



## 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  
Sally Smith Audit Commission

Prepared By: Ian Boswell, Auditor – RSM Bentley Jennison

Draft Issued: 10<sup>th</sup> November 2008

Final Issued: 18<sup>th</sup> November 2008

Contents	Page
Executive Summary	2
Introduction	3 - 4
Detailed Findings	5 - 6
Annex A - Audit Definitions / Responsibilities	7 - 8

## EXECUTIVE SUMMARY

---

### Introduction

An audit of Non-Domestic Rates was undertaken as part of the approved internal audit periodic plan for 2008/09.

There are currently 2346 properties within Gedling Borough Council that are liable to pay non-domestic rates. The department use the IBS system to process all the transactions.

From the five recommendations made in the previous audit four have been implemented and one has not been implemented (relating to supporting documentation being retained with regards to relief).

### Principal Findings

	High	Medium	Low
Number of recommendations	0	0	2

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

### 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:

- Each member of staff has completed a form declaring any conflicts of interest.
- Daily checks are undertaken to ensure that the income allocated to the NDR system is correctly posted to the customer accounts.
- Void properties are being regularly inspected.
- Procedure notes are available to all staff and they have all received training.
- Access rights to the IBS system are up to date and appropriate to each user's position.
- The NNDR database is regularly reconciled to the Valuation Office.
- Debts are chased efficiently and in line with the debt recovery timetable.

## 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 businesses/persons liable and properties accurately and on a timely basis.
- Failure to monitor payments and take prompt action against non payment, leading to lost income.
- Discounts and exemptions are being incorrectly applied.
- Void properties are not identified.
- Write-offs are not authorised.
- Irrecoverable debts are not written off leading to continuous adverse effects on key performance indicators.
- Failure to provide an adequate segregation of duties between collecting payment, recording and banking income, leading to fraudulent activity.
- Poor decision making, due to poor quality or timeliness or information provided to management.
- Members are unaware of the NNDR activity and poor performance goes unchallenged.
- Inaccurate or incomplete recording in the 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 discounts.
- 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 for access to the property database.
- Reconciliations.
- Segregation of duties.
- Refunds for overpayments and adjustments.

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

- Testing is on a sample basis only and therefore we cannot provide absolute assurance that fraud or inaccuracies do not exist.
- 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.

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 Authority's 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
<b>Recommendation 1 - NDR Refunds</b> <b>Level of Risk - Low</b>			
<p>Samples of 20 refunds were tested. It was found that:</p> <ul style="list-style-type: none"> <li>All 20 had attached refund vouchers and evidence of refunds being posted on IBS.</li> <li>All refund vouchers matched the IBS system and refund report.</li> <li>One voucher was not authorised by the Revenues Services Manager or Business Development Manager. All remaining samples received proper authorisation.</li> </ul>	<p>There is a risk that a refund may be incorrectly processed without the correct level of authorisation.</p>	<p>All refund vouchers should be authorised by the Revenues Services Manager.</p> <p><b>Action: John Vickers – Revenue Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation Agreed.</p> <p><b>Planned Corrective Action:</b> Greater care taken when authorising refund vouchers.</p> <p><b>Timescale:</b> Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<b>Recommendation 2 - NDR Relief's</b> <b>Level of Risk - Low</b>			
<p>Samples of 20 mandatory and discretionary reliefs' were sampled. It was found that 17 had appropriate supporting documentation with authorisation. Of those that remain:</p> <ul style="list-style-type: none"> <li>No supporting documents could be located for one case sampled.</li> <li>Two reliefs did not have up to date documentation.</li> </ul>	<p>There is a risk that reliefs are granted to properties, which do not qualify for reliefs.</p>	<p>Up to date supporting documentation for all reliefs should be retained as evidence of being granted.</p> <p><b>Action: John Vickers – Revenue Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation Agreed.</p> <p><b>Planned Corrective Action:</b> Review of reliefs to be undertaken and supporting documentation to be obtained where necessary.</p> <p><b>Timescale:</b> 31<sup>st</sup> March 2009</p>

**ANNEX A****Risk & Assurance – Standard Definitions**Audit Recommendations

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

Level	Category	Definition
1	<b>High</b>	Action is essential to manage exposure to fundamental risks.
2	<b>Medium</b>	Action is necessary to manage exposure to significant risks.
3	<b>Low</b>	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
<b>No</b>	The majority of the significant risks relating to the area reviewed are not effectively managed.
<b>Limited</b>	There are a number of significant risks relating to the area reviewed that are not effectively managed.
<b>Substantial</b>	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](mailto:vince.rimmington@gedling.gov.uk)