

Kilkenny County Council

Internal Audit Report [REDACTED] Review of Motor Tax Transactions

Date: 20th September 2018

Report Distribution

Tim Butler, *Director of Corporate Services*

Martin Prendiville, *Head of Finance*

Audit Committee Members

Local Government Auditor

Objectives

The objective of the audit is to provide reasonable assurance that adequate procedures and key controls are in place. This audit mainly focused on vehicle conversions in order to ensure that department guidelines are being applied.

Approach

Internal Audit spoke with Motor Tax staff. A sample of vehicle conversion transactions carried out between March and July 2018 were examined. Internal Audit also reviewed all daily transactions carried out on a random date – 6th April 2018.

Scope & Limitations of scope

A sample of vehicle conversion transactions carried out between March and July 2018 were examined. Internal Audit reviewed all transactions carried out on a random date – 6th April 2018.

Audit Risk

- Potential loss of income.
- Errors in calculation of tax.
- Guidelines not being applied correctly.
- Insufficient backup documentation received.

Co-operation of Management and staff

Internal Audit received full co-operation from Council Management and staff throughout the course of this review and would like to thank them for their assistance.

Findings & Recommendations

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<u>Vehicle Conversions</u>			
<ul style="list-style-type: none"> Internal Audit examined 7 applications for the conversion of vehicles to N1 class (commercial vehicles) between the periods of March to July 2018. Some of these vehicles were already classed as N1 and were converting from a commercial 2-seat to a commercial 5-seat. See Appendix A 4 conversions did not meet the criteria for conversion to N1 with 2 or more rows of seats as per the NSAI list provided by the Motor Tax Policy Section. See email from Dept to Authorised Officers dated 10th Feb 2017 – Appendix B. All conversation applications were processed by the cashier at the public counter. Both the NSAI approved test centres list & list of vehicles for conversion to N1 with 2 or more rows of seats not to be accepted by motor tax offices were not included with Motor Taxes Procedure Notes. Of the 7 vehicle applications accepted Argent Equipment Ireland Ltd carried out 5 of the of Test 48 certifications, 4 of which should not have been accepted. Argent Equipment Ireland Ltd. is a NSAI Approved Test Centre. 	<ul style="list-style-type: none"> Incorrect tax class / vehicle category change. Potential loss of income to the Department. Possible insurance implications as vehicles are insured commercially but are specifically excluded from being classed as commercial under Dept. guidelines. 	<ul style="list-style-type: none"> As the conversion application documents need to be compared to the Departments and NSAI's lists/requirements, conversion applications to N1 should be processed in the back office. This will allow sufficient time to ensure the conversion is valid. The staff user manual needs to be updated to include both the NSAI approved test centre's list & list of vehicles that are not to be accepted for conversion to N1 with 2 or more rows of seats. The manual should be reviewed regularly to ensure only current relevant department circulars are included. As 4 of the 7 vehicles presented tested by Argent Equipment Ireland Ltd were found not to meet the criteria for a 5 seater N1, [REDACTED] or [REDACTED] should be contacted to liaise with the authorised test centre regarding the conversion as per Test 48. (Contacts provided on page 50 circular 1 of 2016). 	<p>Process changed – conversion applications only dealt with in back office</p> <p>Procedure manual updated</p> <p>Test 48 no longer required, DTTAS contacted re. NSAI test centres</p>

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><u>Motor Tax Transactions – 6th April 2018</u></p> <ul style="list-style-type: none"> • 151 Tax renewals, 2 replacement document applications and 4 change of particulars were processed. • 8 of the application forms processed did not include the name of Insurance company. • 1 application had no insurance policy no. included in the provided section. • In 4 cases the provided day box of the insurance policy expiry date was not completed. • The applicants failed to date the application forms at the provided space on 21 applications. • On 2 applications the cashier omitted to mark the type of payment received. • In one case an application form issued from the Department for the renewal of tax commencing on the 1st of January was used for taxing a vehicle from the 1st of April – a new manual application should have been completed in this case. 	<ul style="list-style-type: none"> • Potential errors if forms not completed in full. 	<ul style="list-style-type: none"> • Given that 4 out of 7 conversions examined were incorrect, I recommend that Motor Tax carry out their own examination of all recent conversions. • Motor Tax should consider recalling the incorrect conversions as these vehicles are taxed as commercial when in fact the guidelines state that they are specifically excluded from being commercial vehicles. A balance of duty maybe due in these cases. • Staff should ensure that all forms are completed fully and correct form is used in all cases. 	<p>Internal Motor Tax Audit completed of all 2018 conversions, 3 more vehicles identified</p> <p>To be implemented</p> <p>Updated training for all cashiers, batching of all forms now being completed to ensure higher compliance</p>

