

Audit of National Non-Domestic Rates

Draft Report Issued: 9th January 2020
Director Draft Issued: 31st January 2020
Final Report Issued: 17th February 2020



Audit Report Distribution

Client Lead:	Revenues Team Leader
Chief Officer:	Chief Executive
Others:	Revenues and Benefits Operations Manager Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 16 th March 2020 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of National Non-Domestic Rates (NNDR). This was an internal audit review included in the 2019/20 risk-based audit plan agreed by the Audit Committee on 18th March 2019.
- 1.2. National Non-Domestic Rates (NNDR) is a tax on the occupation of a non-domestic property. The local Government Act 1988 introduced business rates in England and Wales from 1990.
- 1.3. All non-domestic properties are rated by the Valuation Office Agency (VOA), which is a UK Government Executive Agency. Except for exempt properties, each non-domestic property is known as a 'hereditament' and is given a rateable value and the tax liability is calculated by multiplying the rateable value by the 'poundage' set by Government. This usually varies annually as it increases in line with inflation. Several reliefs are available, such as for charities and small businesses.
- 1.4. The Service is managed through the Academy and Civica electronic document storage system by the Revenues and Benefits Team.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Revenues Team Leader and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Risk 1. Failure to achieve business objectives due to insufficient governance.
 - Risk 2 Loss of or failure to secure sensitive personal information and comply with data protection legislation, resulting in sanctions and reputational damage.
 - Risk 3 Business rate reliefs decisions are not appropriately applied resulting in incorrect reliefs being awarded.
 - Risk 4 Fraudulent claims are not identified resulting in a financial loss to the Council.
 - Risk 5 System processes do not ensure that properties are correctly billed, and monies collected timely.

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within NNDR provide **Substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)		1
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	-	3

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

There is good governance in place to ensure that the Council Tax business objectives are met. There is a need for appraisals to be carried out across the team and for job descriptions to be updated to reflect the current reporting lines and roles.

Controls are in place to ensure that personal information is secure. There are limitations within the electronic document storage system, which prevent the deleting of files. This needs to be addressed to ensure personal information can be deleted when it is no longer required by the authority.

Reliefs are awarded appropriately and in line with legislation and Council policies and procedures.

The NNDR team are all aware of the risk of fraud, either through money laundering or fraudulently claimed discounts. There are controls in place and work is being undertaken to review information in the system to identify any potential instances of fraud that would need reviewed.

Systems and processes are in place to ensure that properties are correctly billed, and that money is collected and where necessary recovery processes are in place.

Comment from the Chief Executive

I thank Internal Audit for this piece of work and look forward to the recommendations being fulfilled.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A Revenues and Benefits service plan is in place for 2019/20, with reference to the NNDR service objectives. There is a detailed risk register in place, which is reviewed regularly.
- 5.1.2** Performance targets are in place and reports are sent weekly to the Revenues and Benefits Operations Manager. The information is discussed at weekly management meetings and performance information is displayed within the office for the attention of all officers.
- 5.1.3** Staffing structures are in place representing the current staffing within Revenues and Benefits, which were recently reviewed. There are job descriptions in place for NNDR staff. The job descriptions haven't been reviewed since 2015 and refer to shared services responsibilities and out of date reporting lines.

Recommendation 1 – Job descriptions should be updated to reflect the current roles and reporting lines

- 5.1.4** Team meetings take place regularly. An agenda is agreed with officer input, and minutes are taken. The chair of the meeting rotates to give all staff the experience as does the minute taking.
- 5.1.5** Although staff are kept up to date through team meetings and access to the manager's meeting notes there has not been any appraisal for those officers below Team Leader for a number of years. A team appraisal could be undertaken with the NNDR team if appropriate, or individual ones if requested.

Recommendation 2 – Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with the Council's processes.

- 5.1.6** Financial monitoring is in place by the Revenues and Benefits Operations Manager and regular checks are in place with the relevant Finance Officer. Monthly reports are generated, and key issues are highlighted and discussed.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 A copy of the legislation covering NNDR is available to all officers. A copy of the Rating Law and Practice Manual is retained on the Revenues Team Leader's desk and an electronic copy is available through the relevant government website which ensures that update information is always available.

