. During 2020/21, RHL relief was awarded automatically to all eligible businesses. However, from 2021/22 businesses were required to manually apply for the relief. Both BGA and FS reliefs are application based. From 2021/22, the Council has also been required to publish data on rates relief recipients to its website on a quarterly basis.

Council Tax

1.3 Domestic households with two or more adults, who receive relief through the Council Tax Reduction (CTR) Scheme, are entitled to a further discount on their water and sewerage charges, collected by the Council on behalf of Scottish Water. From 2021/22, the maximum amount of relief was increased from 25% to 35% of the level of CTR received by the household, and the relief was also made available to households who were in receipt of a status discount (e.g. single person and student discounts). To accommodate this, updates were applied to the Council Tax billing software (Capita Revenues & Benefits).

1.4 The purpose of the audit was to gain assurance that the changes to the NDR and CT for 2021/22 have been appropriately implemented and reflected within systems, processes and procedures. The scope of the audit included a review of:

- Documented procedures and training arrangements.
- Processes for calculating and applying the updated and extended reliefs.
- Quality checking and monitoring processes.
- Changes to the NDR and CT systems to ensure that they were configured to accurately calculate and apply the new charges and reliefs, and issue accurate bills.
- The updated application-based process for RHL relief.
- System user acceptance testing and sign off/approval processes.
- The process for the publication of rates relief statistics including Data Protection considerations.
- Where appropriate, using data analytics to identify any anomalies or irregularities in NDR or CT data which warranted further attention.

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The

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audit has identified some scope for improvement in the existing arrangements and five recommendations which management should address.

3. Main Findings

3.1 We established that several key controls are in place and are generally operating effectively. Members of the NDR team received sufficient and appropriate training. Officers demonstrated an awareness of the correct processes to be followed and understood their roles and responsibilities.

3.2 An application process was developed and implemented for RHL relief in line with Government guidance. This process was partly automated which demonstrated an efficient and effective use of resources. Changes to the NDR and CT system parameters were formally approved by management prior to implementation on the live system.

3.3 We reviewed a sample of NDR accounts and found that the appropriate updated poundage rates had been applied to each account, resulting in accurate bills being produced. We also reviewed a sample of successful RHL, FS and BGA applications, and found that each award of relief was processed correctly in accordance with Government guidance.

3.4 We tested the published data on rates relief recipients and found that its format and contents were compliant with Scottish Government requirements. A new revised privacy statement has also been developed which clearly advises potential new applicants that their data may be processed and made public.

3.5 However, we also identified some weaknesses in controls and five opportunities for improvement. While documented procedures were in place for the rates relief and data publication processes, these omitted key details and were inconsistent with the correct practice which we confirmed was being followed by staff. We also reviewed scripts for the NDR system user acceptance testing process and found that these had not been fully completed.

3.6 Management regularly undertakes quality checking of NDR system inputs to identify errors. However, when we reviewed a recent monitoring report, we detected an error which had been identified and documented but where no corrective action had yet been taken.

3.7 We noted that the Councils' Data Protection Officer (DPO) had not been consulted prior to the publication of rates relief recipient data to confirm the new process was compliant with the General Data Protection Regulations (GDPR). Further, when we reviewed a recently published report, we identified five cases where details relating to individual ratepayers/sole-traders had been included in error.

3.8 We also identified an anomaly relating to the CT system upgrade. We applied data analytics to all accounts which had received Water Charge Relief (WCR) for 2021/22 (approximately 158,000 accounts in total) and recalculated

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the amount of relief due. We identified that 0.4% of the accounts had a small variance between our recalculation and the system calculation, which management advised was the fault of a previously unidentified software error.

3.9 An action plan is provided at section four outlining our observations, risks and recommendations. We have made five recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	1
Medium	Less critically important controls absent, not being operated as designed or could be improved.	4
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.10 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.11 We would like to thank officers involved in this audit for their cooperation and assistance.

3.12 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Adequate documented procedures are in place for the award of NDR reliefs and the publication of NDR relief data.				
1	Although procedures are in place for the rates relief and data publication processes, we identified some omissions and inconsistencies which require to be addressed. Specifically, we noted: • The procedure for the publication of rates data was devised during the audit and was not in place beforehand. We found that the document contained insufficient detail and had not been circulated to all appropriate parties. • Inadequate version control arrangements are in place to track and manage changes to the procedures. • The RHL document omits key details and includes some inconsistencies. For example, the document states that the relief should be awarded automatically when it is now application based. • The FS relief procedure includes an eligibility criterion relating to the intended use of the property which has not been relevant since April 2018. • The BGA procedure does not include	Management should review the suite of procedures relating to the RHL, FS and BGA reliefs and update them to ensure that the documented procedures are complete, accurate and consistent with operational practice. Management should also ensure that the procedure for the publication of rates data is formally reviewed and additional detail is added to fully explain all of the required processes. Thereafter, management should ensure the updated procedures are circulated to all appropriate parties. Moving forward, management should ensure that NDR procedures are fully reviewed and updated to ensure consistency with legislative and regulatory changes. These procedures should also be subject to appropriate version control.	**Medium**	**Response:** Agreed. Procedure notes will be reviewed with appropriate version control **Officer Responsible for Implementation:** Operations Manager (Revenues) **Timescale for Implementation:** 31 August 2022

