



AUDIT, PENSIONS AND STANDARDS COMMITTEE

27 September 2012

CONTRIBUTORS

Chief Internal Auditor
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Deloitte & Touche LLP

Final Internal Audit report for NNDR

WARDS

All

RECOMMENDATION:

To note the contents of this report

Final Internal Audit Report 2012/13


London Borough of Hammersmith and Fulham National Non-Domestic Rates (NNDR)

September 2012

This report has been prepared on the basis of the limitations set out on page 26.

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Introduction	<p>As part of the 2012/13 Internal Audit Plan, agreed by the Audit and Pensions Committee on 15 March 2012, we have undertaken an internal audit of National Non-Domestic Rates.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out in the Audit Brief issued on 3 July 2012.</p>
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Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Policies and Procedures			1	0	0
NNDR Transactions and Records			0	3	0
Valuation			0	0	0
NNDR Multiplier			0	0	0
Liability			1	2	1
Billing			0	0	1
Collection			0	1	0
Refunds			0	1	0
Debt Recovery and Enforcement			1	3	0
NNDR Finance			0	0	0
Financial and Performance Management Reporting			0	0	0

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Background and Key Statistics
<ul style="list-style-type: none"> • Although an Academy system user guide is available, there is currently no comprehensive procedural guidance available for staff to be followed for all aspects of the NNDR function; • The NNDR Team have recently begun undertaking a monthly review of amendments to data in ratepayer accounts; • A number of reliefs granted were not supported by sufficient evidence. Furthermore, the level of evidence required to grant retrospective Empty Property Rate Relief (EPRR) at the time of the audit was not considered sufficient. From a sample of 135 reliefs tested evidence to support granting the relief was not available in 31 out of 106 applicable cases. In a further 48 cases we did not consider the evidence required to support granting relief to be sufficient; • No authorisation is required in order to grant retrospective relief. From the sample of cases tested, a number of cases were identified where reliefs had been granted several years after the property was empty and no supporting evidence was retained; • There is currently no monitoring of outstanding property inspections to confirm that inspections are being completed promptly. Furthermore, there was no formal or systematic monitoring of the quality of inspection records or cancelled inspections; • The Cedar to Academy year end reconciliation is not yet balanced and, although a monthly reconciliation process has recently been adopted, at the time of the audit, monthly reconciliations have not been completed since April 2012; 	<ul style="list-style-type: none"> • Non-domestic rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services; • The Council received approximately £174.9m in NNDR payments during 2011/12 against an estimated collectable debit of £182.8m, and estimates to receive £171.96m in 2012/13; • As at 31 March 2012, NNDR arrears were estimated at £21.24m; • There are 9,283 live properties on the Valuation Office Agency (VOA) list. 3,643 of these properties pay using direct debit; and • 28.18% of the 2012/13 collection target had been collected at the time of audit, compared to 28.27% at this point in 2011/12 and 28.57% in 2010/11.

- In two cases tested, refunds were not authorised by an officer with the required delegated level of authority;
- A review of the top 250 NNDR debtors has recently been undertaken; however, this is not a regular process and no further monitoring of outstanding debt is currently undertaken;
- Stopped bills or suppressed accounts can be identified by a system report; however, this report is not reviewed on a regular basis and was last reviewed in 2011; and
- From a sample of 20 write offs tested, a write off request form could not be located in one case.

Summary of Findings

Policies and Procedures

There is currently no comprehensive procedural guidance available for staff. A user guide is available for the Academy NNDR database but this only describes how to use Academy and does not describe the policies or procedures that staff should follow. Shortly before our audit visit, guidance on granting exempt and empty property reliefs was developed. We were advised that staff had been informed verbally of this change to procedures and the updated procedure was emailed to all staff on 16 July 2012. The Capita year-end procedure notes dated January 2012 were also obtained.

One recommendation has been raised as a result of our work in this area.

NNDR Transactions and Records

Following implementation of the Active Directory, access to the Academy NNDR database is now controlled through the user's network login. Until May 2012, separate logins were required to access the network and the NNDR database.