5.2.2 All staff responsible for NNDR have completed the mandatory Council training for GDPR and Cyber security.

5.2.3 A data processing agreement is in place with Marston's Holding, the Council's debt collecting agency, allowing the Council to share information for the purpose of debt recovery.

5.2.4 The following statutory reliefs are in place in line with legislation:

- Small business rate relief
- Prohibited by Law
- Charitable Rate
- 2017 Revaluation relief
- Newspaper Relief

Information relating to the discounts is available to clients through the council's internet.

5.2.5 Local reliefs are in place such as the Hard to Let Scheme which was implemented to encourage businesses to stay in Carlisle and help promote the city. The scheme was approved by Members in July 2016 and Members have the authority to award the relief. There has only been one case awarded, all information relating to the award was presented to the Executive, including the financial cost. All decisions were appropriately recorded.

5.2.6 Discretionary reliefs are approved in line with guidance and legislation, such as rural settlement relief. There is standard criteria for 50% of the discount, which is a mandatory relief and also a further 50% discretionary award. A case was reviewed, and no issues were highlighted with the award. It would be advisory for the form to be updated to reflect the current authorisation levels, as the roles do not reflect the current structure.

5.2.7 The NNDR team are aware of the risk of incorrectly claimed rate reliefs, in particularly small business rate relief. and the team are taking proactive steps in preventing fraud. Further work is anticipated including comparing data with other authorities to identify further potential fraud and error.

5.2.8 Outstanding debts are passed to the Revenue and Benefits Recovery team. All bad debts are written off appropriately and are approved by the Director of Finance and Resources.

5.3 Information – reliability and integrity of financial and operational information

5.3.1 A copy of the Revenue and Benefit Services Privacy Note is available on the Council's website. Clients are advised of the information which would be collected on the application form.

5.3.2 A retention schedule is in place for Revenues and Benefits Services, written in 2018 and refers to NNDR data retention. A review of the schedule identified there are concerns about the Civica Document storage system as there is no ability to delete information from the current version.

Recommendation 3 –Action should be taken to ensure electronic records containing sensitive personal information can be deleted within acceptable timeframes

5.3.3 Paper correspondence is scanned into the system and retained for 3 months prior to confidential destruction. The Revenue and Benefits office is a secure room with restricted access.

5.3.4 The IT system is secure with restricted access based on user roles, with permissions to apply discounts restricted to appropriate users. The System Support Team are responsible for adding and removing users and a form is used to process the changes. Backups of the ICT system are taken daily.

5.3.5 Staff are aware of the risk of money laundering through NNDR overpayments and refunds and ensure that the correct documentation is received and that bank accounts are verified prior to refunding payments.

5.3.6 Checks are in place to ensure that bills are correctly printed at the start of the year and that the systems totals reconcile to the Valuation Office listings to ensure that the Council's bills are correct and that no input errors have occurred.

5.3.7 New properties are identified as reported to the Valuation office. Reconciliations are in place to ensure that all changes are updated corrected on the Academy system.

5.3.8 Suspense accounts are cleared daily to ensure that all information is posted accurately and timely.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Job descriptions should be updated to reflect the current roles and reporting lines	M	Employees are not aware of correct reporting lines and roles.	Job Descriptions to be reviewed and amended as required	Revenues and Benefits Operations Manager	30 th June 2020
Recommendation 2 – Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with the Council's processes.	M	Training needs and service improvements not clearly identified.	Appraisals to be held for Team Leaders	Revenues and Benefits Operations Manager	30 th June 2020
			Team Appraisal to be determined for completion	Revenues and Benefits Operations Manager / Revenues Team Leader	30 th September 2020
Recommendation 3 – Action should be taken to ensure electronic records containing sensitive personal information can be deleted within acceptable timeframes	M	Non-compliance with GDPR legislation. Failure to control records.	Subject to suitable software upgrades providing functionality, retention schedule to be reviewed to reflect record deletion timescales	Revenues and Benefits Operations Manager	31 st December 2020

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).