

**APPENDIX B(iii)**  
**INTERNAL AUDIT REPORT**



**BUSINESS RATES**  
**2014-15**

|                    |  |                   |   |  |
|--------------------|--|-------------------|---|--|
| <b>Issue Date:</b> | 27/04/2015                                 | <b>Issued to:</b> | Simon Riley                                   | Head of Finance and Commercial Services (S151 Officer) |
| <b>Author:</b>     | CW Audit Services<br>(adapted by T Croote) |                   | Sally O'Hanlon                                | Head of Partnership (Revenues & Benefits)              |
|                    |  |                   | Beverley Jolly                                | Corporate Director - Resources                         |
|                    |  |                   | <i>Councillor Neil Bannister (final only)</i> | <i>Chairman of Governance &amp; Audit Committee</i>    |

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# BUSINESS RATES 2014-15 EXECUTIVE SUMMARY

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### 1. Introduction

The Leicestershire Revenues & Benefits Partnership administers Non-domestic Rates on behalf of Harborough District Council using the Academy computer system. The partnership is hosted by Hinckley & Bosworth Borough Council and subject to internal audit by CW Audit Services (CWAS). The Welland Internal Audit Consortium has no authority to audit the activities of the partnership but has determined that reliance can be placed upon the assurance contained in CWAS reports in so far as that assurance relates to risks relevant to Harborough District Council. This is based upon Internal Audit's assessment, supported by written assurances from CWAS, that they operate in accordance with the Public Sector Internal Audit Standards.

This report summarises the assurance offered by a CWAS audit report issued in January 2015 in respect of the control framework for National Non-domestic Rates (NNDR), otherwise known as business rates, operating during 2014/15.

### 2. Range of assurance and overall rating

CWAS carried out work to provide assurance in respect of the following key objectives:

- suitable, authorised policies and procedures are in place covering business rates processing, and staff are aware of these and that they need to comply with them;
- relevant property records are accurately, comprehensively and efficiently maintained and updated;
- business rates liability is determined efficiently and in line with statutory requirements for all properties;
- billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable;
- the application of discounts and exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence;
- secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts;
- collection rates and other key performance indicators are regularly monitored;
- refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised;
- recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements;
- non-recoverable debts are written-off in accordance with policy and with suitable authorisation; and
- there is routine reconciliation between the business rates system and the cash receipting system.

The audit opinion provided by CWAS was that the design and operation of controls offered "Significant Assurance" about the management of the risks to the achievement of the specified objectives. The assurance offered would equate to **sufficient assurance** in an audit undertaken by the Welland Internal Audit Consortium.

| Internal Audit Assurance Opinion | Direction of Travel   |
|----------------------------------|---|
| <b>Sufficient Assurance</b>      |  |

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### 3. Summary of findings and conclusions

CWAS reported that the audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. There were some low impact control weaknesses which, if addressed, would improve the overall performance of the system. These are summarised below:

#### **Policies & procedures**

It was recommended during the 2013/14 audit that the quality audits should be re-introduced to ensure consistency and accuracy of work. This was agreed with Management but has not occurred due to the backlog being given priority (see recommendation 1).

#### **Property records**

For 2013/14, hard copies of the system parameters entered were maintained and signed as evidence of the persons responsible for entry and checking. In 2014/15 the same process was applied but no hard copy evidence was retained (see recommendation 2).

#### **Discounts & exemptions**

As noted during the previous audit, inspections are not always being carried out within three months of a property becoming empty. From sample testing of 20 empty properties 15 were not inspected within three months of become empty and of these 11 had still not been visited within six months (see recommendation 3).

In addition, it was noted that the Academy facility to record inspections and findings is not always used correctly (see recommendations 4).

#### **Write-offs**

A sample of ten cases was tested to ensure they had been written off on a timely basis in accordance with the approved policy. It was noted that five cases had not been written off promptly after all avenues of investigation had been explored and some had taken in excess of a year to be written off. Officers asserted that this was partly due to a high level of work and priority given to areas where money could be recovered, although in one case tested the delay was caused by delays in completing the necessary write-off form (see recommendations 5 and 6).