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	contact details for the Assessor's Office, despite a requirement to contact them to obtain confirmatory evidence of eligibility. It also does not reflect recent changes in eligibility criteria. Without adequate documented procedures, there is an increased risk that incorrect processes are followed.			
Key Control: System updates are subject to an adequate level of user acceptance testing.				
2	In our discussions with management, we were advised that any NDR and CT system upgrades are subject to user acceptance testing and management approval prior to implementation on the live system. The aim of the testing is to identify and assess the impact of the system changes on key business processes. We found that two testing scripts for the latest update to the NDR system were only partially completed, with several tests shown as outstanding. We were advised that this was an administrative oversight and the tests had been completed, but this could not be	Management should ensure that all future user acceptance testing scripts are fully completed. To facilitate this, completed testing scripts should be subject to review and sign off by a second officer prior to the formal implementation of the updates on the live system.	**Medium**	**Response:** Agreed. **Officer Responsible for Implementation:** Income Collections and Financial Assessments Systems/Development Operations Manager **Timescale for Implementation:** 30 June 2022

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	evidenced. Failure to fully complete testing scripts increases the risk that software issues are not identified and escalated prior to implementation on the live system.			
Key Control: Monitoring reports are regularly reviewed to identify and correct instances of erroneous or fraudulent award of reliefs.				
3	We were advised that management undertake regular monitoring of NDR system inputs to identify and correct instances of error. However, we found that an error had been identified in a monitoring report undertaken six weeks prior to our testing, but to date no action has been taken to correct this. If no follow up work is undertaken, there is an increased risk that errors or irregularities are not corrected timeously.	Management should ensure that, where errors are identified in future monitoring reports, the action required to correct the error is formally documented. These corrective actions should be periodically monitored and followed up during the quality checking process to ensure they have been implemented.	**Medium**	**Response:** Agreed. **Officer Responsible for Implementation:** Operations Manager (Revenues) **Timescale for Implementation:** 31 July 2022
Key Control: Due process has been followed with regard to Data Protection requirements.				
4	The Local Government Finance Circular No 13 (2020) set out a requirement for Local Authorities to periodically publish information on recipients of NDR relief. The guidance set out that the Council, as	Management should liaise with the Councils DPO to confirm whether a DPIA or its associated pre-screening questionnaire should be completed, and to confirm whether the Council's current approach is appropriate in the context of the General Data Protection Regulations.	**Medium**	**Response:** Agreed. **Officer Responsible for Implementation:**

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	a data holder, had responsibility for following due process with regard to data protection requirements. This included a recommendation to redact information relating to individuals and provide a separate, aggregated amount of relief awarded for those ratepayers whose individual details have been removed. Management made a conscious effort to remove individual's names from the report to comply with GDPR rules. However, the remaining (non-personal) data for these accounts, such as the rates liability address, relief type etc., were included. Through our discussions we confirmed that the Council's DPO had not been consulted before this process was implemented. Furthermore, during our analysis of the most recent data publication, we identified five cases where individual ratepayers' names (which were included in the business 'trading as' title) had not been retracted. Failure to consult the DPO increases the	Management should also ensure that the issues identified during the audit are promptly reported to the DPO. In the meantime, management should review the most recently published data and remove any personal data which has been identified.		Operations Manager (Revenues) **Timescale for Implementation:** 31 August 2022

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	risk of non-compliance with Data Protection requirements.			
Key Control: Changes to the Council Tax system have been tested to ensure that the updated WCR rates are applied accurately.				
5	The Water Charges Reduction (WCR) Scheme previously provided financial support to households that receive Council Tax Reduction (CTR) but did not receive a status discount (e.g. student exemption, single persons discount). From April 2021, the scheme was extended to both increase the amount of relief awardable to CTR recipients and to extend eligibility to households with a status discount in place. An upgrade was applied to the Council Tax billing software to facilitate this. WCR is awarded automatically based on a taxpayer's eligibility for CTR and status discount. We applied data analytics to all accounts which had been awarded WCR support in 2021-22 (approximately 158,000 accounts in total), and recalculated the amount of relief due. We identified that 0.4% of the accounts had a small variance between our recalculation and the system	Management should ensure that the errors identified during the audit are escalated promptly to the software developer to ensure that they are fully investigated and addressed as soon as possible.	**High**	**Response:** Agreed. Contact has been made with our system supplier, Capita. **Officer Responsible for Implementation:** Income Collections and Financial Assessments Systems/Development Operations Manager **Timescale for Implementation:** 30 June 2022

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	calculation. Management reviewed these accounts but were unable to determine the specific cause of these variances, but advised that they were likely caused by a previously unidentified software error. This increases the risk that future awards of WCR are inaccurate.			