

North Lanarkshire Council Report

Finance and Resources Committee

Does this report require to be approved? Yes No

Ref EK / GT

Date 26/02/25

Revenues and Benefits Update

From Elaine Kemp, Chief Officer (Finance)

E-mail KempE@northlan.gov.uk

Telephone 01698 302408

Executive Summary

This report provides an update on the performance within the Revenues and Benefits functions of Finance as at 31 December 2024.

Key points to note include:

- As at 31 December 2024, 81.74% of Council Tax due for 2024/25 had been collected. This is a marginal reduction from the same period last financial year (0.07%).
- Non-Domestic Rates collection at 31 December 2024 is 81.00% of the total annual charge. This is an increase of 16.74% from the same period last financial year.
- The service continues to meet statutory timescales for administering benefits applications and changes of circumstance.

Recommendations

It is recommended that the Finance and Resources Committee:

- (1) Acknowledge the content of the report.

The Plan for North Lanarkshire

Priority	Improve North Lanarkshire's resource base
Ambition statement	(21) Continue to identify and access opportunities to leverage additional resources to support our ambitions
Programme of Work	Statutory / corporate / service requirement

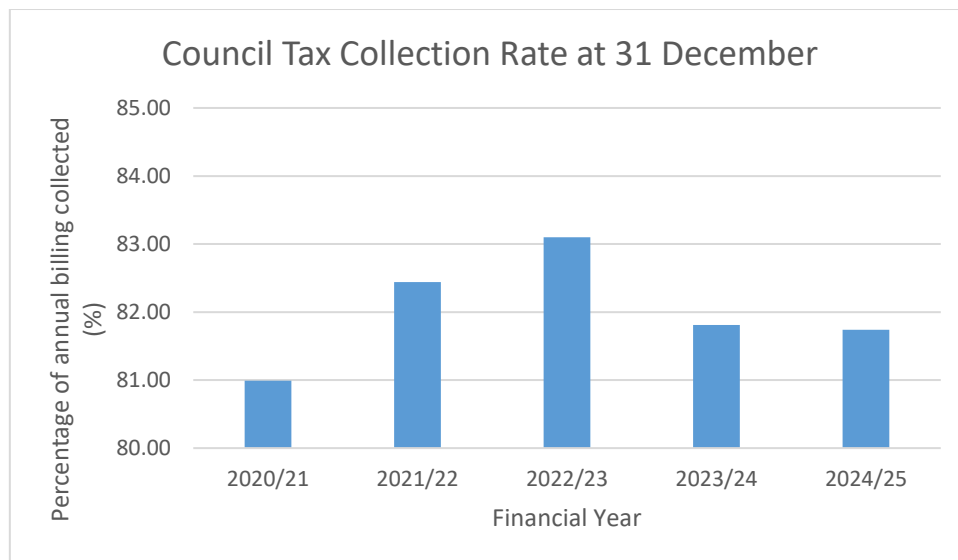
1. Background

- 1.1 The Finance service is responsible for the administration and collection of all local taxation in North Lanarkshire in the form of Council Tax and Non Domestic Rates.
- 1.2 In addition, the service administers a number of benefits for residents of North Lanarkshire including Housing Benefit, Council Tax Reduction, Scottish Welfare Fund, Discretionary Housing Payment, Free School Meals, Clothing Grants and Blue Badges.

2. Report

Council Tax

- 2.1 The graph below shows the cash collected at 31 December for each financial year. It is worth noting that cash is allocated to specific Council Tax years so the graph represents cash received against the initial billing year (i.e. billed and received in 2024/25) and does not include cash collected in subsequent years (i.e. billed in 2023/24 but received in 2024/25). This ensures a like for like comparison.

