



# Dacorum Borough Council

## Final Internal Audit Report

### National Non-Domestic Rates (NNDR)

January 2018

This report has been prepared on the basis of the limitations set out on page 9.

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**Distribution List:**

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**Key Dates:**

Date of fieldwork: November 2017

Date of draft report: January 2018

Receipt of responses: January 2018

Date of final report: January 2018

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# Contents

1. Executive Summary .....	1
2. Scope of Assignment .....	3
3. Assessment of Control Environment.....	5
4. Observations and Recommendations .....	6
Appendix A - Reporting Definitions .....	7
Appendix B - Staff Interviewed.....	8
Statement of Responsibility.....	9

# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of National Non-Domestic Rates (NNDR).

## 1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over NNDR, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; NNDR Transactions and Records; Valuation, NNDR Multiplier and Rate Setting; Liability and Reliefs; Billing; Receipts from Rate Payers and Refunds; Suspense Accounts; Recovery and Enforcement; Write-Offs; Management of Collection Rates; and Business Rate Retention.

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over the NNDR found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over NNDR are shown in Section 3.

#### 1.4. **Key Findings**

We have not raised any recommendations as part of this audit.

A follow up of the recommendations raised in the 2016/17 NNDR internal audit report was also completed and we found that both recommendations have been implemented. The details of the follow up status are as follows:

Recommendation 1 - High Amount of Uncleared Historic Suspense Account Items (Priority 3)  
(this recommendation was raised as part of the Core Financial Systems audit 2016/17)

Implemented - There are currently only 2 items in the NNDR Suspense Account on Northgate totalling £13,416.40. The oldest item is from December 2010 (totalling £50.40) and the newest item is from October 2017 totalling £16,366.00.

Recommendation 2 - Overdue Property Inspections (Priority 2)

Implemented – The latest report provided at the time of audit in November 2017 showed that there were 25 inspections due to be undertaken with the oldest one being raised on 10 October 2017. 21 of those inspections were requested in November and all were within the three months deadline.

#### 1.5. **Management Response**

We did not raise any recommendations to which management response will be required.

#### 1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of NNDR, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

### 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

#### **Policies, Procedures and Legislation**

Policies and procedures are in place to minimise the risk of staff non-compliance with legislative and management requirements and ensure that NNDR functions are undertaken in an economic, effective and efficient manner.

#### **NNDR Transactions and Records**

Reliability, integrity, confidentiality and security of the NNDR system and ratepayer records is maintained through the reliable operation of the system and its interface with the main accounting systems. NNDR records agree to the Council's Main Accounting (general ledger) systems and also to the bank account.

#### **Valuation, NNDR Multiplier and Rate Setting**

New and structurally altered hereditaments are notified to the Valuation Officer Agency (VOA) so that chargeable hereditaments are included on the VOA rating list and these are recorded on the NNDR system in a complete, accurate, valid and timely manner.

NNDR base is updated on the system in accordance with the central government notification.

#### **Liability and Reliefs**

Chargeable hereditaments, liable occupiers (corporate bodies / organisations / persons), empty property rates and other relief (mandatory, discretionary and transitional) are identified and applied in a complete, accurate, valid and timely manner and recorded in the authority's accounts in line with regulatory requirements.

There is a proper and independent arrangement for verifying void properties (including retrospective void claims) before a void allowance is given to a particular rate payer. Reliefs are authorised prior to being applied retrospectively and evidence of verification is retained.

#### **Billing**

Annual reconciliations between the gross debit and the valuation list ensure that the debit set up is based on the most up to date information on the valuation list.

All NNDR income due to the Council are billed in a timely and accurate manner in order to help ensure timely receipt.

### **Receipts from the Ratepayers and Refunds**

All daily income collection reports obtained from the cash receipting system are reconciled with the Revenues Section's own records of income received.

Only valid and authorised refunds are made and approved refunds are processed in a complete and accurate manner.

### **Suspense Accounts**

All unidentified payments are promptly investigated, monitored and authorised before being transferred to appropriate accounts.

### **Recovery and Enforcement**

The Council promptly identifies all accounts where the amount due is not received, and for each outstanding debt, recovery action is undertaken in a prompt, consistent and effective manner.

### **Write-Offs**

Debts are only written-off after all investigation and appropriate recovery actions have been exhausted. Write-offs are accurate and are processed in accordance with the Council's Financial Regulations.

### **Management of Collection Rates**

Periodical monitoring of collection rates against the targets takes place to ensure that the expected income is being received.























### **Business Rates Retention**

Contributions to CLG are completely, accurately, validly and timely paid and recorded in the Council's accounts in accordance with regulatory requirements.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures & Legislation			
NNDR Transactions and Records			
Valuation, NNDR Multiplier and Rate Setting			
Liability and Reliefs			
Billing			
Receipts from the rate payers and Refunds			
Suspense Accounts			
Recovery and Enforcement			
Write-Offs			
Management of Collection Rates			
Business Rates Retention			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations





No recommendations were raised as a result of this audit.



## Appendix A - Reporting Definitions

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

### 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
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

- Anna Elliott - Revenues Team Leader
- Stuart Potton - Revenues and Benefits Support Team Leader
- Chris Baker - Group Manager (Revenues, Benefits and Fraud)
- Nik Kordek - Revenues Lead Officer
- Jake Seabourne - Systems Development and Finance Lead Officer

We would like to thank the staff involved for their co-operation during the audit.

## 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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

#### **London**

#### **January 2018**

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