



National Non-Domestic Rates Review Assignment Report 2021/22 (Final)

Allerdale Borough Council

Report Ref: ASSADV2122_020A

Date of Issue: June 2022

A large, solid teal curved shape is visible in the bottom left corner of the page.

Contents

- 1 Executive Summary
- 2 Engagement Objectives and Scope
- 3 Detailed Findings and Recommendations

Appendix A: Assurance Definitions and Risk Classifications

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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 internal audit 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. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

Key Dates

Report Stage	Date
Discussion Document Issued	June 2022
Discussion Meeting	June 2022
Final Draft Report Issued	June 2022
Client Approval Received	June 2022
Final Report Issued	June 2022

Report Distribution

Name	Title
Sharon Sewell	Chief Officer Place & Governance, Monitoring Officer
Barry Lennox	Senior Manager - Finance (Deputy S151 Officer)
Catherine Nicholson	S151 Officer
David Farrar	Senior Manager – Revenues and Benefits
Alan White	Manager (Revenues)
Michael Roper	Strategic Advisor Tier 1 – Assurance, Risk & Audit
Mathew Whalley	Recovery Manager

Audit Team

Name	Contact Details	
Liz Squires	Liz.squires@miaa.nhs.uk	07715 349496
Adrian Poll	Adrian.poll@miaa.nhs.uk	07798 580335
Neil Ashbrook	Neil.ashbrook@miaa.nhs.uk	07881 038432

Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey

1 Executive Summary

1.1 Objective

The overall objective of the review was to evaluate the effectiveness of the processes in place for NNDR collection.

1.2 Opinion

Substantial Assurance	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
------------------------------	--

1.3 Key Findings

There is a good system of internal control designed to meet the system objectives, and ensure that controls are generally being applied consistently.

We confirmed that the Council has effective processes in place around the collection of NNDR by ensuring that the database of properties remains up to date, sufficient evidence is provided to support reliefs and exemptions and outstanding balances are promptly pursued. Controls could be improved by ensuring that the write off report is completed on a quarterly basis and procedures are reviewed and updated on a periodical basis.

The following provides a summary of the key themes.

Sub Objective	Key Themes
<p>The Council maintains an accurate database of taxable properties and liable persons.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • The Council’s internal system Academy is updated to reflect amendments to properties and new properties following receipt of the weekly Valuation Office Agency (VOA) schedule. Due to Covid and staff working at home it was established that the changes and the reconciliation are not being counter-signed by management. • Sample testing was conducted on a number of amendment changes during April and May 2022. It was noted that all have been processed and accurately inputted into Academy. <p>Areas for improvement</p> <ul style="list-style-type: none"> • None

Sub Objective	Key Themes
<p>The parameters in the NNDR system have been updated for 2021/22.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • In preparation for annual billing, parameters are amended on Academy for the new financial year (changes to the poundage rate and any relief). These parameters are system restrictions that allow NDR contributions to be accurately calculated for each ratepayer. • MIAA confirmed that the NNDR and billing parameters exercise for 2021/22 was accurately set up prior to the commencement of the financial year. • The parameters are drawn up by the shared system support team who administer the system for the 3 partners (Allerdale, Carlisle, Copeland). • The parameters are checked by officers at each of the 3 councils and signed off for input into the system as part of the debit raising for each year. • MIAA confirmed that the NNDR and billing parameters exercise for 2021/22 was accurately set up prior to the commencement of the financial year. • The parameters for 2021/22 were entered onto the system by the Recovery Manager following management sign off. • The review confirmed that the main billing plan checklist for 2021/22 was completed on 29 March 2021 by the Recovery Manager. <p>Areas for improvement</p> <ul style="list-style-type: none"> • None
<p>NNDR income is correctly accounted for and income is correctly recorded.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Discussions and review confirmed that the Technical Officer, Financial Services is responsible for the income and reconciliation of NNDR. • The Council monitor actual income against expected income by recording cash income on a daily basis.

Sub Objective	Key Themes
	<ul style="list-style-type: none"> • Testing confirmed that a reconciliation had been performed from April 2021 to March 2022 and the check balance was zero. • Testing of month 12 confirmed that the batches posted from the NNDR system reconciled with the General Ledger. We were advised that the month end reconciliations are uploaded for the deputy section 151 officer for review. • It was noted that NNDR collection at end of Q3 was (77.66%). This was below target and below the 81.60% in Q3 2020/21. • We confirmed that the NNDR suspense account is reviewed weekly and as at 1 April 2022, there was only one balance of £176.70 dating 01/02/2022 unallocated. <p>Areas for improvement</p> <ul style="list-style-type: none"> • None
<p>There is regular review of Reliefs and Exemptions.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Information and guidance is available on the Council website for customers, which includes guides on making on-line payments and the process to apply for relief and exemptions. • The Council introduced temporary measures and additional support for eligible retail, hospitality, leisure and nursery businesses for 2021/22, if they occupy a qualifying property. No application was required as the Council carried out the necessary changes to ratepayer's bills. • Our testing confirmed that for a sample of reliefs and exemptions awarded during 2021/22, these had been supported by satisfactory evidence and the details entered were correct. <p>Areas for improvement</p> <ul style="list-style-type: none"> • None

