

**FROM:** Audit and Risk Manager                      **SUBJECT:** National Non-Domestic Rates  
**TO:** Head of Finance                                      **DATE:** 30 January 2020  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Exchequer Manager  
Revenues & Recovery Manager  
Portfolio Holder (Cllr Hales)

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed by Jemma Butler, Internal Auditor, 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 cooperation received during the audit.

## 2 Background

- 2.1 National Non-Domestic Rates (NNDR) is managed by members of staff in the Revenues section of Finance. The team is also responsible for the management of NNDR on behalf of Stratford-on-Avon District Council.
- 2.2 There are currently 5,581 chargeable properties in Warwick District with a total rateable value of £170,471,524.
- 2.3 The net charge for 2019/2020 is currently £71,002,855.18. The collection rate for 2018/19 was 97.92% which was a decrease of 0.8% compared to 2017/18. The current collection rate for the financial year so far (to 16 January 2020) is 88%.
- 2.4 Most NNDR transactions and routines are processed by a management system called Civica Open Revenues. This has been in place for several years and, while the basic functions remain broadly unaltered, it has undergone a number of revisions in response to changes in legislation.

## 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken in order to establish and test the management and financial controls in place over billing, collection and recovery. The

approach undertaken was to apply the CIPFA Control Matrices. These require the completion of Internal Control Questionnaires (ICQs) which are designed to identify any control weaknesses. Then follows the completion of a series of compliance tests that are linked to the ICQs.

3.2 Wherever possible the detailed testing, to confirm the existence of controls, was supported by documentary evidence but in some cases reliance had to be placed on verbal assurance.

3.3 The expected controls under the matrices are categorised into the following areas:

Billing:

- Procedures and regulations
- Issuing of demands
- Calculations and payments
- Revisions and suppressions
- Reconciliations
- Security of data

Collection & Refunds:

- Procedures and regulations
- Contributions and grants
- Income collection
- Credits and refunds
- Checks and reconciliations
- Performance
- Security of data

Recovery & Enforcement:

- Procedures and regulations
- Recovery action
- Bailiff action
- Suppressions
- Performance
- Write-offs
- Security of data

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).

3.5 The control objectives that have been considered during the audit include:

- Bills issued are accurate and contain appropriate details.
- Bills are only amended when there is a valid reason to do so.
- 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 monitors the NNDR 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 written off only when all reasonable recovery measures have been taken.

## 4 Findings

### 4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in October 2017, were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 NNDR write-offs greater than £1,000 should be authorised by the Head of Finance or his representative.	We are to undergo an internal review of our write-off arrangements and document a new policy as the existing arrangements are no longer appropriate in terms of the different levels of authorisation that now occur and the amounts involved.	Write-offs over £5,000 are authorised by the Exchequer Manager, with those under this threshold being checked by the Senior Recovery Court Officer. A random selection is also checked by the Revenues and Recovery Manager. This is set out in a delegated write-off procedure document.

### 4.2 Billing

4.2.1 There is no specific procedure manual in place for Revenues staff. The Exchequer Manager (EM) confirmed that all staff receive CIVICA training as well as continuous on-the-job training and additional guidance as required. Further training needs are identified in one-to-ones and appraisals.

4.2.2 The bills issued provide the ratepayer with the charges for rates for the financial year and a payment schedule (across twelve months). The address, of the premises the bill is related to, is clearly stated along with various ways to pay and contact information for enquiries. The Council website also provides guidance and information for ratepayers including ways to pay.

4.2.3 Direct debit is the preferred method of payment, allowing ratepayers to choose from six payment dates within the month. Payments can also be made online, by telephone, through their bank or at 'pay points'.

4.2.4 Instalments are offered on a monthly payment option over twelve months. This was previously ten months but was changed to be in line

with council tax. The change also meant fewer refunds needed to be calculated and issued if the premises became vacant.

4.2.5 Key parameters (the standard multiplier and the small business multiplier) are provided annually by the Government. These figures are published on the Council's webpages within the business rates section. Sample bills are run to check the parameters have been set up correctly and this also allows the Revenues team to check that exemptions and reliefs are also being calculated correctly.

4.2.6 All liable properties are input onto CIVICA with any changes to rates being updated according to the figures received from the Valuation Office Agency (VOA). The total amount billed for all properties can be checked against the figures provided by the VOA. This is checked when completing end of year documents.

### 4.3 **Collection and Refunds**

4.3.1 An NNDR1 form is completed annually by an Assistant Accountant and signed off by the Head of Finance before being submitted to the Ministry of Housing (MH) by the 31 January. The NNDR1 predicts the income for the year.

4.3.2 The share of NNDR calculated as payable to the MH was £33,577,383 which agreed with the amount submitted on the NNDR1. Some adjustments were applied, which resulted in a payment of £35,489,602 for 2019/20. The amounts are paid monthly by direct debit following to the schedule of payments.

4.3.3 An NNDR3 is submitted at the end of the financial year with the confirmed amount collected being stated. This is also completed by an Assistant Accountant and signed off by the Head of Finance. The cut-off date for submission of the form to the MH is 30 April.

4.3.4 Refunds are set up on the system by Revenues staff. The processing of them is carried out by the Systems Officer (SO) who is independent from the Revenues team with no valuation, liability, billing or recovery duties.

4.3.5 The financial system (PARIS) automatically matches payments, which have correct references, to the relevant ratepayers account. Payments received without references are held in a suspense account where they are manually reviewed and matched. All payment details are also entered onto a cash book spreadsheet which is reconciled on a monthly basis.