A list of Academy users was obtained. Through examination of this list, we did not identify any active users that had left the Council. The account of the predecessor of the current Recovery Manager, who recently left the Council, had been made dormant on the system. Accounts of leavers are made dormant on the system, meaning that their access is removed, but the user is not removed from the system entirely. Users are required remain on the system to retain an audit trail of previous activity.

Access rights provided to users are in line with the request received from the relevant senior manager. Access rights granted are dependent on the specific staff member's role. Reviews of access rights to the Academy system are undertaken, however we were informed that these do not take place on a regular basis and there has not been a review since the move to the Active Directory.

Management have recently introduced a periodic review of amendments to rate payer accounts. A list of transactions between 1 June and 22 June 2012 had been produced and was in the process of being reviewed by the NNDR Database Manager at the time of the audit. 25 transactions per staff member are to be reviewed, with the Recovery Manager reviewing 25 transactions completed by the NNDR Database Manager. At the time of the audit, only five transactions had been reviewed. The NNDR Database Manager annotates each transaction reviewed with a status and details of the transaction. All transactions reviewed to this point were deemed 'ok'. During the audit we also identified that the Systems Support Team have access to amend data on Academy. There are currently no management checks of amendments made by the Systems Support Team to confirm they are appropriate.

Reconciliations are conducted between the cash posting files from Capita Access, and the Academy NNDR system. These are conducted on a daily basis in general, although sometimes these are completed every other day. The amount sent to the Academy NNDR system from Capita Access is copied from the cash file, which includes all the payments received for that day, to a reconciliation spreadsheet. This amount is checked against Academy details, and details of unallocated payments on Academy are sent to Financial Control for further detail to assist the Systems Support Team in correctly allocating the payments to accounts.

The process for reconciliations between the cash file and the Academy NNDR system was observed while a daily reconciliation was completed by the Systems Support Officer. The reconciliation spreadsheet, complete with notes, confirmed the regular completion of this exercise throughout 2012/13.

On the 16th of each month, direct debits will run. Prior to this run, an NNDR submission form is completed, which reconciles the direct debits to be completed against the details of direct debits due as per the Academy system. Reconciliations between April and June 2012 were obtained.

Three recommendations have been raised as a result of our work in this area.

Valuation

Reconciliations are undertaken between the Valuation Office Agency (VOA) schedule and the NNDR system on a weekly or fortnightly basis as and when schedules are received. As well as these regular schedules, full reconciliations to the list published by the VOA are undertaken three times per year. The VOA provides lists to the Council, detailing all rated properties in the Borough which is then reconciled with the NNDR database. The last time a full reconciliation was completed was in November 2011, although following completion of the audit fieldwork, evidence was obtained to show the July 2012 full reconciliation being completed.

The VOA provides a full valuation lists every five years. We were informed that the VOA uses different reference numbers to the Council, which has often caused reconciling difficulties. Discrepancies are identified, which are each investigated to establish the cause of the issue. This may involve either communication with the VOA to rectify discrepancies in their records, or amending data on the NNDR system. The Head of Assessments produces a list of discrepancies that have been identified through the reconciliation between the VOA lists and the NNDR database.

The Council sends through periodic lists of recommended amendments and items to consider to the VOA. This is completed every three to four weeks. This job is run on the NNDR system and an electronic file is sent to the VOA showing items requiring amendment.

NNDR Multiplier

The Department of Communities and Local Government provides the Council with the confirmed NNDR multiplier to be input into the system; this information was last published on 14 February 2012.

The NNDR multipliers input to the system cannot be changed after the year-end process is completed. This input process includes the Head of Assessment checking parameters and multipliers by test running bills for each type of ratepayer. Tests are completed on each of the types of bill / ratepayer using a copy of the system, prior to live billing.

Liability

Relief and discounts awarded should be supported by corresponding evidence to confirm eligibility for the relief. We were advised that, although this requirement is not documented, the evidence required is based on Audit Commission guidance and is as follows:

- An application form for Small Business Rate Relief;
- Checking the Charity Commission's website for Mandatory Charitable Relief;
- Inspections of empty properties for Empty Property Rate Relief (EPRR); and
- Notification from the rate payer or landlord for retrospective EPRR.

