

**FINAL INTERNAL AUDIT REPORT**  
**RESOURCES DEPARTMENT**

**REVIEW OF NNDR AUDIT FOR 2013-14**

**Issued to:** John Nightingale, Head of Revenues and Benefits  
Peter Turner, Finance Director

**Prepared by:** Principal Auditor

**Date of Issue:** 23 December 2013

**Report No.:** RD/006/01/2013

## REVIEW OF NNDR AUDIT FOR 2012-13

### INTRODUCTION

1. This report sets out the results of our systems based audit of NNDR. The audit was carried out in quarter Q2 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference. The period covered by this report is from 1/7/12 to 31/8/13
4. The net cost of collection for NNDR for 2013-14 is £185,580. This includes £373,920 for income for Standard Allowances and Charges re Summons Raised and £559,500 for expenditure. The NNDR Monitoring Report for July 2013 showed the current collection rate of 42.45% and the collection rate for 2012-13 at 98.72%.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

## REVIEW OF NNDR AUDIT FOR 2012-13

### MANAGEMENT SUMMARY

7. Controls were working well in the areas of expected Service Level Agreements being in place and service monitoring being undertaken by The Head of Revenues and Benefits. Audit evidenced June 2013 and July 2013 Client Monitoring Reports and the service meeting minutes for July and August 2013 for confirmation.
8. The NNDR account is regularly reconciled to the control account in the general ledger and is signed off as accurate by accountancy staff.
9. The NNDR Return 1 form, which includes detail of business rate exemptions and rates from new businesses was completed in January 2013 and sent to the Department for Communities and Local Government. The total estimated income for 2013-14 was £84,220,015.00. Payments are made monthly to Central Government and Greater London Authority as per outline schedules and the remainder of the income is retained by the authority. An end of year reconciliation will be carried out to balance actual NNDR income amounts and monies retained.
10. The NNDR database is reconciled to the Valuation Schedules every 4 months. The last reconciliation prepared in August 2013 had no errors or discrepancies.
11. The NNDR system parameters were signed off as correct by the Head of Revenues and Benefits.
12. Reports were extracted by the contractor from the NNDR system detailing bills issued, outstanding liabilities, empty property, mandatory and charity reliefs, from 1/7/12 – 31/8/13.
13. A random sample of 20 mandatory or discretionary relief, such as charitable occupation and empty premises relief was selected for auditing purposes. Checks were carried out to confirm discounts/exemptions were supported by the correct documentation and agreed periodic checks take place.
14. A random sample of 20 accounts with a liability was selected and reviewed to confirm the NNDR debt recovery procedures are in place and operating effectively. This included, confirmation that recovery action taken was legitimate and appropriate,

## REVIEW OF NNDR AUDIT FOR 2012-13

the original NNDR liability bill for the year was correctly valued, the recovery is carried out in accordance with financial regulations, demand notices are legitimate and appropriate, recovery action is supported by documentary evidence, recovery is correctly calculated, valued and is cost effective, relevant records are updated promptly to record any recovery action taken and recovery action is satisfactorily concluded.

### 15. Audit testing identified

- Inspection visits do not always take place within the agreed timescales however the contractor confirmed that staff resources have been devoted to the empty homes project.

2 of the previously agreed recommendations made by audit, relating to inspections and appeals regarding business valuations were followed up as part of this audit. No appeals were identified during this years audit testing and the delay in inspections was noted as above.

## SIGNIFICANT FINDINGS (PRIORITY 1)

### 16. None

## DETAILED FINDINGS / MANAGEMENT ACTION PLAN

17. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

## ACKNOWLEDGEMENT

Internal Audit would like to thank all staff contacted during this review for their help and co-operation

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Audit tested a sample of 20 mandatory or discretionary relief business cases, such as charitable occupation and empty premises to ensure discounts / exemptions are valid On 4 out of 20 occasions inspection visits had not been carried out as regularly as expected on empty properties i.e. in 3 monthly intervals</p> <ul style="list-style-type: none"> <li>• Account 7117647 Un-occupied since 19/11/10. Property inspection visits in the last 12 months included 16/1/13, 14/6/13 and 15/8/13</li> <li>• Account 7117689 On-occupied since 1/1/13. Property inspection visits 19/2/13 &amp; 23/7/13</li> <li>• Account 7117812 Un-occupied since 15/8/12. Property inspection visits 1/11/12, 18/1/13, 29/5/13 &amp; 9/8/13</li> <li>• Account 7117435 Communications mast decommissioned 15/1/13 however site visit not undertaken until 22/9/13</li> </ul> <p>An addition one case was identified from the sample of 20 accounts in the debt recovery procedure where an inspection was delayed</p> <ul style="list-style-type: none"> <li>• Account 7117817322 A request was made for inspection visit 26/7/13 however this has not been carried out to date</li> </ul> <p>Project Code: RD/006/01/2012</p> <p><b>Priority 1</b> Required to address major weaknesses and should be implemented as soon as possible</p>	<p>Empty property relief maybe given incorrectly resulting in a loss of funds due.</p> <p>Page 5 of 7</p> <p><b>Priority 2</b> Required to address issues which do not represent good practice</p>	<p><b>Ensure inspection visits take place within the agreed timescales and are recorded on Academy [Priority 2]</b></p> <p><b>Priority 3</b> Identification of suggested areas for improvement</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Ensure inspection visits take place within the agreed timescales and are recorded on Academy	2	Whilst it is acknowledged there was a delay in 17 visits being undertaken this has now been resolved. Visit should be undertaken at the appropriate time	Head of Revenues and Benefits & Liberata Head of Revenues	On-going

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level****Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.