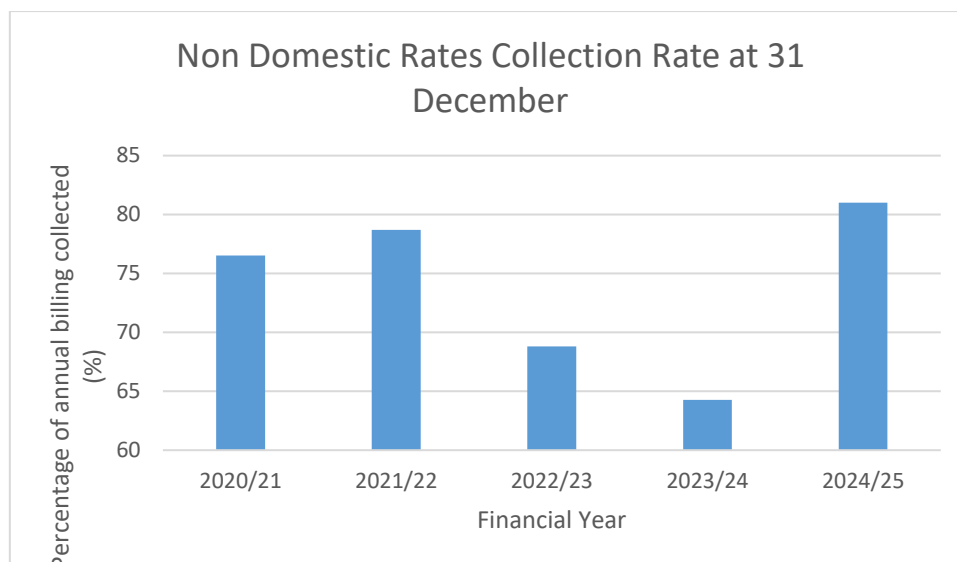


- 2.2 The collection figure to 31 December in the 2024/25 financial year of 81.74% is 0.07% lower than the same period last financial year.
- 2.3 It should be noted that in-year collection of Council Tax is a Statutory Performance Indicator. However, it does not reflect the overall collection rate of Council Tax which includes collection of prior year arrears. This latter measure has a greater bearing on the Council's finances and is reflected in the regular budget monitoring reports to Committee.
- 2.4 Members of the Committee may be aware of the recent Accounts Commission report highlighting their findings following a significant Council Tax fraud experienced at Aberdeen City Council. The Accounts Commission has since written to local authority Chief Executives and Directors of Finance highlighting the case as a 'cautionary tale' and reminding key officers of the need to ensure fundamental internal controls are operating effectively. The Council's response to review internal controls within the Council Tax system is outlined in the briefing note attached at Appendix 1. The briefing note should provide assurance to the Finance and Resources Committee.

that necessary controls are in place and that improvement recommendations proposed by Internal Audit have been actioned.

Non-Domestic Rates

2.5 The following graph shows the cash collected at 31 December for each financial year:



2.6 The collection figure to 31 December in the 2024/25 financial year is 81.00%. This represents an increase of 16.74% compared to the same time period in 2023/24.

Housing Benefits

2.7 The data below highlights the Statutory Performance Indicators measuring the speed of processing for new Housing Benefit claims and for changes in circumstances. The table below shows the cumulative figures for the 2024/25 financial year.

Days to Process	2023/24	2024/25	Latest available Scottish average
New Claims	15	14	17
Change of Circumstances	8	11	3

2.8 The service continues to perform well in the speed of processing for new claims compared to the most recent Scottish average. The speed and accuracy of processing has been commented on positively by the Department for Work and Pensions during recent liaison discussions.

2.9 The service also continues to meet statutory requirements for the speed of processing changes of circumstance. To further improve efficiency the service is progressing a number of digital related improvements such as development of the Landlord Portal and robotic process automation for a number of high-volume tasks.

Council Tax Reduction Scheme

- 2.10 As at 31 December 2024 a total of £26.237m in Council Tax Reduction has been awarded for the 2024/25 financial year. This compares to £26.036m to the same period during 2023/24, representing an increase of £0.201m (0.77%).
- 2.11 The service received 5,057 applications between 1 April and 31 December 2024 compared with 5,653 during 2023/24, representing an decrease of 11.8%
- 2.12 The service received an increased number of notifications for changes in circumstances. From 1 April to 31 December 2024 a total of 107,385 changes were processed compared to 81,561 for the previous financial year; an increase of 31.7%.

