



INTERNAL AUDIT
FINAL REPORT

Title: Non Domestic Rates (NDR)

Report Distribution

For Action: John Vickers Revenue Services Manager

For Information: Mark Kimberley Head of Corporate Services
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EXECUTIVE SUMMARY

Introduction

An audit of Non-Domestic Rates was undertaken as part of the approved internal audit periodic plan for 2007/08.

There are currently 2314 properties within Gedling Borough Council that are liable to pay non-domestic rates. The department use the IBS system to process all the transactions. Since the last audit the Council have introduced a new process and training manual on the system, which details out all required procedures and meeting minutes to review.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	5

The detailed findings and associated recommendations are provided in the second part of this report.

Other Findings

The following was noted when performing the audit but was felt not significant enough to raise a recommendation:

- From a sample of 20 daily business rates income checks performed, four instances were noted not having adequate supporting documentation attached. However, all four related to April/May 2007 to which it had been picked up and addressed by the department and all instances reviewed since then were found to have adequate supporting documentation attached.

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 identified during the review 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; and
- NDR income is posted accurately and appropriately.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

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; and
- Inaccurate or incomplete recording in revenues system and ledger.

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

- Policies and procedures to identify persons liable for NDR and those exempt or eligible for discount;
- Procedure to identify new properties /businesses within the area;
- Inspections of void properties;
- Billing methods and payment collection;
- Posting of payments to accounts and suspense account reconciliations;
- Recovery and write offs;
- Management reports.
- Security measures of access to the property database;
- Segregation of duties; and
- Refunds for overpayments and adjustments.

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 reviewed as they are audited by the Audit Commission;
- 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 - Exemptions Level of Risk - Low</p>			
<p>A sample of 20 exemptions were selected at random and all were found to have appropriate supporting documentation. Three of the exemptions selected were found to have not been formally inspected, but Inspection Records had been completed, however, these relate to unoccupied units within a property; other units within the same property had been subject to inspections and so informal checks were made to agree the unoccupied status stated.</p> <p>It was noted in one instance that the Recommendation section of the Rating Inspection Report had not been completed.</p>	<p>There is a risk that properties no longer eligible to be exempt from NDR are missed.</p>	<p>The Rating Inspection Report should be fully completed for all properties inspected and a copy of this should be retained on file.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed. This was a clerical error.</p> <p>Planned Corrective Action: Periodic spot checks by the supervisor will be undertaken to ensure forms are fully complete.</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Mandatory and Discretionary Relief's Level of Risk - Low</p>			
<p>A sample of 20 mandatory and discretionary relief's were selected at random, of which 14 had appropriate supporting documents, of those that remain:</p> <ul style="list-style-type: none"> • no supporting documents could be located for two cases sampled; • four had evidence of review, however, the original application could not be located and may have been archived. 	<p>There is a risk that mandatory and discretionary relief's have been given to properties in error.</p>	<p>All supporting documentation for NDR relief's should be retained.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Alternative arrangements have been agreed with RSM.</p> <p>Planned Corrective Action: A confirmation tick sheet will be kept on file.</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Register of Interests Level of Risk - Low</p>			
<p>It was recommended in our previous NDR audit review that the register of interests required periodic review and updating. It was confirmed by the Local Tax Manager that a review of the register of interests has not recently been undertaken, although it is to be performed in the near future. It was confirmed that forms and guidance have been sent out to all staff as well as a list of recipients.</p>	<p>There is a risk that staff may work on their own accounts, 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 at least annually for all staff involved in taxation activities. Management should also review the arrangements to ensure that taxation staff living within Gedling Borough Council are not able to access and amend their own accounts or that of family/friends.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Register of Interest to be reviewed, including consideration of the appropriateness of staff access levels, and updated in line with authority wide procedures.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Special Arrangements To Pay Level of Risk - Low</p>			
<p>Special Arrangements to pay (SPAR's) are monitored on a daily basis by Julie Dickinson (Senior Clerical Assistant). The system automatically identifies any SPAR's that have fallen into default 10 days or more and these are shown on Special Arrangement Extraction Reports. Discussion with Kerry Edwards (Technical Assistant (Council Tax)) found there are currently a total of 1263 special arrangements in place (combining both council tax and NNDR).</p> <p>A review of the report history on the Council Tax system found reports are run on a regular basis (at least every other day) however, a period of 11 working days was noted when the Senior Clerical Assistant was absent from work and the reports were not run.</p>	<p>There is a risk that any defaulted SPAR's are not picked up and investigated in a timely basis.</p>	<p>The responsibility for monitoring special arrangements should be allocated to a secondary individual to cover times when the Senior Clerical Assistant is absent from work.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A procedure is already in place, but had not been followed. This will be subject to frequent managerial review to ensure checks are in place.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Suspense Account Level of Risk - Low</p>			
<p>It was confirmed by the Revenues Services Manager that the NNDR suspense account is reviewed on a daily basis when the income has been posted and any items that have been posted on that day are investigated and where possible, cleared. A review of the NNDR suspense account found that was a balance totalling £1.1k. This related to mainly 2005/06 and 2006/07 years but also some small items were noted going back to 1998/99. It was also confirmed that due to the way IBS is set up the suspense items are unable to be cleared as there is no account to clear them to.</p>	<p>There is a risk that items could be posted to the suspense account in error which are not investigated and cleared in a timely basis.</p>	<p>The Council should ensure that the suspense account is reviewed on a periodic basis, any items investigated, and cleared where possible and any evidence retained.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: There is currently no facility within IBS to delete suspense items.</p> <p>Planned Corrective Action: Costs to procure bespoke changes to be requested from the software company.</p> <p>Timescale: 31st March 2008</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk