



INTERNAL AUDIT

FINAL REPORT

Title: Non-Domestic Rates (NDR)

Report Distribution

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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 2009/10.

There are currently 2337 properties within Gedling Borough Council that are liable to pay non-domestic rates; total rateable value is £48,719,096. The department use the IBS system to process all the transactions. In July 2009 the NNDR department has implemented a new workflow system (IBS Workflow). This will allow the department to retain all documentation electronically.

From the two recommendations made in the previous audit one has 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. There were no high/medium recommendations made.

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:

- Staff have received training and procedure notes are available to all staff.
- Access rights to the IBS system are up to date and appropriate to each users position.
- Daily checks are undertaken to ensure that the income allocated to the NNDR system is correctly posted to the customer accounts.
- Void properties are being regularly inspected.
- 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 NNDR register.
- NNDR 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
Recommendation 1 - NNDR Relief's Level of Risk - Low			
<p>A sample of 15 mandatory and discretionary reliefs was sampled.</p> <p>It was found that 14 sampled had appropriate supporting documentation. For the one that remains, no supporting documents could be located.</p>	<p>There is a risk that reliefs are granted to properties which do not qualify.</p>	<p>Up to date supporting documentation for all relief should be retained as evidence of reliefs granted.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Supporting documentation will be obtained for all reliefs.</p> <p>Timescale: 31/03/2010</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Register of Interest Level of Risk - Low			
<p>The Revenue Services Manager maintains a log of all Declaration of Statement of Interest for Employees with Access to the IBS Revenues System to ensure that all staff have completed a declaration form.</p> <p>We reviewed the declaration of interest forms for all staff within the Local Taxation (Council Tax and NNDR) department to confirm that they have declared their interests.</p> <p>In one instance we noted that an employee had updated their declaration but had not signed and dated this to show the effective date. In 16 of the 18 declarations reviewed we confirmed that the date the declaration was signed was over one year ago.</p>	<p>There is a risk that interests are not declared in a timely manner.</p>	<p>All staff should declare any new interests on an ad hoc basis as they arise, however a formal process for ensuring the register of interests is up to date should be undertaken on an annual basis. Annually, the Revenue Services Manager should email all IBS users to declare any changes of interests since the previous year.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Revenues Services Manager will email all Civica users on an annual basis.</p> <p>Timescale: 31/03/2010</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	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 Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit 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 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, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk