



INTERNAL AUDIT

FINAL REPORT

Title: Non-Domestic Rates (NDR)

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of National Non-Domestic Rates (NNDR) was completed as part of the approved internal audit plan for 2010/11.

There are currently 2398 properties within the Borough that are liable to pay the non-domestic rates, and a total rateable value of £ 52,150,761. There is a collection target of 98% by April 2011, and Gedling Borough Council has currently collected 70.65%.

The system used by the NNDR department is the Civica system. This has all customer accounts' details, payments history and electronic documentation is also available.

From the previous audit, there were two low recommendations regarding the register of interests and the NNDR reliefs. The recommendation regarding the NNDR reliefs has been implemented and this year's testing showed supporting documentation had been retained. The recommendation regarding the register of interests has been partly implemented. The Department has confirmed there is now an annual completion of the register to ensure that all staff members have declared their interests at least annually. Our review of the register however still showed some forms had not been signed.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	4

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:

- The Staff has received training and procedure notes and up-to-date bulletins are available to all staff;
- Access rights to the Civica system are up-to-date and appropriate to each user's position;
- Daily checks are undertaken within the payment processing to ensure that income is posted correctly into the relevant account;
- The NNDR database is regularly reconciled to the Valuation Office's database;
- Debts are chased efficiently and effectively in line with the debt recovery timetable; and
- All exemptions and reliefs are authorised, provided efficiently, appropriately and in a timely manner.

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;
- Inadequate access rights to the system leading to unauthorised or fraudulent transactions;
- The system may cease to work or important information and account details may be lost;
- Failure to raise NNDR bills on a timely basis and failure to raise the correct bills;
- Failure to identify businesses/persons liable and properties accurately and on a timely basis;
- Discounts and exemptions are being incorrectly applied;
- Void properties are not identified;
- Failure to monitor payments and to take adequate and prompt action against non-payment leading to loss of income;
- Failure to provide an adequate segregation of duties between collecting payment, recording and banking income, leading to fraudulent activity;
- Failure to follow the debt recovery timetable resulting in outstanding debts not being promptly recovered;
- Write-offs are not authorised leading to loss of income and irrecoverable debts are not written off resulting in inefficiencies and adverse effects on key performance indicators;
- Poor decision-making, due to poor quality or timeliness of information provided to management; and
- 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 NNDR 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; 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 NNDR register;
- NNDR returns will not be reviewed as they are audited by the Audit Commission;
- Testing is on a sample basis only and therefore we cannot provide absolute assurance that fraud does not exist; and
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error; loss or fraud does not exist.

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 full 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 - Register of Interests Level of Risk - Low			
<p>We reviewed the register of interests for the Local Taxation Department (Council Tax and NNDR). We can confirm all NNDR staff had signed their register of interests form.</p> <p>We noted some of the forms for other members of staff in the Department had not been signed.</p> <p>This was actioned immediately and all forms have now been signed.</p>	<p>If the Register of Interests forms are not signed by the staff members, there is no confirmation that the forms are correct.</p>	<p>Management to ensure all register of interests forms are fully completed and signed.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: All forms will be checked for signature.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 2 - Void Properties Level of Risk - Low			
<p>There is an aim to inspect all void properties every four months. Our testing on a sample of 15 properties revealed that all had been inspected within four months (or were planned to be for newly void properties) with the exception of two properties which had not been inspected in the last six months.</p> <p>For one other account, no documentation could be found of any inspections having taken place.</p>	<p>If inspections are not undertaken within the four months target, liabilities may not be identified or at the earliest instance.</p>	<p>Inspect all void properties every four months and ensure that documentation is provided for all accounts.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: The parameters set within the NNDR system should ensure this should not happen. It would be useful to have the failed account numbers in order to check if this is a system of human problem.</p> <p>Timescale: 31st March 2011</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 3 - Interventions Level of Risk - Low			
<p>Every member of staff within the Local Taxation department is trained to intervene on NNDR accounts when deemed necessary.</p> <p>Interventions can be undertaken at any point in time, and so getting an authorisation for every transaction is considered impractical. All interventions have expiry dates, which the tax officer would input, depending on the nature of the intervention.</p> <p>No intervention reports are produced for management within the Department to review what has occurred on the account.</p>	<p>This could lead to the wrong decisions and interventions being made on NNDR accounts.</p>	<p>Intervention reports should be produced and signed and dated to confirm interventions have been reviewed.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Inhibit report to be produced on a monthly basis and reviewed and signed by Local Tax Manager.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
Recommendation 4 - Write-offs Level of Risk - Low			
<p>Once a batch of write-offs has been input in the system, a report is produced showing the amount written off and signed to confirm that this amount agrees with what has been authorised. This is then updated on a spreadsheet.</p> <p>When the next batch of write-offs is ready to be input in the system, a report is produced before input and reconciled to the last report. If there are any discrepancies this is investigated before the next batch is processed.</p> <p>The input is done by the Senior Assessment Clerk and all reconciliations and checks are also done by the Senior Assessment Clerk.</p>	<p>Without an independent check on the write-off process, there is a risk of unauthorised write-offs being processed.</p>	<p>The Revenues Officer should check each system report produced after input with the authorised batch and sign it to ensure that the correct amount has been written off on the system.</p> <p>The Revenues Officer should also check the system report produced before the next batch of write-offs to ensure no write-offs have occurred since the last batch.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Client Officer will check and control listing prior to write offs being processed.</p> <p>Timescale: 31st March 2011.</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 Finance, 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 Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk