



INTERNAL AUDIT

FINAL

REPORT

Title: Review of Non Domestic Rates (NDR)

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of NDR was undertaken as part of the approved internal audit periodic plan for 2006/07.

There are currently 2204 hereditaments within Gedling Borough Council that are liable to pay non-domestic rates. At the end of the last financial year, the NDR team moved to a new system, International Business Systems (IBS). A training schedule was implemented to ensure that all relevant staff received appropriate training.

The outcome of the previous NDR audit (carried out in April 2006) identified that action was necessary to manage exposure to significant risks and an adequate level of assurance was given to this area.

Principal Findings

	High	Medium	Low
Number of recommendations	0	1	7

There was one other finding that has been highlighted in the report arising from the fact that no write offs have been made this financial year. The system should be checked for balances suitable for write off periodically as a good housekeeping exercise.

The detailed findings and associated recommendations are provided in the second part of this report. The medium risk recommendation relates to:

- The creation and deletion of user accounts can be performed by persons other than Managers and System Administrators.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

Areas of good practice include:

- All staff have received appropriate training on the new system and this has also been rolled out to new staff;
- Accounts claiming small business rate relief are contacted annually to ensure that they are still eligible to claim;
- Cash is posted accurately and appropriately.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisations objectives are managed effectively.

The key risks associated with the system objectives are:

- Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws, or organisational policy and procedures;
- Losses due to fraud or error, inefficient processing or inappropriate activity;
- Failure to raise NDR bills accurately and on a timely basis;
- Failure to identify business/persons liable and properties accurately and on a timely basis;
- Loss of income due to fraud;
- Failure to collect income on a timely basis;
- Poor decision making, due to poor quality or timeliness or information provided to management;
- Inaccurate or incomplete recording in revenues system and ledger.

The control areas included within the scope of the review are:

- Policies and procedures;
- Exemptions and discounts;
- Inspections of void properties;
- Billing methods and payment collection;
- Recovery and write offs;
- Management reports.

The following limitations to scope of the audit were agreed when planning the audit:

