

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 March 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Non-Domestic Rates

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Non-Domestic Rates.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Non-Domestic Rates was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Non-Domestic Rates were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT NON-DOMESTIC RATES

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Non-Domestic Rates (NDR) was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A unique reference number identifies each Non-Domestic property on the Council's Capita system which corresponds to the Assessor's Valuation Roll.
- Adequate arrangements are in place to ensure that the total number of properties on the Capita system reconciles to the property control totals on the Assessor's interface reports.
- Billing system parameters were correctly set up on the Capita system to reflect the NDR rates for 2014/15.
- Systems are in place to ensure that the total number of bills produced as part of the annual billing run is reconciled to the total number of live properties on the Capita system.
- Annual Non-Domestic Rates bills are raised in a timely manner – the annual bills for 2014/15 were raised on 21 March 2014.
- All NDR income collected through the Income Management System is correctly posted to both the Capita system and the Council's general ledger.

1.3 Areas with Scope for Improvement

- The existing arrangements in place for checking NDR income returns require review. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of a clear audit trail to support the information submitted on the NDR income returns for 2014/15 – supporting documentation and financial statements from the Capita system had not been retained. *Risk – errors and irregularities may occur and remain undetected.*
- The arrangements in place for the dispatch of NDR bills require review to ensure that all bills produced have been properly dispatched. *Risk – lack of a clear audit trail.*

1.4 Summary

Our review of Non-Domestic Rates identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden
Internal Audit Manager**

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2	<p>Management should ensure that the number of bills produced by the Capita system is reconciled to the total number of bills dispatched.</p> <p>Management should ensure that the number of review forms produced is reconciled to the total number of properties claiming Small Business Bonus Scheme Relief.</p>	Medium	<p>Debt Management and Business Rates Team Leader</p> <p>Systems Development and Business Support Team Leader</p>	<p>Agreed – procedures will be put in place.</p> <p>Agreed</p>		<p>April 2015</p> <p>April 2015</p>
3.7.1	<p>Management should ensure that a clear audit trail exists for NDR income returns – the supporting documentation and the financial statements from the Capita system should be retained on file.</p>	Medium	<p>Debt Management and Business Rates Team Leader</p>	<p>Agreed – supporting documentation will be retained.</p>		<p>March 2015</p>
3.8.1	<p>A person independent of the preparer should check the NDR income returns prior to submission to Business Finance – the returns should be signed and dated as evidence of the checks being carried out.</p>	Medium	<p>Service Manager – Revenues</p>	<p>Agreed – checks will be carried out by the Service Manager.</p>		<p>April 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.8.1 (cont)	Management should ensure that year-end adjustments for NDR discretionary reliefs are consistent with the information submitted to the Scottish Government.	Medium	Service Manager – Business Finance	Agreed		June 2015
3.9.1	Management should ensure that staff with responsibility for Business Rates are provided with appropriate training.	Medium	Service Manager – Revenues	Agreed – training will be provided where possible.		April 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.