A sample of 135 reliefs was selected from April 2011 to date. Reliefs tested included Empty Property Relief, Small Business Rate Relief and Mandatory Charitable Relief. It should be noted that from the report of reliefs provided, it was not possible to differentiate between reliefs granted by the NNDR Team and system amendments processed by the Systems Support Team that automatically give rise to a relief. Therefore some of the cases selected were not applicable for the purposes of our testing.

From the 106 applicable reliefs tested, no evidence related to the relief was available on the EDRMS system account notes, e-mails or inspectors' files in 31 cases, with the majority of these attributed to one individual. In a further 48 cases, although evidence was available, we did not consider the evidence required to support granting relief to be sufficient. For example, in some cases retrospective EPRR was granted based on an e-mail request from the ratepayer with no further evidence provided.

There is no system enforced segregation of duties or system of authorisation when granting reliefs or exemptions. However a spot check of changes made to ratepayer accounts has recently been introduced as described above. Where retrospective EPRR is granted, confirming that the property was empty is more complex as an inspection cannot be undertaken and therefore the risk of granting fraudulent reliefs is increased. We have therefore recommended that all reliefs awarded retrospectively should be reviewed and approved by a senior member of staff.

Property inspections are completed by the Council's Inspector, who uses inspection reports generated by the system to inform his inspections. Empty property relief is checked by inspectors as part of a targeted four month rolling plan. The Council aims to inspect all properties within the Borough inside four months, although the completion time is currently around six months.

We confirmed through discussion with the Head of Assessments that the process for inspections is in the process of changing. In order to deal with the volume of inspections generated, all inspections are now forwarded to the bailiffs for completion, who feed back the information to the Council. We obtained copies of the lists of properties for inspection for the North and South parts of the Borough that were forwarded to the bailiffs in July.

There is currently no formal monitoring of inspections to confirm they are being undertaken promptly. We were advised that the performance of the Inspector and Bailiffs will be monitored going forward. Furthermore, although an inspection is automatically raised when Empty Property Relief is granted, there is an option to cancel these inspections. There is no monitoring of cancelled inspections to confirm that cancellation was appropriate.

There is no formal or systematic monitoring of the quality of inspection records. During the audit, we observed inspectors contacting premises by telephone to confirm whether they are empty. However, it is acknowledged that there may be cases where the inspector is unable to gain unannounced access to the property.

Where someone applies for EPRR, and the inspection reveals that the property is occupied, the inspector completes a report, which is logged onto EDRMS. The NNDR Team then update the system based on the report. The report will stay in the NNDR in tray until it is marked as actioned.

Discussions established that Small Business Rate Relief continues indefinitely until advised by the business that it is no longer eligible. There is no periodic check of continuing eligibility for relief.

Four recommendations have been raised as a result of our work in this area.

Billing

Each year, prior to live billing, a reconciliation is completed between the debits raised and the number of bills produced. Evidence of this was obtained, which was signed off by the Head of Assessments. There was no evidence of independent review of this reconciliation and a recommendation has been raised under 'NNDR Transactions and Records'.

As part of the year end process, a copy of the NNDR system is used to confirm that multipliers and parameters have been input correctly by testing a sample of each bill type prior to live billing. A sample of each bill checked was held electronically, in a folder entitled "20.03.2012"; however no further evidence was available to confirm that these bills had been reviewed and were accurate.

One recommendation has been raised as a result of our work in this area.

Collection

The Council matches income received (through cheques, cash, direct debits and online payments) to the correct account through reconciliations between the bank account and Cedar (the Council's Finance System), and between Cedar and Academy.

A full bank reconciliation for all Council funds is completed and therefore no specific reconciliation is completed between NNDR records and bank statements. However, a reconciliation is completed between Cedar and Academy (NNDR System). Historically, the reconciliation between Cedar and Academy has been an annual one, but is to be completed monthly going forward. A reconciliation of funds received up to the end of June was still being completed at the time of the audit and we were advised that the exact reconciliation process is still to be agreed in order to facilitate an effective monthly reconciliation.