Discretionary Housing Payments (DHP)

- 2.13 From 1 April 2017 funding for DHP has been devolved to Scottish Government. This funding supports both the Scottish Government's commitment to fully fund the implications of the Bedroom Tax and an additional sum available for other reasons such as the Benefit cap and the restrictions on Local Housing Allowance rates.
- 2.14 From 1 January 2023 the Scottish Government is fully funding the implications of mitigating the benefit cap. This was announced as part of the tackling child poverty delivery plan 'Best Start, Bright Futures' in March 2022. Local authority Leaders have agreed to fuller benefit cap mitigation through the DHP scheme from 1st January 2023. For 2024/25 the Scottish Government has provided ring-fenced funding of £0.436m to mitigate the benefit cap. As at 31 December, the amount paid and committed in respect of the benefit cap was £0.057m (13%).
- 2.15 As at 31 December 2024 the total paid and committed in respect of Bedroom Tax was £5.955m. In comparison, this sum was £5.715m at the same point during 2023/24.
- 2.16 In addition the Council also receives £0.459m in respect of non-bedroom tax related issues. An additional £0.051m has been received for 2024/25 due to a redistribution of collective unused funds for 2023/24 bringing the total budget to £0.511m. As at 31 December 2024 £0.365m (72%) has been paid or committed from the fund.
- 2.17 As in previous years, the service continues to liaise with colleagues in Housing and Housing Associations to encourage applications to the fund. In addition, the service will also liaise with Universal Credit claimants affected by the benefit cap who could possibly be eligible for the mitigation.

Scottish Welfare Fund

- 2.18 The Council has administered the Scottish Government's Scottish Welfare Fund (SWF) since 1 April 2016.
- 2.19 The Scottish Government provides an annual award budget of £2.760m to North Lanarkshire Council. In December, the Scottish Government confirmed additional one-off funding for the SWF. North Lanarkshire's share of that additionality is £1.361m with a further £0.194m to support increased administration costs. It is anticipated that this additional funding will eliminate the risk of overspend previously highlighted given the ongoing high demand and the ongoing intent of the Council to avoid assessing applications at the high and most compelling priority.

2.20 However, despite the additional funding, the Council will be required to continue assessing applications at High priority. This means that applications will only be considered where there is immediate and severe need, applicants are highly vulnerable, where there will be significantly adverse impacts to health and wellbeing with a no grant award and where the effect of the grant is immediate and substantial. Staff assessing Scottish Welfare Fund applications are highly trained in making these judgements in accordance with the statutory guidance and where an application is unsuccessful they will signpost the applicant to other community based supports.

2.21 There are two grant schemes and their relative performance during 2024/25 and prior year comparison is as follows:

2024/25

	Applications Assessed	Awards	Unsuccessful Applications	Acceptance Rate
Crisis Grants	14,667	10,463	4,204	71.3%
Community Care Grants	4,064	2,798	1,266	68.8%
Total	18,731	13,261	5,470	70.7%

2023/24

	Applications Assessed	Awards	Unsuccessful Applications	Acceptance Rate
Crisis Grants	15,050	11,285	3,735	75.1%
Community Care Grants	4,179	3,416	763	81.7%
Total	19,199	14,701	4,498	76.6%

2.22 As at 31 December 2024, the total financial value of grants paid from the Scottish Welfare Fund amounted to £2.755m which represents 66.9% of the total revised budget for the current financial year.

2.23 During 2024/25, the Scottish Welfare Fund has seen an decrease in demand for Crisis applications of 2.5% and an decrease in demand for Community Care Grant applications of 2.8%. These reductions in demand should be considered in the context of historically high applications numbers experienced during 2023/24. The lower acceptance rates are reflective of the move to High priority levels for the current financial year meaning a number of residents have not been eligible for support.

2.24 The Service strives to assess applications within the timescales outlined within Scottish Government guidance. Throughout the period the service has largely continued to assess Crisis applications within the two working day time limit. It has been more challenging to meet the 15 working day time limit for Community Care Grants with the service currently assessing applications outwith that timeframe, however, the service fastracks applications linked to homelessness to support the wider Rapid Rehousing and Homes First strategies.

Clothing Grants and Free School Meals

2.25 The Finance service administers Clothing Grant payments and applications for Free School Meals on behalf of the Council for families meeting low-income eligibility criteria.

2.26 Up to 31 December 2024 the service administered and paid out 11,711 Clothing Grants compared to 11,657 by the end of December 2023.

