



Internal Audit Assurance & Consultancy
FINAL
Internal Audit Report
Business Rates 2007/08

To: Ian Wilson, Local Taxation Manger

For Information: Graeme Reid, Principle Revenue Officer
Carl Roberts, Head of Revenue
Clare Fletcher, Head of Finance

1. Introduction

An audit of Business Rates has been carried out as part of the 2007/08 Audit Plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

2. Findings and Recommendations

The detailed findings and recommendations are set out in the report attached as Appendix A. The Management Action Plan as completed by the officers responsible is attached as Appendix B. A satisfaction survey is also attached for completion.

3. Conclusions

Overall, application of Non-Domestic Business Rates and Small Business Relief is adequately processed, calculated and applied. However, Key weaknesses noted are, lack of consistency in the notes recorded on Pericles (HB) system and the time taken to effect necessary amendments, as advised by the Valuation Office, but the amendments undertaken are updated within the legal parameters. Moreover, although arrears are suitably monitored and recovered, there are no written procedures in place.

Therefore, based on our audit findings, Internal Audit has assigned **substantial assurance** to the systems and procedures which underpin the process of Business Rates.

Deputy Audit Manager
April 2008

ASSURANCE, PRIORITY AND RISK DEFINITIONS

Assurance Levels

Assurance Level	Definitions
Full	<p>Evaluation opinion: there is sound system of control designed to achieve the system objectives; and</p> <p>Testing opinion: the controls are being consistently applied.</p> <p>Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.</p>
Substantial	<p>Evaluation opinion: basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or;</p> <p>Testing opinion: there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> <p>Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.</p>
Limited	<p>Evaluation opinion: weakness in the system of controls are such as to put the system objectives at risk, and/or;</p> <p>Testing opinion: the level of non-compliance puts the system objectives at risk.</p> <p>Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.</p>
No	<p>Evaluation opinion: control is generally weak leaving the system open to significant error or abuse, and/or;</p> <p>Testing opinion: significant non-compliance with basic controls leaves the system open to error or abuse.</p> <p>No Assurance will be attributed to a system where in the auditor's judgement they can place no reliance of the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.</p>

Appendix A Business Rates 2007/08

1. AREAS COVERED DURING THE AUDIT

1.1 The key areas of **possible** risk identified at the planning stage of the audit were as follows:

- a) Rate payers inaccurately being charged
- b) Rates not collected or delay in collection.
- c) Records inaccurately or unsuccessfully updated and not reconciled against systems.
- d) Inaccurate information provided to the local community.
- e) Lack of staff resource.
- f) Arrears are not recovered and write offs incorrectly authorised
- g) Incorrect accounting.
- h) Invalid exemptions for relief.
- i) Unauthorised transactions and discounts and exemptions awarded.
- j) Lack of or inadequate reconciliation
- k) Lack of up to date documented procedures.
- l) Lack of subsidies.
- m) Incurred financial penalties.
- n) Failure of IT system and loss of data.
- o) Failure to comply with statutory requirements.
- p) Adverse Performance Indicators and Audit Commission report.

1.2 The methodology stated in the terms of reference document were used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

2. OVERALL AUDIT OPINION

Based on our audit findings, Internal Audit have assigned substantial assurance to the systems and procedures which underpin the process of Business Rates.
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3. PREVIOUS RECOMMENDATIONS 2006/07

3.1 The previous audit made 3 recommendations, of which 2 have been implemented.

3.2 **It is recommended that** in line with the 2006/07 Business Rates audit that written procedures are put in place for the Reconciliation of Cash & Refunds.

4. CURRENT RECOMMENDATIONS

4.1 Demand Notices

The National Non-Domestic Rate bills were generated and demand notifications sent out on 4th March 2007, for 2007/08 period. Pericles automates reminders, final notices and court summonses. Additional notes can be manually added by Officers onto Pericles. For speed and salvage of space experienced officers use abbreviated notes.

- (i) **It is recommended that** a standard set of abbreviations be listed in the relevant procedural documents for use when typing text into the notebook on Pericles.

4.2 Non-Domestic Rate Payers

Overall the percentage collected has increased. For the 2006/07 financial year business rates collection stood at 99.53%. This has increased to 99.56%, in the sum of £735,783.31 for the period of 2007/08.

Small Businesses operating from residential premises are only eligible to pay Business Rates if the residential property has undergone adaptation for business use. Small businesses, operating from a residential property, who do not declare that their premise as being eligible to pay Business Rates will only be visited by an Enforcement Officer where a report or complaint is made by a member of the public. It is the aim of the Enforcement Officers to visit and view the outside of all non-domestic properties in the town on a 3 month cycle, but more frequently in some cases. The Council would automatically update its record upon notice to do so from the Valuation Office.

The Valuation Office provides weekly updates of any alterations or amendments to the rateable value of commercial properties or the name of the company residing in the property. Only 17% of testing identified that amendments from the Valuation Office were updated within 7 days of the date issued. A further 29% had been updated within 1 month as required and the remainder had been updated over 1 month after the date issued by the Valuation Office.

- (i) **It is recommended that** amendments to the valuation lists are updated within 1 month of the publication from the Valuation Office.

4.3 Business Continuity

In line with Council policy a Local Taxation Business Continuity Plan is in place. This document was last reviewed in November 2006. It remains untested and therefore uncertain how effective this plan would be in professional practice.

- (i) **It is recommended that** the Local Taxation Business Continuity Plan is regularly reviewed and kept up to date in line with legislation and the Council Policy.

(II) It is recommended that that this is tested with the support of IT as soon as possible.

4.4 Refunds

Refunds are made satisfactorily through the process of raising a pro forma. A hard copy of the pro forma and any supporting documentation is filed in numerical order. In 8% of testing carried out, we could not locate copies of documents (i.e. the pro forma) in the correct order and therefore difficult to retrieve and may be misplaced altogether.

(i) It is recommended that where possible and until full electronic working is embedded that all supporting documentation to the refund process are attached and filed along with the pro forma.

Victoria Harvey
29 April 2008

APPENDIX B

MANAGEMENT ACTION PLAN Business Rates 2007/08							
Appendix/ Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date	
3.2	It is recommended that in line with the 2006/07 Business Rates audit that written procedures are put in place for the Reconciliation of Cash & Refunds.	M	Agreed	Local Taxation Manager	Hopefully we will have more resource to deal with this in 2008/09.	December 2008	
4.1.1	It is recommended that a standard set of abbreviations be listed in the relevant procedural documents for use when typing text into the notebook on Pericles.	L	Agreed	Local Taxation Manager		December 2008	
4.2.1	It is recommended that amendments to the valuation lists are implemented within 1 month of publication from the Valuation Office.	M	Agreed	Local Taxation Manager		Immediately	
4.3.1	It is recommended that the Local Taxation Business Continuity Plan is regularly reviewed and kept up to date in line with legislation and council policy.	L	Agreed	Local Taxation Manager		Ongoing	
4.3.2	It is recommended that that this is tested with the support of IT as soon as possible.	L	Agreed	Local Taxation Manager		Ongoing.	

MANAGEMENT ACTION PLAN
Business Rates 2007/08

Appendix/ Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
4.4.1	It is recommended that where possible, and until full electronic working is embedded that all supporting documentation to the refund process are attached and filed along with the pro forma.	L	Agreed	Local Taxation Manager		Immediately

Completed by signature: _____ **print name:** _____

Job Title _____ **Date:** _____