A suspense account spreadsheet for NNDR is maintained by the Finance Team, and is cleared as part of the Team's daily job responsibilities. A number of items are yet to be cleared in the 11/12 suspense account, although this is being addressed as part of the year end reconciliation process and therefore no recommendation has been raised in relation to this specific issue.

One recommendation has been raised as a result of our work in this area.

Refunds

The Corporate Services Department Scheme of Delegation details the delegated authority for authorising refunds. The Academy System enforces these authorisation limits for those staff that have access to the system. For high value refunds where authorising officers do not have access to Academy, a separate refund authorisation form is used.

From a sample of 20 refunds tested, in two cases refunds were not authorised by an officer with the correct delegated level of authority. According to the Scheme of Delegation these should have been authorised by the “Assistant Director of Finance”, but had been signed by the Head of Assessments who is only authorised to approve refunds of up to £50,000 and the Director of H&F Direct who does not appear on the Scheme of Delegation. Further discussions with management established that the Scheme of Delegation may not be correct.

Furthermore, refunds processed on Academy are not reconciled to refund request forms to confirm that all refunds processed are supported by an authorised form.

One recommendation has been raised as a result of our work in this area.

Debt Recovery and Enforcement

The 2012/13 Recovery Timetable was obtained from the Recovery Manager, and is held in electronic format. It includes court hearing dates upon which the timings of Council’s recovery actions are based.

The Systems Support Team produces a list of reminders and summonses that are due to be sent out prior to release. This list is reviewed by the NNDR Database Manager before the reminders and summonses are issued. We confirmed through discussion with the NNDR Database Manager that not all summonses were reviewed before issue early in the year due to time constraints.

Where bills are disputed, accounts are suppressed to stop any further recovery action. An end date can be applied or these can be open ended. A report can be generated to show all accounts currently suppressed and we were advised that this report was last run in 2011. An example of this report was obtained for the purposes of the audit and showed approximately 180 suppressed accounts with many of these being duplicate account names.

A review of the top 250 NNDR debtors is currently underway; however, this has not been conducted before. Although the reasons for debts have been recorded, action required or already taken has not been recorded. Furthermore, no regular aged debt analysis of all NNDR income due to the Council is currently undertaken.

The write off of any irrecoverable debts should be approved by a member of staff with the required delegated authority as per the department’s Scheme of Delegation. A transaction list identifying all write offs for NNDR that have been made since April 2012 was obtained and a sample of 20 write offs was selected for testing. A write off authorisation form could not be located in one case. Of the remaining 19, all had been authorised by an officer with the correct level of delegated authority.

Four recommendations have been raised as a result of our work in this area.

NNDR Finance

An estimation of contributions is forwarded to Central Government after being verified by the Executive Director of Finance and Corporate Governance. This had been completed for the 2012/13 financial year, and the unaudited outturn for 2011/12 was also obtained.

Progress against collection targets is also reported through the Corporate Services Departmental Management Team's (CS DMT) Monthly Performance Indicators report, provided to management each month. This shows collection rates for the year to date against the collection target. The March, April and May reports were obtained.

The 2012/13 Schedule of Payments was obtained, which is available to staff and shows the contributions to be made for 2012/13.

Financial and Performance Management Reporting

Monthly updates are provided regarding progress against collection targets. A Monthly Performance Indicators report, including collection rates, is provided to the CS DMT for review. As well as the current year target, these reports detail actual outturn for the previous year, the previous three months and the year-to-date.

Performance of the NNDR Team is discussed as part of the DMT meetings and any problems or issues would be discussed here, and action points allocated accordingly. An example of this was obtained in the CS DMT minutes for 16 February 2012.

NNDR statistics are also included in the H&F Direct Vital Statistics report, an example of which was obtained.

Acknowledgement

We would like to thank the management and staff from the service areas contacted for their time and co-operation during the course of the internal audit.