4.3.6 In the current financial year, there has only been one item in the suspense account. This was identified and moved to the relevant ratepayers account in a timely manner.

4.3.7 The Treasury team confirm the amounts and dates that the payments are received. Direct debits (DD) that are rejected are logged and stored

on a summary report. Ratepayers should be informed by their bank when a DD is rejected, although the Revenues team may also send a letter to advise the ratepayer of their options, depending on the circumstances.

- 4.3.8 Any accounts that have gone into credit are flagged on a daily basis for review by the Revenues team. A monthly report showing accounts with credit balances is also run which is reviewed by Revenues staff. Testing was undertaken on a sample of accounts in credit. Upon review, it was confirmed that all balances were legitimate and notes were added to the ratepayers account to show what action was to be taken with the credit.
- 4.3.9 Where refunds for credits had been issued, all supporting documentation was saved to the relevant account, and it was confirmed that the refunds had been calculated and authorised appropriately.
- 4.3.10 The refunds issued so far in this financial year are lower than previous years. This could be due to the change in payments schedules, being over twelve months instead of ten, or because ratepayers are encouraged to use credit balances to reduce the following year's payments. Most of the accounts reviewed that were in credit were found to be saving the credit balance to use against next year's payments rather than having a refund whilst a couple are being used to reduce debts where the ratepayer has more than one account with the Council.
- 4.3.11 A sample of transfers between properties were reviewed. Transfers are usually completed when a ratepayer moves to a new property, splits a premises or merges their premises with another. The transfers were all appropriately authorised and had been moved to a legitimate account.
- 4.3.12 At the end of each month, the income received is reconciled with the amounts Treasury have recorded to ensure payments received are as expected and refunds have been accounted for. This reconciliation is carried out by an Accountancy Assistant who is independent from the Revenues team.
- 4.3.13 Bills are initially issued early March which state the total payable for the whole financial year, including any under or over payments from the previous year. Ratepayers can request an updated bill during the year or a copy of the original bill.
- 4.3.14 Performance is monitored against the previous year and used as part of monthly reporting. There is no variable target set as the aim is to collect 100%. The collection rate is calculated on a daily basis and logged on a spreadsheet where it is compared to the previous year's rates.

#### 4.4 **Recovery and Enforcement**

- 4.4.1 The Non-Domestic Rating (Collection and Enforcement) Regulations 1989 are followed, providing the strategy for recovery and detailing the processes.

- 4.4.2 Recovery staff are unable to amend the amounts owed, but they can access the account information and set up instalment arrangements and re-issue bills. Reminders to pay are run by the system on an automated cycle with input from the SO. Recovery staff do not have any income collection duties and cash or cheque payments are not accepted at the Council offices.
- 4.4.3 CIVICA automatically progresses accounts through the recovery stages, without the need for manual input. Ratepayers are sent two reminders to pay and a liability order is issued by the Court before the account is passed on to the bailiffs. This is then followed by a summons if bailiff recovery has been unsuccessful. Where ratepayers have contacted Recovery staff to set up a special arrangement (SPAR), a letter is issued to confirm the repayment schedule and, if followed, debts are usually cleared by the end of the financial year. If payments are missed, recovery action will continue.
- 4.4.4 The timetable for court hearings over the financial year is agreed with the court by the end of March. Summons are only issued to ratepayers when all other avenues of recovery have failed.
- 4.4.5 A contract has been in place with the same bailiffs since 2004. The contract, which also covers Rugby Borough and Stratford District Councils, was recently renewed (October 2019) for a further four years, with a procurement exercise being carried out by the Council for the award of this new contract. The contract sets out the areas covered and the legislation relevant to the Council. It was noted that, within the definitions, the conditions state that "Authority" means Rotherham Borough Authority.

### **Risk**

**Some aspects of the contract may be invalid due to the incorrect authority being identified.**

### **Recommendation**

**A variation of contract should be completed to ensure the correct authority is listed.**

- 4.4.6 Contact is made with the bailiffs on a daily basis to update on changes to the account recovery. Additional reports can be run from the bailiff's website and all relevant revenues staff have access to this system and are able to generate reports as required.
- 4.4.7 The collection rates over the last four years have been reasonably consistent, at around 98%. The collection rate is on track to end at a similar percentage this financial year, with the collection rate for the financial years so far being 88% (16 January 2020).
- 4.4.8 Performance statistics, including collection rates, are monitored on a monthly basis by the Revenues and Recovery Manager (RRM) and the

EM. Any issues that arise are followed up. The Senior Recovery Court Officer advised that they monitor special arrangements (weekly), bailiff progressions (quarterly) and post bailiff stages (monthly).

- 4.4.9 Write-offs are only considered when all other methods of recovery have failed. The Code of Financial Practice states that write-offs over £1,000 should be authorised by the Head of Finance. However, there is a delegated write-off Authorisation Process that was adopted in January 2018 which allows the EM to authorise write-offs over £5,000 on behalf of the Head of Finance, whilst those under the threshold are checked by Senior Recovery Court Officer and a random selection is also checked by the RRM.

## 5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of National Non-Domestic Rates are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

- 5.3 There was, however, one minor issue identified during the course of the audit relating to an error on the bailiff contract.

## 6 **Management Action**

- 6.1 The recommendation above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager

## Action Plan

## Internal Audit of National Non-Domestic Rates – January 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.5	A variation of contract should be completed to ensure the correct authority is listed.	Some aspects of the contract may be invalid.	Low	Senior Procurement Business Partner	A variation of contract will be completed to ensure WDC is listed as the authority.	Completed

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.