- 2.27 The Service awarded 10,167 Free School Meal applications to 31 December 2024 compared to 10,217 to the same period in 2023.
- 2.28 From 20 February 2025, Free School Meal eligibility has been expanded to include P6 and P7 pupils eligible for the Scottish Child Payment. The Council's online form has been updated to reflect the updated eligibility criteria and a social media campaign has been ongoing to ensure parents and carers are aware of the expansion of the scheme.

Blue Badges

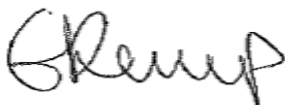
- 2.29 The Finance service administers the Blue Badge scheme in accordance with Scottish Government guidance. The eligibility criteria means that some are automatically entitled to a Blue Badge. In other cases, the Council assesses an individual's eligibility which may include the requirement for a mobility assessment and meeting a healthcare professional.
- 2.30 As at 31 December 2024, the service administered 8,690 Blue Badge applications with 7,793 awarded (89.7% award rate). Over the same period in the 2023/24 financial year the service administered 7,327 applications with 6,236 awarded (85.1% award rate).
- 2.31 Scottish Government guidance states that applicants should receive a decision on their application in around 12 weeks. The Council is currently reaching a decision within 4 weeks.

3. Measures of success

- 3.1 Continuous improvement in processing and collection rates.

4. Supporting documentation

Appendix 1 – Briefing Note - Accounts Commission – Aberdeen City Council fraud findings



Elaine Kemp
Chief Officer (Finance)

5. Impacts

<p>5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.2 Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/></p>

<p>5.6</p>	<p>Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact? The Service has been liaising with Business and Digital on the Landlord Portal and RPA developments and these will be managed in line with Business and Digital's available resources.</p> <p>Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p>5.7</p>	<p>Environmental / Carbon impact Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.8</p>	<p>Communications impact Does the report contain any information that has an impact on the council's communications activities? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.9</p>	<p>Risk impact Is there a risk impact? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?</p>
<p>5.10</p>	<p>Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.</p>
<p>5.11</p>	<p>Children's rights and wellbeing impact Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).</p> <p>If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out? Yes <input type="checkbox"/> No <input type="checkbox"/></p>

BRIEFING NOTE

From: Finance
Subject: Accounts Commission – Aberdeen City Council fraud findings
Date: January 2025

Background

On 9 January 2025, the Accounts Commission published its findings following audit work on a significant Council Tax refund fraud at Aberdeen City Council.

Over a 17 year period an employee transferred 655 Council Tax refund payments totalling £1.109m into his own bank account. The Accounts Commission has highlighted that while this particular fraud was complex, there were weaknesses in Aberdeen City Council's internal controls allowing the fraud to continue over a prolonged period. The perpetrator essentially had unsupervised authority to issue Council Tax refunds of up to £3,000. The internal control failures identified included lack of segregation of duties and monitoring in relation to Council Tax refunds.

Following publication of their report, the Accounts Commission has now written to Chief Executives and Directors of Finance highlighting this case as a 'cautionary tale' and reminding local authorities to consider whether fundamental internal controls are operating effectively (Appendix A).

Internal Audit Response

Following press interest in the Aberdeen City Council in June 2024, the Council's Internal Audit function engaged with the Finance service immediately and agreed that Internal Audit would conduct a review of the Council's controls around Council Tax refunds for a future report to the Audit and Scrutiny Panel.

Work on the review commenced in July 2024 with the audit report finalised in October 2024 (see Appendix B).

The audit review sought to gain assurance that the financial controls and processes in place for making refunds to council tax payers were sufficiently robust and considered a number of areas of potential risk including:

- How, and by whom, bank details on council tax payers accounts can be amended and updated;
- Whether amendments to council tax payers bank details need to be authorised or verified by a second officer;
- How, and by whom, overpayments are flagged for refund, and any limitations on the value of refunds permitted; and
- Whether there are any second officer checks on proposed refunds, including adding or deleting approved refunds, and the extent to which this process ensures bank details are correct prior to the refund being made.

The audit review concluded that 'reasonable assurance' was in place. The sample of refunds paid reviewed were made to the correct council tax payers and for the correct amount with no indication of any fraudulent activity. Internal Audit made one medium category recommendation. This recommendation highlighted that processes in relation to council tax refunds and requests for creditors references could be strengthened to further enhance the controls in place.