1. NNDR Procedures

Priority	Issue	Risk	Recommendation	
1	<p>There is currently no comprehensive procedural guidance available for staff.</p> <p>A user guide is available for the Academy NNDR database, but this does not describe the procedures that staff should follow.</p> <p>Shortly before our audit visit, guidance on granting exempt and empty property reliefs was developed.</p>	<p>Where comprehensive procedural guidance is not available to staff, there is a risk that processes may not be undertaken in an efficient and effective manner in line with management requirements. Furthermore, there is a risk that it may not be possible to hold staff to account for failing to comply with management requirements.</p>	<p>Procedural guidance should be developed for the NNDR function. This should document the procedures to be followed for all aspects of the NNDR function including but not limited to:</p> <ul style="list-style-type: none"> • NNDR setting / end of year processes; • Set up and maintenance of accounts; • Granting reliefs; • Processing refunds and write offs; • Debt recovery; • System reconciliations; and • Management oversight and reporting. <p>This guide should clearly define the procedures and control processes to be followed, supporting documentation to be prepared or obtained and the location of where this information should be retained.</p> <p>Procedures should be subject to approval by senior management, communicated to staff and reviewed on a periodic basis.</p> <p>An officer should be appointed responsibility for maintaining the procedural guidance and ensuring it remains up to date.</p>	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessment	31/03/13

2. Periodic Review of Access Rights

Priority	Issue	Risk	Recommendation	
2	<p>We were advised that periodic reviews of access rights to the Academy system are undertaken, although this has not been undertaken recently.</p> <p>It should be noted that, through the course of our work, we did not identify any active users that should not have access to the system.</p>	<p>Where access rights to the Academy system are not reviewed periodically, there is a risk that:</p> <ul style="list-style-type: none"> • Staff that have left the Council may still have access; • Staff may have a level of access that they no longer require; or • Individuals have gained inappropriate access to the system. <p>This may lead to data security breaches.</p>	<p>A review of user access rights to the Academy system should be undertaken periodically (such as on a quarterly basis) to confirm that user access rights are appropriate and that access has been disabled for all staff that no longer require it.</p> <p>Evidence of this check should be retained.</p>	
Management Response			Responsible Officer	Deadline
Agreed			Head of Assessments	01/10/12

3. Review of Amendments to Data in Ratepayer Accounts

Priority	Issue	Risk	Recommendation	
2	<p>The NNDR team have recently begun undertaking a monthly review of amendments to data in ratepayer accounts. A sample of 25 changes per staff member is being tested to confirm they are appropriate and have been processed correctly. At the time of the audit, the first check had not yet been completed.</p> <p>We also identified during the audit that the Systems Support Team have access to amend data on Academy. There are currently no management checks of amendments made by the Systems Support Team to confirm they are appropriate.</p>	Where there is no regular process to review changes to standing data, there is a risk that inappropriate or incorrect amendments to accounts may not be identified.	<p>The review of amendments to data in ratepayer accounts should be completed on a monthly basis and be expanded to include members of the System Support Team. This requirement should be included in the NNDR procedural guidance referred to in recommendation 1.</p> <p>The review should seek to cover the issues identified within this report to gain assurance that staff are acting in line with management requirements.</p>	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessments	31/03/13

4. Independent Review of Reconciliations

Priority	Issue	Risk	Recommendation	
2	<p>There was no evidence that the following reconciliations had been reviewed by a second officer:</p> <ul style="list-style-type: none"> • Reconciliations between direct debits and the Academy system; • Reconciliation between cash posted and Academy system; and • Reconciliation between debits raised and bills produced, prior to the main annual billing. 	<p>Where reconciliations are not reviewed and certified by a second officer, there is a risk that these reconciliations may be completed incorrectly, late, or not at all. This may lead to errors and anomalies not being promptly identified, investigated and resolved.</p>	<p>The following reconciliations should be reviewed by a second officer independent of the reconciliation process:</p> <ul style="list-style-type: none"> • Direct debits and the Academy system; • Cash posting files and the Academy system; and • Debits raised and bills produced, prior to the main annual billing. <p>Reconciliations should be certified by the officer undertaking the reconciliation and the reviewing officer as evidence of review.</p>	
Management Response			Responsible Officer	Deadline
Agreed			Head of Assessments	01/10/12