### 4. Audit recommendations

Whilst the partnership's managers are responsible for implementing recommendations, the Council has an interest in confirming that agreed actions to improve controls have been completed. The Consortium will, therefore, monitor delivery of all recommendations in the CWAS report that are relevant to the Council.

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## APPENDIX 1

### ACTION PLAN

| No. | CWAS recommendation  | Management Comments  | Category | Officer Responsible                          | Due date         |
|-----|--|--|----------|--|------------------|
| 1   | <p><b>Policies &amp; procedures</b><br/>Consideration should be given to re-introducing quality audits to ensure consistency and accuracy of work.</p>   | Agreed   | Medium   | Head of Partnership<br>(Revenues & Benefits) | 30 June 2015     |
| 2   | <p><b>Property records</b><br/>Evidence that system parameters entered were double checked should be retained.</p>   | Agreed   | Low      | Head of Partnership<br>(Revenues & Benefits) | 28 February 2015 |
| 3   | <p><b>Discounts &amp; exemptions</b></p> <p>a) The Partnership should ensure that all empty properties are inspected within 3 months of them being registered as eligible.</p> <p>b) To support this management should consider reviewing the staffing capacity dedicated to inspection and the planning of inspections to ensure this is as effective as possible.</p> <p>c) Management should consider a specific exercise to 'catch up' on the apparent backlog of inspections and identify any cases where empty property exemptions appear to have been extended incorrectly up to that point, and take suitable action on these cases.</p> | A full review will take place regarding visits moving forward being more focused. The team will be fully generic covering Council Tax, NNDR and Benefits inspections/visits. | Medium   | Head of Partnership<br>(Revenues & Benefits) | 31 July 2015     |
| 4   | <p><b>Discounts &amp; exemptions</b><br/>All inspections should be recorded on the inspection screen of the business rates system.</p>   | Agreed   | Low      | Head of Partnership<br>(Revenues & Benefits) | 24 January 2015  |
| 5   | <p><b>Write-offs</b><br/>As per the Write-Off Policy, non-recoverable debt should be identified and written-off promptly.</p>  | Agreed   | Medium   | Head of Partnership<br>(Revenues & Benefits) | 30 April 2015    |
| 6   | <p><b>Write-offs</b><br/>Care should be taken that all write-off forms are produced on a timely basis.</p>   | Agreed   | Medium   | Head of Partnership<br>(Revenues & Benefits) | 30 April 2015    |

**GLOSSARY**

**The auditor’s opinion**

The auditor’s opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

| <b>Level</b>       | <b>Design of Control Framework</b>  | <b>Compliance with Controls</b>  |
|--------------------|---|--|
| <b>SUBSTANTIAL</b> | There is a robust framework of controls making it likely that service objectives will be delivered. | Controls are applied continuously and consistently with only infrequent minor lapses.    |
| <b>SUFFICIENT</b>  | The control framework includes key controls that promote the delivery of service objectives.        | Controls are applied but there are lapses and/or inconsistencies.                        |
| <b>LIMITED</b>     | There is a risk that objectives will not be achieved due to the absence of key internal controls.   | There have been significant and extensive breakdowns in the application of key controls. |
| <b>NO</b>          | There is an absence of basic controls which results in inability to deliver service objectives.     | The fundamental controls are not being operated or complied with.                        |

**Category of recommendation**

The auditor categorises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

| <b>Category</b> | <b>Impact &amp; Timescale</b>  |
|-----------------|--|
| <b>HIGH</b>     | Management action is imperative to ensure that the objectives for the area under review are met. Recommendation to be implemented immediately with explanation to the Governance & Audit Committee should timeframe extend beyond three months.                                |
| <b>MEDIUM</b>   | Management action is required to avoid significant risks to the achievement of objectives. Recommendation should be implemented as soon as possible with explanation to the Governance & Audit Committee should timeframe extend beyond six months                             |
| <b>LOW</b>      | Management action will enhance controls or improve operational efficiency. Recommendation should be implemented within six months but the Governance & Audit Committee will be advised where the client specifies that a longer delivery time is necessary and / or justified. |

**Limitations to the scope of the audit**

The auditor’s work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.