

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Collection of National Non-Domestic Rates (NNDR)

TO: Head of Finance

DATE: 7 February 2013

C.C. Chief Executive
Exchequer Manager
Principal NNDR, Systems and
Recovery Officer

1 Introduction

- 1.1 In accordance with the Audit Plan for 2012/13, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Non-domestic, or business, rates are the way in which businesses and other occupiers of non-domestic properties contribute toward the cost of local authority services.
- 2.2 The bills are issued by the Council based on figures provided by external bodies. The rateable value of each property is set by the Valuation Office Agency (VOA). A multiplier is then applied, set by the Department of Communities and Local Government (DCLG), which determines the percentage (expressed as pence in the pound) of the rateable value of the property that is due to be paid in business rates.
- 2.3 Unlike council tax (for domestic properties) where the Council retains the income received, NNDR is currently collected on behalf of the Government, with income being paid into a central pool (allowing for the cost of collection to be retained). This is due to change with effect from the next financial year. However, this has not had an effect on the performance of this audit.

3 Scope and Objectives of the Audit

- 3.1 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on discussions with relevant staff, including the Principal NNDR, Systems and Recovery Officer.

3.2 The objectives that have been considered as part of this audit include:

- Bills issued are accurate and contain appropriate details.
- Bills are only amended when there is a valid reason to do so.
- The council pays the correct amount to the national NDR pool.
- Income is collected appropriately and is credited against the correct account.
- Refunds are paid to the correct ratepayer and only when there is a valid reason to do so.
- The council is aware of the collection rate and takes appropriate steps to ensure that all income due is received.
- Appropriate recovery action is taken by the council.
- Bailiffs are used appropriately.
- Debts are only written off once all reasonable recovery measures have been taken.

3.3 The Billing, Collection & Refunds and Recovery & Enforcement modules of the CIPFA Matrices for Non-Domestic Rating were used. The expected controls under these matrices are categorised into the following areas:

Billing:

- (1) Procedures and regulations
- (2) Issuing of demands
- (3) Calculations and payments
- (4) Revisions and suppressions
- (5) Reconciliations
- (6) Security of data (see below)

Collection & Refunds:

- (7) Procedures and regulations
- (8) Contributions and grants
- (9) Income collection
- (10) Credits and refunds
- (11) Checks and reconciliations
- (12) Performance
- (13) Security of data (see below)

Recovery & Enforcement:

- (14) Procedures and regulations
- (15) Recovery action
- (16) Bailiff action
- (17) Suppressions
- (18) Performance
- (19) Write-offs
- (20) Security of data (see below)

3.4 Some specific tests were not performed as they were either considered not relevant to the operations at the council or are covered under separate audits (e.g. data security is covered under a specific IT audit of the Civica Open Revenues system).

4 Findings

4.1 Billing

- 4.4.1 The main billing run is undertaken in March each year, based on the parameters entered onto the system (e.g. multipliers, thresholds for different reliefs etc.). Upon review of the parameters it was confirmed that they had been correctly entered for the current year's billing.
- 4.4.2 As part of the 'new year' billing run, sample testing is undertaken by the Exchequer Manager to ensure that reliefs and exemptions are being correctly calculated. Reconciliations are also performed to ensure that the total charge and the number of bills can be agreed back to the total rateable values and number of properties as per the VOA listings.

4.5 Collection & Refunds

- 4.5.1 As highlighted in the introduction, local authorities collect NNDR on behalf of the Government and pay the amount collected into a national pool. The amount that is to be contributed to the pool is calculated by Finance using standard forms. Calculations were found to have been performed and signed off on a timely basis, although the External Auditor had suggested some changes to one of the calculations, so amended forms were submitted.
- 4.5.2 Revenues staff have no involvement in the physical receipting of income relating to NNDR. Income is collected through various sources and will be receipted through the PARIS system (which has been audited separately during the current financial year). Cash posting files are placed on the network by Finance on a daily basis and these will then be uploaded onto Civica to post the income collected to the relevant accounts. Cash posting reports are generated from the system with the figures being agreed, and a cash book spreadsheet is also maintained that is reconciled to the financial control reports on a weekly basis.
- 4.5.3 If the account details cannot be identified from the uploaded file, the payment will be placed in the suspense account on Civica. Any items that go into the suspense account are reviewed as soon as possible, and are moved to the relevant account once it has been established. Upon review of the suspense account, there were no items shown as outstanding. The items moved from the suspense account during the current financial year were also reviewed and it was confirmed that transfers had been made to bona fide accounts where necessary.
- 4.5.4 If payments, awards of relief or revaluations put the account into credit, this can either be transferred to another account (if the ratepayer has more than one liability) or refunded to the ratepayer.
- 4.5.5 A sample of accounts with credit balances was reviewed to ascertain if they were legitimate and could not be offset against other liabilities. In all sampled cases, the balances were legitimate and the credits were due to be refunded.
- 4.5.6 A separate sample of refunds was also examined to ensure that they had been correctly calculated and had been authorised as appropriate. Testing

confirmed that supporting evidence was on the system to confirm the amount to be refunded, which is calculated by the system based on the dates entered, and all had been appropriately authorised.

- 4.5.7 A sample of transfers between accounts was also looked at. This review confirmed that appropriate evidence was held to support the transfer and the transfers were all made between legitimate accounts.
- 4.5.8 Performance monitoring is undertaken on the amount of money collected in year against the total income expected (the collection rate). The aim is to increase the percentage received year-on-year, and this is monitored on both a day-to-day and monthly basis. The collection rate for the current year had been performing well (over 95% of the total due had been collected), although, as at the end of December 2012, the collection rate was marginally down on the previous year's figures. This has been attributed to the timing of the last cash posting.

4.6 Recovery & Enforcement

- 4.6.1 Testing was undertaken on a sample of accounts in arrears that have been through the various stages of the recovery process. Testing confirmed that all relevant stages had been undertaken and there had been no undue delays in the process. Where the cases had gone to court, the summonses had all been issued in a timely manner, all costs had been included and the cases were on signed 'liability order lists'.
- 4.6.2 In some cases, the ratepayer will contact Revenues upon receipt of a reminder or a summons and a special arrangement will be made to clear the outstanding debt. A sample of these special arrangements was examined and testing confirmed that the arrangements had been set up appropriately and, in these instances, they were being complied with and did not therefore require a return to the recovery process.
- 4.6.3 Once all means of trying to recover the debts have been exhausted (including the use of bailiffs as appropriate), the debts are written off. A review of a sample of debts that had been written off confirmed that supporting documentation was held and they had been appropriately authorised, although in a few cases, the authorisation was only evident on the batch form as the individual forms had not been signed.

5 Summary & Conclusion

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the collection of national non-domestic rates, with regards to the billing, collection & refunds and recovery & enforcement aspects, are appropriate and are operating effectively.
- 5.2 Whilst the occasional document could not be located during the course of the audit and a couple of documents did not include signatures as expected, the isolated nature of the incidents and supporting controls in place led Internal Audit to conclude that no recommendations are necessary.

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