BRIEFING NOTE

Finance Response

The Finance service's management response to the audit review agreed to review current processes and the availability of exception reporting by January 2025.

The service has since updated its procedures to restrict access to requests for creditors references, created and documented an authorisation process for requesting significant refunds, reviewed the process for second officer checks (including assessing management screens to ascertain whether bank account details have been changed) and updated existing procedure manuals.

System limitations prevent complete segregation of duties across each part of the process but additional checks have been introduced prior to the creation of a creditors reference and prior to the authorisation of a refund payment run to ensure payment requests are accurate and appropriate. At no point can a North Lanarkshire Council officer have unsupervised authority to issue Council Tax refunds in the way previously experienced in Aberdeen City Council.

The agreed implementation date for Management action was January 2025 and as such has not yet been subject to Internal Audit's formal follow up process. This will be undertaken in line with Internal Audit's established timeline for follow up at which time they will consider if management action has sufficiently mitigated the risk identified.

Accounts Commission Recommendation

The Accounts Commission's letter of 10 January (see Appendix A) urges councils to consider whether the following fundamental internal controls are operating effectively:

1. **Segregation of duties:** ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).
2. **Reconciliations:** ensuring feeder systems are effectively reconciled to other systems (e.g. general ledger); using third party information (suppliers' statements) and reconciling with payment systems.
3. **System documentation:** system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.
4. **Monitoring:** scrutiny should be at a level that would allow managers to identify anomalous payments at an early stage.
5. **Counter-fraud arrangements:** refresh and promote the counter-fraud policy with staff.

Items 1 to 4 above were covered by the audit review completed in October 2024 and reported to the Audit and Scrutiny Panel on 31 October 2024, ensuring elected member oversight.

In relation to Item 5, counter fraud is a Council-wide policy owned by Audit and Risk. The policy was updated in September 2023 and most recently promoted to staff through an email staff announcement on 4 October 2024 (see Appendix C).

Conclusion

Prior to the Accounts Commission publishing its findings on the significant council tax fraud in Aberdeen City Council, North Lanarkshire had already concluded its own audit review highlighting 'reasonable assurance' and implemented recommendations aimed at strengthening the Council's own processes, albeit the implementation is still subject to final review by Internal Audit. This internal review and promotion of the existing counter fraud policy has ensured the Council has covered points raised by the Accounts Commission.

To All Chief Executives

10 January 2025

Copied to: Directors of Finance; External auditors

Dear Chief Executive,

You may be aware that, on 12 December, the Accounts Commission considered a report from the Controller of Audit (under powers in s102 (1) of the Local Government (Scotland) Act 1973) in relation to a significant council tax refund fraud perpetrated against Aberdeen City Council. In her remarks to the Commission, the Controller made the point that this case should act as a “cautionary tale”. In response, the Commission decided that, in addition to publishing findings (which can be found [here](#)), it would be important to share with all Chief Executives, copying in relevant local government professional networks, the lessons the sector as a whole can learn from Aberdeen City’s experience.

As finances get tighter and decisions are taken to rationalise back-office functions to protect front line services for our communities, it is critical that your staff across all functions have and implement effective financial controls, which safeguard public assets, irrespective of the level of income and expenditure involved.

While this particular fraud was complex, weaknesses in the council's internal controls allowed the fraud to continue over a prolonged period. Controls exist to safeguard both the employees and the employer. In this case, failure to implement controls and a lack of monitoring enabled an abuse of authority which, when combined with a detailed operational knowledge, provided the opportunity to withdraw funds inappropriately.

This should serve as a timely reminder for all councils to consider whether the following fundamental internal controls are operating effectively:

- **segregation of duties:** ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).
- **reconciliations:** ensuring feeder systems are effectively reconciled to other systems (e.g. general ledger); using third party information (suppliers’ statements) and reconciling with payment systems.
- **system documentation:** system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.
- **monitoring:** scrutiny monitoring should be at a level that would allow managers to identify anomalous payments at an early stage.
- **counter-fraud arrangements:** refresh and promote the counter-fraud policy with staff.