5. Retaining Evidence to Support Reliefs Granted

Priority	Issue	Risk	Recommendation
1	<p>We were advised that, although management's requirements in order to grant relief are not documented, these are based on the Audit Commission's guidance and are as follows:</p> <ul style="list-style-type: none"> • An application for Small Business Rate Relief; • Checking the Charity Commission's website for Mandatory Charitable Relief; • Inspections of empty properties for Empty Property Rate Relief (EPRR); and • Notification from the rate payer or landlord for retrospective EPRR. <p>A sample of 135 reliefs was selected for testing. From the report of reliefs provided it was not possible to differentiate between reliefs granted by the NNDR team and system amendments that automatically give rise to a relief. Therefore 29 of the sample selected were not applicable.</p> <p>From the 106 applicable cases tested, evidence to support granting the relief was not available in 31 cases. In a further 48 cases we did not consider the evidence required to support granting relief to be sufficient. For example, in some cases retrospective EPRR was granted based on an e-mail request from</p>	<p>Where reliefs are granted without obtaining sufficient evidence from an independent or reliable source, there is a risk that reliefs are granted where the business is not eligible leading to financial loss.</p>	<p>Management should define the level of evidence required to support granting each type of relief. For example:</p> <ul style="list-style-type: none"> • Small Business Rate relief may be supported by an SBRR application form from the business; • Charitable Relief may be supported by evidence of a check on the charitable status of the organisation; and • Empty Property Rate Relief maybe supported by an inspection report confirming the property is currently empty or evidence from a credible independent source that the property is empty in the case of relief granted retrospectively. This evidence should be obtained before the exemption is granted for retrospective reliefs. <p>Procedure notes should define the acceptable forms of evidence for each relief and where this evidence should be retained.</p> <p>Staff should be instructed that reliefs should only be granted where sufficient evidence has been provided.</p>

	<p>the ratepayer with no further evidence provided. It should be noted that EPRR provides an exemption from NNDR for a period of three (non industrial) or six (industrial) months, after which 100% is due.</p>		
Management Response		Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000		Head of Assessments	31/03/13

6. Approval of Retrospective Empty Property Rate Relief (EPRR)

Priority	Issue	Risk	Recommendation	
2	Discussions established that Empty Property Rate Relief (EPRR) can be granted by an officer without any independent check or approval. From the sample of cases tested, a number of cases were identified where reliefs had been granted several years after the property was empty and no supporting evidence was retained. EPRR is normally applied for a period of three (non industrial) or six (industrial) months, after which 100% is due.	When retrospective EPRR is granted, confirming that the property was empty is more complex as an inspection cannot be undertaken. Where retrospective reliefs are granted without any form of independent check, there is a risk that inappropriate or fraudulent retrospective reliefs may not be detected.	All reliefs awarded retrospectively should be reviewed and approved by a senior member of staff. Where this is not possible at the time the relief is granted, a report detailing all reliefs granted retrospectively, should be run on a monthly basis, and reviewed by an officer independent of the process.	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessments	31/03/13

7. Empty Property Inspections

Priority	Issue	Risk	Recommendation	
2	<p>There is currently no monitoring of outstanding property inspections to confirm that inspections are being completed promptly.</p> <p>Furthermore, although an inspection is automatically raised when Empty Property Relief is granted, there is an option to cancel these inspections. There is no monitoring of cancelled inspections to confirm that the cancellation was appropriate.</p> <p>There is no systematic monitoring of the quality of inspection records.</p> <p>During the audit, we also observed inspectors contacting premises by telephone to confirm whether they are empty. However, it is acknowledged that there may be cases where the inspector is unable to gain unannounced access to the property.</p> <p>It should be noted that EPRR provides an exemption from NNDR for a period of three (non industrial) or six (industrial) months, after which 100% is due.</p>	<p>Where completion of inspections is not monitored, there is a risk that inspections may not be completed promptly or at all.</p> <p>Failing to inspect properties promptly or not gaining sufficient evidence may lead to fraudulent claims for Empty Property Rate Relief not being identified.</p>	<p>The completion of inspections (including cancellations) should be monitored on a regular basis. Inspectors should be reminded to either conduct site visits or obtain evidence from an independent and credible source in order to confirm that properties are empty.</p> <p>Spot checks should be taken on inspection records to confirm they are of a sufficient quality.</p> <p>Procedural guidance should be updated to define the procedure for undertaking inspections.</p>	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessments	31/03/13

