

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF NNDR AUDIT FOR 2015-16

Issued to: John Nightingale, Head of Revenues and Benefits

Cc: Peter Turner, Director of Finance (Final Report only)

Prepared by: Auditor, London Borough of Wandsworth

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REVIEW OF NNDR AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of NNDR for 2015-16. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2015-16 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 issued on 23/07/15. The period covered by this report is from 01/09/14 to 31/07/15.
4. The total amount of business rate bills raised at 31 March 2015 was £90 million, with collection rate for 2014-15 at 98.80% (against a target of 99.30%). Business rates in-year collection as at June 2015 is at 31.23%, which is 0.97% below June target of 32%. However, examination of the Revenue Service monitoring report identified part of the reasons for reduced collection was the removal of some mandatory reliefs and changes in legislation which allowed rate payer to make payments over 12 months.

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 satisfactory assurance can be placed on the effectiveness of the controls over the area that were tested. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

REVIEW OF NNDR AUDIT FOR 2015-16

7. Controls were in place and working well in the areas of:

- Valuations of properties are accurate based on details provided by the Valuation Office
- Calculations of transitional reliefs are accurate
- Applications for discretionary, mandatory and flood reliefs are assessed appropriately
- Bills are issued for all eligible properties
- Empty properties were regularly inspected

8. However, we would like to draw to Manager's attention the following issues:

- The absence of periodic review means that small business rate reliefs could be awarded where they may no longer be entitled.
- Sufficient recovery actions are not always being taken and details of actions being taken are not always recorded

SIGNIFICANT FINDINGS (PRIORITY 1)

9. No significant findings were identified during this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. 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

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

DETAILED FINDING

No.	Findings	Risk	Recommendation
1	<p>Small Business Rate Relief Examination of a sample of 10 cases with small business rate relief identified six instances where up-to-date application forms could not be evidenced. Furthermore, there is no evidence of any records of periodic checks being carried out. This relates to account ref: A – latest application period: 03/12/2009-31/03/2010 B – latest application period: 12/06/2013-01/04/2014 C – latest application period: 22/08/2013-01/04/2014 D – latest application period: 02/05/2013-01/04/2014 E – latest application period: 02/05/2007-01/04/2008 F – no application/review documents were held on Anite, however, SBR was still applied.</p>	<p>Relief may be awarded to properties that are not eligible.</p> <p>Where business has ceased trading the property owner becomes liable and proportion money paid could come back to the local authority.</p>	<p>Where relief extends beyond a year you should consider an annual review of ongoing entitlement.</p> <p>[Priority 3]</p>

MANAGEMENT ACTION PLAN

No.	Findings	Risk	Recommendation
2	<p>Recovery Testing of a sample of ten recovery cases including special arrangements found three instances where recovery actions have not been taken in accordance with the SLA.</p> <ul style="list-style-type: none"> Account ref 1: It is noted that the liability order was issued on 28/08/2015 and Bailiff appointed on 16/09/2015, which is not within seven days of liability order being issued. According to SLA (2.17.38) “where customers have made no contact since court hearing liability order should be passed to Bailiffs within seven days of the hearing date”. Furthermore, account notes are not regularly updated and correspondence is not documented in Anite (Account notes last updated on 24/07/2015.) Account ref 2: A liability order had been issued for the outstanding balance of £5,080 from 2014/15, Whilst the balance is still outstanding the rate payer has now been summoned to the Magistrate Court for another payment of £6,574 (balance outstanding for 2015/16). No evidence of arrangements being made to recover the outstanding amount. It is acknowledged that several attempts have been made to identify the liable party and a “high end recovery” option is being considered due to long standing landlord and ratepayer dispute. 	<p>Business rate income due to the authority not being collected and contractor not taking required action.</p>	<p>Ensure sufficient recovery actions are taken in accordance with the SLA to collect outstanding amounts.</p> <p>Cases requiring bailiff / debt collector action should be requested promptly.</p> <p>[Priority 2]</p>

MANAGEMENT ACTION PLAN

No.	Findings	Risk	Recommendation
	<ul style="list-style-type: none"> Account ref 3: A liability order of £14,100.62 is outstanding from 04/09/2014. It was identified that only two reminders have since been issued to the rate payer (date of last reminder 11/07/2015). However, the liable party had gone away and the company has been dissolved so write-off action will be required. 		

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Where relief extends beyond a year you should consider an annual review of ongoing entitlement.	3	There is no requirement under the legislation or contained in SLA to provide periodic checks.	Head of Revenues and Benefits	Ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>Ensure sufficient recovery actions are taken in accordance with the SLA to collect outstanding amounts.</p> <p>Cases requiring bailiff / debt collector action should be requested promptly.</p>	2	<p>Please find below notes indicating appropriate recovery action has been taken.</p> <p>Account 1 – Liability order obtained 28/8/15. Sent to EA 16/9/15. Controls now in place to ensure cases referred within 7days</p> <p>Account 2 – notepad entry 15/10/14 advising landlord confirms ratepayer was correct liable person after signing 5year lease in 2002. Account returned by EA as could not be located whereabouts of debtor. Tracing work completed following return of postal documents. Property inspections are undertaken but not successful as void. Attempts recover unpaid debt exhausted. Details on notepad.</p> <p>14/7/15 confirms Locta and Experian checks, both confirm same director address. Long standing landlord and rate payer dispute. High end recovery being considered.</p> <p>Account 3 – LO was obtained 25/9/14. The account was issued to EA on 29/9/14 and returned “gone away” on 13/5/15. Notes on notepad. Company dissolved on 9/6/15 therefore recovery action ceased.</p>	Head of Revenues and Benefits	Ongoing

OPINION DEFINITIONS

APPENDIX C

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.