It is your responsibility to ensure that such arrangements are in place to help assure elected members and the public that risks are being identified and managed effectively. I would encourage you all to use the annual governance statement as an opportunity to take stock of the key controls and processes and whether self-assessment procedures are sufficient to provide elected members and officers with the required assurances. Internal and external auditors have an important role to play in helping public bodies assess their control environment and evaluating the effectiveness of controls, but they are not responsible for identifying all instances of fraud.

If you have any questions or queries in relation to the report on the Aberdeen City Council case specifically or on any other aspect of the Commission's work, please do not hesitate to email acsupport@audit-scotland.gov.uk

I look forward to engaging with you during 2025.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Jo Armstrong', written in a light grey or blue ink.

Jo Armstrong
Chair, Accounts Commission



INTERNAL AUDIT REPORT

COUNCIL TAX REFUNDS

Contents

1. Executive Summary 2. Findings and Recommendations 3. Action Plan
Appendix 1: Audit grading

Issued to: Chief Officer (Finance) and Business Finance Manager Copied to: Chief Executive

Headlines

This review was a short, focussed exercise designed to provide assurance that the Council's financial controls and processes in place for making refunds to council tax ratepayers are sufficiently robust to ensure that refunds are correctly raised, authorised and paid. This exercise has been carried out in response to an incident at Aberdeen City Council whereby a Team Leader within the council tax team was identified, and convicted, of embezzling more than £1m from council tax refunds.

In the period January to June 2024, the Council has processed over 5,000 council tax refunds across many liability years amounting to over £900,000. All refunds are paid via the creditors system with 55% of these paid by bank transfer and 45% by cheque sent to the ratepayer's address. Established processes are in place within the council tax team to identify, review and process refunds to council tax ratepayers.

We have categorised this audit as offering '**reasonable assurance**' as we are generally satisfied that the arrangements in place for processing council tax refunds are generally robust. From our review of a sample of requests for Cedar references and refunds paid, we were pleased to note that the processes in place are consistent with the expected procedures, and we consider that all refunds reviewed were made to the correct ratepayers for the correct amount. Although there is no indication of any fraudulent activity in relation to council tax refunds, we identified a gap within the current control environment that could lead to the potential for a fraudulent payment to be made. As such, we have identified some areas where the processes in relation to council tax refunds and requests for creditors references could be strengthened to further enhance the controls in place. These are detailed in the action plan at section 3 of this report for management consideration.

Internal Audit Opinion (see definition at Appendix 1)

Reasonable Assurance (Green-Amber)

Organisational impact (see definition at Appendix 1)

Moderate

Report Status	FINAL	Audit Ref	0200/2025/004	Date issued	02/10/2024
Audit Team	Elaine MacDonald and Lesley Armstrong				

1. Executive Summary

Objectives

The purpose of this exercise was to gain assurance that the Council's financial controls and processes in place for making refunds to council tax ratepayers are sufficiently robust, and considered the following key areas of potential risk:

- how, and by whom, bank details on council tax ratepayers' accounts can be amended and updated;
- whether amendments/updates to ratepayers' bank details need to be authorised or verified by a second officer;
- how, and by whom, overpayments are flagged for refund, and any limitations on the value of refunds permitted; and
- whether there are any second officer checks on proposed refunds, including adding or deleting approved refunds, and the extent to which this process ensures bank details are correct prior to the refund being made.

Testing involved establishing the processes and procedures in place for identifying, raising, authorising and paying refunds on council tax accounts and sample checking to confirm whether these processes were operating as expected.

This engagement has been conducted in accordance with the '*Public Sector Internal Audit Standards*'. The Internal Audit section reports formally on conformance with these standards to the Audit and Scrutiny Panel.

2. Findings and Recommendations

Number and category of recommendations raised

(see definition of priority at Appendix 1)

High

Medium

Low

0

1

0

Key areas requiring management action (High)

No areas requiring urgent management action were identified.

Good practice identified

We noted the following areas of good practice during the audit:

- Refunds are only made where an overpayment on a taxpayer's account has been verified as properly due and that there are no other outstanding balances in the taxpayer's name against which to offset the overpayment;
- All refunds are processed via the creditors system in eFinancials and a Cedar reference must be created for each council tax ratepayer to enable these payments to be made;
- All users flagging council tax accounts for refund were recognised council tax staff with suitable authority to do so; and
- Prior to each refund payment run being made, a prelist report of refunds due is run and reviewed for accuracy, and any adjustments to delete proposed refunds are made. A final revised extract is then produced and sent to the Creditors team, together with an email from an authorised signatory, for payments to be processed.