Sub Objective	Key Themes
<p>Arrears are promptly and effectively pursued.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • We confirmed that the monitoring of accounts that will default is largely automated with the system producing daily reports on all accounts to default. The recovery team are then responsible for processing letters to be sent out. • Discussion with the system support manager confirmed that arrears are allocated within the financial year of the transaction taking place. • Where accounts have been suppressed, the revenues manager will assess if these accounts still require suppression or if payment can be chased • Debts are often referred to bailiff collection once they have been outstanding for a while and the Council can directly monitor the progress being made on each debt. • It was noted that NNDR collection at the end of Q3 was (77.66%). This is also below target and below the 81.60% in Q3 2020/21. <p>Areas for improvement</p> <ul style="list-style-type: none"> • Written procedure notes should be developed in relation to NNDR Debt Recovery and Special Arrangements (Recommendation 2 - Low).
<p>Refunds and write-offs are legitimate, correctly processed and authorised.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • All members of staff within Revenues Services can process refunds and these must be authorised by management. • The vast majority of refunds are processed as a result of a credit accruing on an account. Our sample testing confirmed that all were approved within the limits and demonstrated a segregation of duties where necessary. • For write-offs the Head of Financial Services has the delegated authority to write off bad debts under the Councils Financial regulations.

Sub Objective	Key Themes
	<ul style="list-style-type: none"> The Debt Recovery Manager has delegated authority to write off negligible amounts under the current level of court costs i.e. £62.50 and is responsible for collating the write offs. Sample testing confirmed that all write-offs had been approved appropriately and had been accurately processed. We were provided with the 2021/22 Year -End bad debt report collated and signed by the Debt Recovery Manager and approved by the Head of Financial Services. The report detailed that Irrecoverable NNDR debts totalling £80,381.69 was written off for the financial year 2021/22. Review confirmed that the write off procedures were last updated and reviewed September 2019. However, the LGR business plan includes alignment of policies and delegated write off levels for Cumberland. <p>Areas for improvement</p> <ul style="list-style-type: none"> Testing confirmed that only two bad debt write off report had been completed in 2021/22. The Council policy and procedures state that these should be done on a quarterly basis. (Recommendation 1 – Medium)

1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	1	1	2

Engagement Objectives and Scope (Terms of Reference)

2.1 Objective

The overall objective of the review is to evaluate the effectiveness of the processes in place for NNDR collection

2.2 Scope

The review focused upon the following objectives and risks identified above in respect of NNDR through review and documentation of the system.

We have tested for compliance and expected controls and best practice in key areas. On completion of our fieldwork the auditor will hold a discussion meeting with officers, subject to your availability, to verify the factual accuracy of the findings; and discuss and agree possible practical solutions to any matter identified.

MIAA will also consider any changes to the control environment due to COVID-19.

2.3 Approach

The following approach was adopted to enable us to evaluate potential risks, issues with controls and recommend improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation.
- A desktop review of a sample of records against the criteria of effectiveness, timeliness, communication, compliance with local and national legislation.
- A walkthrough of the NNDR process.
- Desktop review of existing policies, procedures, local guidelines to confirm that they are up to date and communication across the Trust

2 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

1. NNDR Write Offs

Risk Rating: Medium

Operating effectiveness

Key Finding – Testing confirmed that only two write off reports had been completed in 2021/22. The write off policy states that lists of cases for write-off need to be compiled from a list of unpaid debts out of Academy then a report compiled for the Head of Financial Services on a quarterly basis.

Specific Risk – Non-compliance with procedures.

Recommendation - Regular review and authorisation of write-off balances should be undertaken in line the scheme of delegation and procedures.

Management Response – We accept that there were no write off reports during Quarter 2 and Quarter 3 due to staff vacancies in Recovery Department following retirement of previous manager at end of Quarter 1. This has been addressed by the recruitment of a new manager who completed write off report in Quarter 4. This will continue on a quarterly basis.

Responsible Officer – Matthew Whalley

Implementation Date – already implemented

2. NNDR Procedures

Risk Rating: Low

Operating effectiveness

Key Finding – The review identified that there were no written procedure notes in relation to NNDR Debt Recovery and Special Arrangements.

Specific Risk - Procedure notes may not be reflective of current procedures.

Recommendation – The Council should develop written procedures in relation to NNDR Debt Recovery and Special Arrangements.

Management Response – Review of written procedures to be carried out by Recovery Manager

Responsible Officer – Matthew Whalley

Implementation Date – 1 October 2022

Follow-up

A follow-up exercise will be undertaken during 2022 to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.