- The review will not concentrate on determining the accuracy of the NDR register;
- NDR returns will not be looked at as they are audited by District Audit;
- We will not seek to detect fraud.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 – Access to IBS System Level of Risk – Medium</p>			
<p>A review of individuals access on the IBS system highlighted two members of staff who had full access to the system that were not of a manager or system administrator level. It was also confirmed by the Project Assistant that senior members of staff are currently able to set-up a user group to review any area of the system then delete the group without any audit trail being left.</p>	<p>There is a risk that staff have access to areas of the IBS system to which they have no responsibility for and some staff are able to review, change and delete data in all parts of the system.</p>	<p>The Council should review staff access levels within the IBS system to ensure that their access is in line with their job roles. The creation and deletion of user groups should be the responsibility of the Manager's and system administrators only.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: All access levels will be reviewed and amended as necessary.</p> <p>Timescale: 31/12/2006</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - NDR Relief's Level of Risk – Low</p>			
<p>NDR relief's processed in the current financial year have relevant documentation on file and have been signed and dated appropriately. However there are live claimants for mandatory and discretionary relief whose application forms are from previous years that have not been signed appropriately and these have not yet been checked (as part of last years recommendation) to ensure that their claim is still valid.</p>	<p>There is a risk that accounts no longer eligible for relief are still claiming and therefore resulting in a loss of income for the Council.</p>	<p>It is recommended that checks are completed for those accounts claiming reliefs as per the agreed timetable. If possible, it may be beneficial to bring the timetable forward so that the system is updated sooner.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: The timetable has been brought up to date. All relief's will be reviewed annually.</p> <p>Timescale: Completed</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 – Review of Void Properties Level of Risk – Low</p>			
<p>It was confirmed that void properties have not been inspected in line with policy due to the new inspector recently coming into post and therefore not enough time has yet passed to cope with the backlog. There is a risk that no longer void properties are not identified and income is not received.</p>	<p>There is a risk that occupied properties are claiming exemptions therefore resulting in a loss of tax income for the Council.</p>	<p>It is recommended that void properties are reviewed every three months and that the backlog of void properties not reviewed, is cleared.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: The backlog has now been cleared, reviews will be completed as planned.</p> <p>Timescale: Completed</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 – Receipt of Reports from Building Control Level of Risk – Low</p>			
<p>It was confirmed that the Business Rates Officer has not received notifications from the Building Control Department on a regular basis. It was later confirmed that the Business Rates Inspector had recently received the backlog of monthly reports dating back to March 2006 for review.</p> <p>The Valuation Office (VO) is notified of any amendments on a weekly basis by the completion of a "schedule of reports seeking to amend the 2005 rating list". The reference number of this report is noted against the property on the Building Control report.</p>	<p>There is a risk that new buildings and changes to buildings are not identified resulting in a loss of tax income.</p>	<p>Reports detailing new and alterations to business premises should be received from Building Control on at least a monthly basis to ensure that these are added to the Council's list of hereditaments so that tax is received. These should be received on a timely basis.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: Building control contacted. Now on monthly target.</p> <p>Timescale: Completed</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 – Documented Procedure Notes Level of Risk – Low</p>			
<p>It was confirmed with the Revenues Manager that procedure notes are in place, however these are not up to date. An external company, Camino, is going to be used to document the system, however this has not yet started due to problems negotiating a contract.</p>	<p>Procedures may not be carried out appropriately resulting in loss of income or damage of the Council's reputation.</p>	<p>It is recommended that the system is documented as planned and it should be ensured that all relevant parts of IBS are documented.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: Negotiations with 3rd party are ongoing to resolve the issue.</p> <p>Timescale: 31/03/2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 – Unsigned Refund Vouchers Level of Risk – Low</p>			
<p>Two refunds had supporting documentation on file, however these had not been signed appropriately. The Revenues Manager signature was found on each form but they had not been signed by the Business Rates Officers in the required fields.</p> <p>All other refunds sampled had the required documentation on file and had been signed appropriately.</p>	<p>There is a risk that these refunds should not have been processed therefore losing the Council tax income.</p>	<p>Refunds should be signed appropriately as per the financial regulations to ensure that payments are made correctly and appropriately.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: Revenues Manager to be more vigilant when approving refunds.</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 – Reconciliation of IBS to VO Records Level of Risk – Low</p>			
<p>The 2000 list rateable value does not reconcile with the system but the number of properties does. This is being investigated with the VO but has not yet been resolved.</p> <p>The 2005 list does not reconcile due to conversion issues which have been flagged on IBS and notified to the VO, however these cannot be rectified without the assistance of IBS. An appointment has been booked for a technician to resolve this issue.</p>	<p>The NDR database may not be up o date and therefore businesses may be charged too little tax resulting in a loss of tax income.</p>	<p>It is recommended that VO reports are reconciled to IBS on a weekly basis so that IBS is up to date. It is understood that this is not currently happening due to conversion issues with the system however once these are resolved this recommendation should be implemented.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: Conversion issues to be resolved.</p> <p>Timescale: 31/12/2006</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 – Incomplete Register of Interests Level of Risk – Low</p>			
<p>Since our previous NDR audit it was confirmed by the Revenues Manager that the register of interests has not been updated although it has been passed to the Council Tax Officer perform this task.</p>	<p>Staff may work on their own, or family members' accounts to give them discounts resulting in a loss of tax income.</p>	<p>Staff within the taxation department should complete a statement of interest form. The register of interests should be reviewed and updated annually for all staff involved in taxation activities. Management should also review the arrangements to ensure that staff living within the Gedling Borough, are not able to access and amend their own accounts.</p> <p>Action: John Vickers – Revenues Manager</p>	<p>Management Comment: Agreed</p> <p>Planned Corrective Action: The Local Taxation Officer to complete new register of interests.</p> <p>Timescale: 31/12/2006</p>