Other areas for improvement (Medium)

Other areas for improvement were identified:

- processes in relation to council tax refunds and requests for creditors references could be strengthened to further enhance the controls in place.

Ref	Finding
1	<p>Processes in relation to council tax refunds and requests for creditors references could be strengthened to further enhance the controls in place.</p> <p>Refunds on council tax accounts with credit balances are generally raised as a result of a change in the circumstances which has resulted in a reduction in their council tax liability or where the account has a credit balance and the ratepayer has requested a refund. In cases where a refund is properly due, council tax staff 'flag' the ratepayer's account as being due a refund, and as refunds are processed through the creditors system, checks whether the ratepayer has a creditors (Cedar) reference. Where the ratepayer does not have an existing Cedar reference, council tax staff record the personal details of the ratepayer (including bank details) on a spreadsheet. On a weekly basis, the Team Leader checks the details on this spreadsheet to Civica and passes it to Creditors, who subsequently create and advise on the Cedar reference allocated. Upon confirmation of the Cedar reference, the council tax team records the Cedar reference on Civica. Twice weekly, a list of refunds flagged on the council tax system is generated and reviewed by a council tax officer. Once this check is confirmed a payment file is generated and a feeder authorisation is sent to Creditors to process the refunds flagged as being due for payment.</p> <p>From our review of a sample of requests for Cedar references and refunds paid, we were pleased to note that the processes in place are consistent with the expected procedures and that we consider that all refunds were made to the correct ratepayers for the correct amount. However, we identified some areas where we consider that the processes could be strengthened to further enhance the controls in place. These include:</p> <ul style="list-style-type: none"> • although the council tax procedures manual includes a section on refunds, it could be enhanced by more fully detailing all aspects of the refund process and the expected checks required at key stages; • the spreadsheet used for requesting Cedar references (which records name, address and bank details) is accessible to, and can be amended by, a significant number of council tax staff; • there is a lack of separation of duties in the refund process as council tax staff are involved in each step and have the ability to update a ratepayer's bank details on Civica, flag a ratepayer's account for refund on Civica and populate the spreadsheet for requesting Cedar references; • although a list of ratepayers' accounts flagged for refund are subject to review by a second officer before they are passed to Creditors for payment, there is no threshold applied to the refund value above which additional management checks or 'authorisation' by management is specifically required; • we understand that a Team Leader undertakes checks on the details entered on the spreadsheet used for creating Cedar references to the details held on Civica prior to passing the spreadsheet to Creditors, but no documentation regarding this is retained; and • when an overpayment is identified on a ratepayer's account, no checks to ascertain whether there have been any recent changes to the bank account details are undertaken prior to marking the account for refund nor is a check on bank detail amendments made when the Team Leader reviews the Cedar references spreadsheet. <p><i>(continued overpage)</i></p>

Implication	Recommendation	Priority	Management response	Implementation Month/Year
<p>Payment details passed to Creditors to create new cedar references and creditor accounts could be changed with the purpose of diverting refunds to another party.</p> <p>System users having access to multiple aspects of the refund process increases the risk of fraudulent refunds being made.</p>	<p>The Chief Officer (Finance) should ensure that:</p> <p>(1) a review of the process for council tax refunds is undertaken and thereafter the council tax procedures amended and communicated to council tax staff. This review should include, but not be limited to:</p> <ul style="list-style-type: none"> • restricting access to the spreadsheet for recording requests for creditor's references; • identification of the stages involved and consideration of where adequate separation of duties could be introduced; • consideration of the introduction of a documented authorisation process for requesting refunds where the value of the refund is significant; • the checks which should be undertaken prior to flagging a ratepayer's account for refund, including outstanding debt and whether the ratepayer's bank details have recently been changed; and • the process for undertaking second officer checks on the creditor reference request spreadsheet prior to passing to Creditors for actioning, including retention of documentation confirming the checks undertaken, by whom and when. <p>(2) explore if any exception reports regarding relevant areas, such as bank detail changes, can be generated and thereafter reviewed by management to ensure that any changes made are legitimate and supported by appropriate documentation.</p>	<p>Medium</p>	<p>Agree</p> <p>Greg Telfer, Business Finance Manager</p> <p>(1) The Service will conduct a review of the current refund process giving due consideration to issues raised by Internal Audit, with amendments made as appropriate/necessary.</p> <p>(2) In conjunction with the Business Development and Performance team, the Service will review the availability of exception reporting through Civica for the relevant areas and assess whether these be used to support additional checks.</p>	<p>January 2025</p>

Appendix 1 - Audit Grading

Audit reports are graded with an overall assurance opinion, and any issues and associated recommendations are classified individually to denote their relative importance, in accordance with the definitions in the tables below.

