

REPORT TO: Audit and Governance Committee

MEETING DATE: 12 June 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Non-Domestic Rates

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Non-Domestic Rates.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Non-Domestic Rates was undertaken as part of the audit plan for 2017/18.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	1 June 2018

EAST LOTHIAN COUNCIL – INTERNAL AUDIT NON-DOMESTIC RATES

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Non-Domestic Rates was undertaken as part of the Audit Plan for 2017/18. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A unique property reference number identifies each Non-Domestic property on the Council's Capita system.
- Adequate arrangements are in place to ensure that regular reconciliations are undertaken between the total number of properties on the Capita system and the property control totals on the Assessor's interface reports.
- The annual rate poundage (46.6 pence) and the additional supplement applied to large businesses (2.6 pence) had been correctly set up on the Capita system for 2017/18.
- Systems are in place to ensure that the total number of bills produced as part of the annual billing run reconciles to the total number of live properties on the Capita system.
- Adequate systems are in place to ensure that Non-Domestic Rates income collected through the Council's Income Management System is correctly posted to both the Capita system and the general ledger.

1.3 Areas with Scope for Improvement

- There was a lack of appropriate authorisation on file for a number of current users with access to the Capita system. *Risk – unauthorised access may be granted.*
- The existing arrangements in place for checking Non-Domestic Rates Income Returns require review, to ensure that the information submitted to the Scottish Government is accurate and complete. *Risk – errors and irregularities may occur and remain undetected.*
- Reconciliations between the Non-Domestic Rates Income Returns and the Capita financial statements had not been undertaken. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of Non-Domestic Rates identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

June 2018

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that appropriate authorisation is held for all current users with access to the Capita system – where evidence of authorisation is not currently held, a new user access form should be completed and approved by the appropriate line manager.	Medium	Systems Development and Business Support Team Leader	Agreed – all current users will be required to complete a new user access form.		August 2018
3.5.1	Management should retain all supporting documentation that forms part of the property control totals reconciliation to evidence that appropriate checks had been carried out prior to approval.	Medium	Service Manager – Revenues and Welfare Support	Agreed		In place
3.9.1	Management should ensure that reconciliations are carried out between the Non-Domestic Rates Income Returns and the Capita financial statements. Management should ensure that robust checking procedures are in place to confirm the accuracy and completeness of all submissions to the Scottish Government – evidence of checks carried out should be retained on file.	Medium	Service Manager – Revenues and Welfare Support	Agreed		In place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.10.1	Management should ensure that year-end adjustments for Non-Domestic Rates are consistent with the information submitted to the Scottish Government.	Medium	Service Manager – Revenues and Welfare Support / Service Manager – Business Finance	Agreed – the final year-end adjustments will be passed to the Revenues Section for checking.		June 2018

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
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.