Appendix A

Converted Vehicles March to July 2018												
Conversion to N1												
Date	Reg	Make/Model	VRC J1	Unladen Weight	Goods only Dec + Docs	Vat Reg	Dec of Conversion (Revenue)	VRCCON VSQI - NSAI Approved Tester	Conversion Sought	No. Of Seats @ present	Docs	Comment
04-07-18		Kia Sorento	Blank	2120	✓	✓	✓	Rolor Commercials	M1 to N1	2		(Meets Criteria for 2 seater N1)
11-07-18		Volkswagen Toureg	A	2280	✓	✓	✓	Argent Equipment Ireland Ltd	M1 to N1	5		(Does not meet the criteria for a 5 seater N1)
27-06-18		Range Rover Sport	N1	2455	✓	✓	✓	Argent Equipment Ireland Ltd	N1 (2 seat) to N1 (5 Seat)	5		(Does not meet the criteria for a 5 seater N1)
08-05-18		Landrover Range Rover Sport TDV6 SE	M1	2480	✓	✓	✓	Argent Equipment Ireland Ltd	M1 (5 seat) to N1 (5 Seat)	5		(Does not meet the criteria for a 5 seater N1)
May-18		BMW X5	N1	2220	*	Motor Trade	✓	Argent Equipment Ireland Ltd	N1 (2 seat) to N1 (5 Seat)	5		(Does not meet the criteria for a 5 seater N1)
Apr-18		BMW X5	N1	2220	*	*	✓	Argent Equipment Ireland Ltd	N1 (2 seat) to N1 (5 Seat)	5		(Does not meet the criteria for a 5 seater N1)
14-03-18		Kia Sorento	A	2140	✓	✓	N/A	Tullamore Test Centre	M1 (5 seat) to N1 (2 Seat)	2		(Meets Criteria for 2 seater N1)

Appendix B

[REDACTED]
From:
Sent:
To:

Cc:
Subject:
Attachments:

[REDACTED]
Most recent NSAI list
M1-N1 Database.xlsx; ATT00001.txt; ATT00002.htm

Dear Authorised Officers,

Following on from Circular 1 of 2016, I enclose the most recent NSAI list. **Any applications for conversions that do not meet the criteria for conversion to N1 with 2 or more rows of seats as per the attached list are not to be accepted by motor tax offices.**

If there are further additions to the list, you will be advised in due course.

Yours sincerely,

Sharon Fadian,
Motor Tax Policy Section

Manufacturer	Model	Model Code	Year	Meets rear door surface aperture measurement	Meets 800mm height requirement	Meets N1 requirement
AUDI	Q7	Typ 4M	2015-Present	No	No	No
B.M.W	X5	F15	2013-Present	No	Yes	No
Chrysler	Grand Voyager	4th Generation	2001-2007	No	Yes	No
Isuzu	Trooper	2nd Generation	1991-2002	No	Yes	No
Jaguar	F Pace	X761	2016-Present	N/a	No	No
Jeep	Grand Cherokee	WK2	2011-Present	No	Yes	No
Kia	Carnival	2nd Generation VQ	2006-2014	No	Yes	No
Kia	Sorento	3rd Generation	2015-Present	No	No	No
Land Rover	Discovery 4	L319	2009-2016	No	Yes	No
Land Rover	Discovery II	L318	1998-2004	No	Yes	No
Lexus	RX	AL20	2016-Present	No	No	No
Lexus	RX	AL10	2010-2015	No	No	No
Mercedes	GL	X164	2007-2012	No	Yes	No
Mercedes	GLS	X166	2013-Present	No	Yes	No
Mercedes	GLE	W166	2015-Present	No	Yes	No
Mercedes	GLE Coupe	C292	2015-Present	No	No	No

Manufacturer	Model	Model Code	Year	2D Measurement	800um height	W1 Required.
Mercedes	GLC	X205	2015-Present	N/a	No	No
Mitsubishi	Pajero	4th Generation	2006-Present	No	Yes	No
Range Rover	HSE	L405	2012-Present	No	Yes	No
Range Rover	V8	P38A	1994-2001	No	Yes	No
Range Rover	Sport	L320	2005-2013	No	Yes	No
Range Rover	Sport	L494	2014-Present	No	No	No
Range Rover	Vogue	L322	2002-2012	No	Yes	No
Range Rover	Westminister	L322	2002-2012	No	Yes	No
Ssangyong	Rexton	Y200	2001-2006	No	Yes	No
Toyota	Land Cruiser	J90	1996-2002	No	Yes	No
Toyota	Land Cruiser	J120	2002-2009	No	Yes	No
Toyota	Land Cruiser	J150	2009-Present	No	Yes	No
Toyota	Landcruiser (Amazon)	J80	1990-1997	No	Yes	No
Toyota	Landcruiser (Amazon)	J200	2008-Present	No	Yes	No
Volkswagen	Touareg	7P5	2010-Present	No	Yes	No
Volvo	XC90	2nd Generation	2014-Present	No	Yes	No
Volvo	XC60	1st Generation	2008-Present	No	Yes	No