Definition of audit assurance and recommendation categories	
Assurance	Confidence based on sufficient evidence that internal controls are in place, operating effectively and objectives are being achieved.

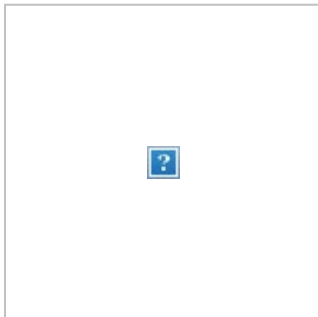
Assurance opinion		
Green	Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Green - Amber	Reasonable Assurance	There is a generally 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.
Amber - Red	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.
Red	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.

Organisational impact	
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. If the risk materialises it would have a minor impact upon the organisation as a whole.

Recommendation priority	
High	Significant control failure or weakness that, if not addressed, may lead to a major financial, operational or reputational risk to the organisation and/or significantly impact the successful delivery and achievement of the objectives of the area under review. Urgent/Immediate action is required.
Medium	Control failure or weakness that, if not addressed, may lead to a moderate financial, operational or reputational risk to the organisation. Weakness may be individually significant but is unlikely to affect the successful delivery and achievement of the overall objectives of the area under review. The risk of error would, however, be significantly reduced if corrective action was taken. Prompt action is required.
Low	Control failure or weakness that may lead to a minor financial, operational or reputational risk to the organisation. Weakness does not appear to significantly affect the ability to meet objectives. Minor issue raised to improve the efficiency and effectiveness of controls.

From: [NLC Announcements](#)
To: [NLC - All Email Users](#)
Subject: Staff announcement: 24/125 Prevent Fraud in North Lanarkshire
Date: 04 October 2024 15:27:01
Attachments: [image001.png](#)

Issued on behalf of Audit and Risk



The council is committed to ensuring public funds are used responsibly and preventing fraud. We have a zero-tolerance approach and our [Corporate Fraud Policy](#) outlines how fraud risks are managed across the organisation.

What is Corporate Fraud?

Fraud refers to the deliberate use of deception or dishonesty to disadvantage or cause loss to another person or party and includes a wide variety of dishonest behaviour such as theft, false accounting, embezzlement, forgery, bribery, corruption, deception, false representation, concealment of material facts and other dishonest actions which result in loss. Fraud can occur within the council or can be perpetrated against the council by outside parties.

Does this policy apply to me?

Yes, it covers all employees, elected members, service users, contractors, agencies, suppliers, and partners, including the voluntary sector.

What can you report?

- Allegations about misuse of council equipment – e.g. council employees are using council equipment out with working hours for personal gain.
- Theft or misappropriation of council assets – e.g. an expensive piece of equipment has disappeared and there is no trace of its disposal on council systems.
- Offer or acceptance of gifts and hospitality leading to improper actions (bribery) – e.g. your manager is in receipt of gifts and hospitality from a current contractor, and they are providing them with additional work beyond the scope of the contract.
- Inappropriate relationships with contractors and abuse of power or position (corruption) – e.g. favouring well known contractors and offering them first choice of work despite not being the most value for money; and
- Accessing computer systems to obtain confidential information – e.g. a colleague is accessing confidential information and providing it to a third party.

How can you report suspected fraud?

Allegations of any suspected fraud, corruption, bribery or wrongdoing should be reported using either of the mechanisms below:

- Completion of the [Internal Fraud Reporting Form](#) (internal employees only)
- Emailing the Internal Audit team at internalaudit@northlan.gov.uk

Concerns about social security benefits should be reported directly to the Department of Work and Pensions (DWP). Further information on reporting benefit fraud can be found [here](#).