8. Review of Ongoing Eligibility for Small Business Rate Relief

Priority	Issue	Risk	Recommendation	
3	Discussions established that Small Business Rate Relief continues indefinitely until advised by the business that it is no longer eligible. There is no periodic check of continuing eligibility for relief.	Where eligibility for Small Business Rate Relief is not checked periodically, there is a risk that organisations may be claiming that are not longer eligible.	Consideration should be given to the benefit of implementing a programme of review of Small Business Rate Relief to confirm that the ratepayer is still eligible for relief.	
Management Response			Responsible Officer	Deadline
Management have considered this recommendation & think that the number of businesses who are no longer eligible are likely to be low. Ratepayers are only required to complete an initial application form since SI 20009/3175 & only have to notify the council if they obtain additional premises which take them above the rateable value threshold. In view of the fact that these are likely to be low in number & value a sample check of 20 cases will be undertaken each year prior to annual billing.			Head of Assessments	01/02/13

9. Authorisation of Checked Bills

Priority	Issue	Risk	Recommendation	
3	<p>As part of the year end process, a copy of the NNDR system is used to confirm that multipliers and parameters have been input correctly by testing a sample of each bill type prior to live billing.</p> <p>A sample of each bill checked was held electronically, in a folder entitled "20.03.2012"; however no further evidence was available to confirm that these bills had been reviewed and were accurate.</p>	Where there is no evidence that bills have been checked for accuracy prior to issue, there is a risk that incorrect bills may be issued, leading to financial loss and reputational damage.	The process of sample checking NNDR bills prior to the main billing, should be recorded by the staff member undertaking the checks.	
Management Response			Responsible Officer	Deadline
Agreed			Head of Assessments	01/02/13

10. Cedar to Academy Reconciliation

Priority	Issue	Risk	Recommendation	
2	<p>The Cedar to Academy year end reconciliation discrepancies are not yet fully investigated, and no further reconciliations have been completed since the year end.</p> <p>Discussions established that monthly reconciliations are planned, but the process has not yet been completely defined.</p>	<p>Where reconciliations between Cedar and Academy are not undertaken on a monthly basis, there is a risk that problem areas and issues may not be identified promptly and may become more complex to resolve.</p>	<p>Reconciliations between Academy and Cedar should be undertaken on a monthly basis and the discrepancies identified in the year end reconciliation for 2011/12 should be investigated and cleared.</p> <p>The process for the reconciliation should be agreed and documented in the procedural guidance referred to in recommendation 1.</p>	
Management Response			Responsible Officer	Deadline
<p>Investigation into the discrepancies on the year end reconciliation are ongoing and will be resolved in part on completion of future monthly reconciliations which are in progress currently. We appreciate the need for monthly reconciliations and are working towards the implementation of monthly reconciliations early in 2012/13.</p>			Systems Accountant	31/12/12

11. Refund Authorisation

Priority	Issue	Risk	Recommendation	
2	<p>In two out of 20 cases tested, refunds were not authorised by an officer with the required delegated level of authority (Account references 32806379 and 3279069X for £120,319.39 and £267,797.20 respectively). According to the Scheme of Delegation these refunds should have been authorised by the Assistant Director of Finance, but had been authorised by the Head of Assessments who is authorised to approve refunds of up to £50,000 and the Director of H&F Direct who does not appear on the Scheme of Delegation.</p> <p>Furthermore, refunds processed on Academy are not reconciled to refund request forms to confirm that all refunds processed are supported by an authorised form.</p>	<p>Where refunds are not authorised by an officer with the required level of delegated authority, this may lead to inappropriate refunds being processed and financial loss.</p> <p>Where refunds processed are not reconciled to refund request forms, there is a risk that inappropriate refunds may not be identified.</p>	<p>All refunds processed should be authorised in line with the Scheme of Delegation.</p> <p>The Scheme of Delegation should be periodically reviewed and updated to ensure the list of authorised officers is correct.</p> <p>A reconciliation should be undertaken on a monthly basis between a report of refunds processed on Academy and refunds request forms to ensure that each refund is supported by an authorised form.</p>	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessments	31/03/13

