



Internal Audit Report

Revenues Team

Internal Audit Review of Income: Non-Domestic Rates

May 2013

1 INTRODUCTION

As part of the annual audit plan for 2012/13 internal audit undertook a review of Income that considered the activities of the Revenues Team, which is led by the Revenues Supervisor who reports to the Revenues and Benefits Manager. Both are based at Witchburn Road, Campbeltown.

With regards to Non-Domestic Rates (NDR) functions and activities, the Revenues Supervisor is supported by the NDR/Sundry Debt Administrators (2 FTE) and their direct reports, the NDR/Sundry Debt Agents (3 FTE).

NDR functions and activities are mainly undertaken by designated NDR/Sundry Debt Administrators (2*0.5 FTE) and NDR/Sundry Debt Agents (2 FTE) with cover provided to/from the other administrator and agent with core sundry debt responsibilities as required.

Appendix 3 shows the position of staff with NDR responsibilities within the Revenues Team structure. NDR positions are highlighted in light grey whilst the Corporate Debt Recovery Team, which is responsible for pursuing the recovery of overdue NDR accounts, is highlighted in dark grey.

The monthly collection statistics for the 2012/2013 NDR year at 31 December 2012 showed the following:

| | |
|--------------------|-------------|
| Gross NDR Billed | £37,252,254 |
| Total Net Billed ^ | £28,739,734 |
| Total Collected * | £24,286,648 |

^ After deducting £7,762,042 (Reliefs), £709,889 (Empty Properties) and £40,587 (Deferment carried forward).

*This was a collection rate of 84.51%, which compares to 86.33% at 31/12/2011. The slightly lower collection rate percentage as at December 2012 is reflective of current business and economic circumstances

2 AUDIT SCOPE AND OBJECTIVES

This is the first year of a 3 year cycle of Income audits. The scope of this audit was to undertake a high level review and assess the adequacy of controls in place to ensure that the Revenues Team identify, bill, collect and account for NDR income owed to the Council on a timely basis.

The intended approach is for internal audit to undertake substantive testing over the next 2 years.

3 RISK ASSESSMENT

As part of the audit process the risk register was reviewed to identify any risks that potentially impact on the audit. The following risks were identified.

- SR16 Failure to have a robust internal control process and system;

4 CORPORATE GOVERNANCE

No corporate governance issues were identified during the audit.

5 MAIN FINDINGS

The only major issue identified during the review relates to members of the public being able to access restricted areas due to a broken internal security door. Although the likelihood of an incident is low, the potential consequences represent a significant legal, financial and reputational risk to the Council.

Our general conclusion, based on interviews with staff and observation of the various teams at work, is that the Revenues Team is a close knit group that comprises experienced and capable staff with sufficient collective knowledge and ability to deliver the Council's requirements.

The review identified that the introduction of Business Improvement Districts (BID) has impacted on the workload of the NDR staff. We feel that it is important that the Council assesses the associated resource implications and takes appropriate steps to manage the situation.

An area that we feel could be improved is that of NDR management information. Sheriff Officer related information was difficult to interpret whilst some of the Pyramid information was not found to be current or complete.

6 RECOMMENDATIONS

Five recommendations, one high, three medium and one low, were made as a result of the audit.

The recommendations are detailed in the action plan attached at Appendix 2, which has been compiled with the co-operation and agreement of the Revenues Supervisor and Revenues & Benefits Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendation should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescale. Where

management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as high, medium or low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7 AUDIT OPINION

Based on the audit findings we conclude that there are adequate controls and procedures in place to enable the Revenues Team to identify, bill, collect and account for NDR income owed to the Council on a timely basis

The recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to Revenues staff for their co-operation and assistance at all stages of the audit.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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APPENDIX 2 ACTION PLAN

| No. | FINDINGS | PRIORITY | RECOMMENDATION | RESPONSIBLE OFFICER | IMPLEMENTATION DATE |
|-----|--|----------|--|-------------------------------|---------------------|
| 1 | Due to a broken internal security door it is possible for members of the public to gain access to restricted areas. | High | The broken internal security door should be fixed to prevent public access. . | Revenues and Benefits Manager | 31 July 2013 |
| 2 | NDR/Sundry Debt job descriptions do not include a reference to Business Improvement District (BID) activities. This is a recent development and it was evident from the amount of phone calls witnessed during the audit visit that this initiative is increasing the workload of NDR staff. | Medium | <p>NDR staff job descriptions should be updated to include BID related activities.</p> <p>The potential impact of the BID initiatives on the NDR workload should be assessed with appropriate action taken to ensure that sufficient resources and training is made available to support the NDR section whilst limiting the impact on core NDR/sundry debt workload</p> | Revenues and Benefits Manager | 30 September 2013 |

| No. | FINDINGS | PRIORITY | RECOMMENDATION | RESPONSIBLE OFFICER | IMPLEMENTATION DATE |
|-----|--|----------|---|-------------------------------|---------------------|
| 4 | <p>The Council monitors the bad debt position and the performance of the Sheriff Officers each month. However, the information provided relating to the monthly statistics was difficult to follow and it appeared that some of the figures/calculations were incorrect.</p> | Medium | <p>The Corporate Debt Recovery Team should consider revising the current NDR Sheriff Officer reports to make them easier to follow. They should consider adopting the Council Tax spread sheet format for recording and monitoring the NDR bad debt position and/or include a summary cover sheet.</p> <p>As a minimum the NDR Sheriff Officer reports should report the following:</p> <ul style="list-style-type: none"> • Outstanding bad debt position (per year and in total) • The amount of NDR collected in the year to date by the Sheriff Officers • The projected 'bad debt' NDR collection rate for the year | Revenues and Benefits Manager | 30 SEPTEMBER 2013 |

| No. | FINDINGS | PRIORITY | RECOMMENDATION | RESPONSIBLE OFFICER | IMPLEMENTATION DATE |
|-----|---|----------|---|--------------------------------------|--------------------------|
| | | | <ul style="list-style-type: none"> Collection performance against the Sheriff Officer's target | | |
| 5 | NDR information recorded in Pyramid is not current. | Medium | Performance and management information recorded in Pyramid should be updated on a regular basis to ensure that the information remains current. Measures that are no longer considered relevant should be deleted from the system in order that NDR performance is not misreported or misrepresented. | Revenues and Benefits Manager | 30 SEPTEMBER 2013 |