12. Review of Outstanding Debt

Priority	Issue	Risk	Recommendation	
1	<p>A review of the top 250 NNDR debtors is currently underway; however, this is not a regular exercise and has not been conducted before. Although the reasons for debts have been recorded, action required or already taken has not been recorded.</p> <p>Furthermore, no regular aged debt analysis of all NNDR income due to the Council is currently undertaken.</p>	<p>Where comprehensive debt monitoring is not undertaken, there is a risk that longstanding debts or patterns in the level of outstanding debts may not be identified. This may lead to debt recovery action being poorly focussed on or ineffective.</p>	<p>The list of the top 250 outstanding debtors and aged debt analysis for all income due should be produced and reviewed every month. An action plan should be developed as a result of this review and should be monitored against.</p> <p>These requirements should be included in procedural guidance referred to in recommendation 1.</p>	
Management Response			Responsible Officer	Deadline
<p>Management agree this recommendation. The second part is however dependant on the bid for additional resources, see (1) above</p>			Recovery Manager	01/10/12

13. Review of Summonses

Priority	Issue	Risk	Recommendation	
2	<p>The Systems Support Team produces a list of reminders and summonses that are due to be issued prior to them being released. This list is reviewed by the NNDR Database Manager before the reminders / summonses are issued. We confirmed through discussion with the NNDR Database Manager that not all summonses were reviewed early in the year due to time constraints.</p> <p>We also identified that there is no monitoring or authorisation of the withdrawal of liability orders and summonses.</p>	<p>Where all summonses are not reviewed, there is a risk that they may be issued in error.</p> <p>Where summonses and liability orders are withdrawn inappropriately / incorrectly, the Council may experience financial loss and / or reputational damage.</p>	<p>All summonses should be reviewed prior to being issued.</p> <p>Liability orders and summonses that are withdrawn should be subject to independent review. Consideration should be given to requiring authorisation to withdraw liability orders and summonses.</p>	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Recovery Manager	31/03/13

14. Review of suppressed accounts

Priority	Issue	Risk	Recommendation	
2	<p>Stopped bills or suppressed accounts can be identified by a system report. Discussions with the NNDR Database Manager established that this report is not reviewed on a regular basis and was last reviewed in 2011.</p> <p>An example of this report was obtained for the purposes of the audit and showed approximately 180 suppressed accounts with many of these being duplicate account names.</p>	Where suppressed accounts are not reviewed on a regular basis, there is a risk that accounts may be intentionally or accidentally suppressed and this may not be identified. This may lead to bills and reminders not being issued and income not being recovered.	A report of all accounts currently suppressed should be reviewed on a regular basis. Evidence of this review should be retained.	
Management Response			Responsible Officer	Deadline
Agreed			Recovery Manager	01/11/12

15. Write Off Authorisation

Priority	Issue	Risk	Recommendation	
2	From a sample of 20 write offs tested, a write off request form could not be located in one case (ref: 3082561 for £493.49). Furthermore, write offs processed on Academy were not reconciled to write off forms to confirm that all write offs processed had been approved.	Where write off request forms are not completed and authorised for all write offs processed, there is a risk that inappropriate write offs may be made. Where write offs processed are not reconciled to write off request forms, there is a risk that inappropriate write offs may not be identified.	A write of request form should be completed and authorised for all write offs processed. A reconciliation should be undertaken on a monthly basis between a report of write offs processed on Academy and write off request forms to ensure that each write off is supported by an authorised form.	
Management Response			Responsible Officer	Deadline
Management agree this recommendation, subject to a bid for additional resources of £90,000			Head of Assessments	31/03/13

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

September 2012

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