

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	4 December 2018
REPORT TITLE	Internal Audit Report AC1911 – Business Rates
REPORT NUMBER	IA/AC1911
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Business Rates.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Business Rates.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1911 – Business Rates.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Business Rates

Issued to:

Andy MacDonald, Director of Customer Services
Jacqui McKenzie, Chief Officer – Customer Experience
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Wayne Connell, Revenues and Benefits Manager
External Audit

EXECUTIVE SUMMARY

Business Rates are levied in respect of all non-exempt commercial properties. The amount to be paid by the liable party is based on the rateable value (as determined by the local Assessor) and the poundage rate set by the Scottish Government each year. The Council is responsible for the billing, collection and enforcement of Business Rates, with mandatory reliefs and reliefs the Council has discretion over prescribed by legislation.

The net amount collectable by the Council for Business Rates for 2018/19 is approximately £255.6 million (2017/18 - £239.49m), after the granting of various forms of exemption and relief totalling £44.44 million (2017/18 - £48.81m). As at August 2018, Business Rates applied to over 10,800 rateable subjects, with 3,640 qualifying for some type of exemption or relief.

The objective of this audit was to provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.

In general, Business Rate bills were accurate and collection arrangements were adequate, however, a number of recommendations were made to improve procedures and controls.

The procedures covered all aspects of NDR administration. However, they had not been kept up to date, with arrangements for writing off debts found to be obsolete. The Service has agreed to update written procedures.

The system relies on relief end dates to be entered manually rather than automatically calculating the end date based on the start date entered. An error was identified in relation to relief being incorrectly awarded for two years instead of one as a result of the incorrect end date being entered. The Service has agreed to liaise with the system provider to establish whether the system can be updated.

The NDR system automatically suppresses bills under £50 during the year however this is not the case for annual billing. Whilst the number of bills suppressed is relatively small this has the effect of writing off these bills. The Service has agreed to raise amounts owed for bills lower than £50 and greater than £25 in line with Finance Regulations.

NDR bills are issued at the beginning of the financial year, usually during the first week of April. It was noted that evidence of reconciliation of the bills printed to the Assessor records had not been retained. The Service advised this was a one-off and have agreed to retain evidence in future.

The NDR Suspense account is reviewed every month and transactions are investigated and cleared on a regular basis by the NDR and Bank Reconciliation teams working together. Reports were reviewed and seen to be run regularly. However, as at 3 September 2018, there was a balance of £70,044 in the Suspense account with transactions dating back to March 2010. The Service has agreed to liaise with Finance to identify the best way to investigate and clear suspense transactions over 12 months old.

1. INTRODUCTION

- 1.1 Business Rates / Non Domestic Rates (NDR) are levied in respect of all non-exempt commercial properties. The amount to be paid by the liable party is based on the rateable value (as determined by the local Assessor) and the poundage rate set by the Scottish Government each year. The Council is responsible for the billing, collection and enforcement of Business Rates, with mandatory reliefs and reliefs the Council has discretion over prescribed by legislation. All Business Rates collected by local authorities are notionally paid into the national non-domestic rates pool, maintained by the Scottish Government. This is then redistributed to local authorities according to each authority's estimated collection levels via an adjustment to the General Revenue Grant.
- 1.2 The poundage rate set for 2018/19 was 48p (2017/18 – 46.6p), with a Large Business supplement of 2.6p for rateable values in excess of £51,000 (2017/18 – same).
- 1.3 The Council uses the Northgate NDR system to manage Business Rates, and the Civica Universal Revenues & Benefits (URB) electronic document management system to store scanned information pertaining to reliefs claimed, liabilities owed and correspondence from ratepayers. The net amount collectable by Aberdeen City Council for Business Rates for 2018/19 is approximately £255.6 million (2017/18 - £239.49m), after the granting of various forms of exemption and relief totalling £44.44 million (2017/18 - £48.81m; the lower net amount collected in 2017/18 is partly due to transitional relief awarded following the 2017 Assessor rates revaluation). As at August 2018, Business Rates applied to over 10,800 rateable subjects, with 3,640 qualifying for some type of exemption or relief.
- 1.4 The objective of this audit was to provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Wayne Connell, Revenues & Benefits Manager and Alison Blair, Team Leader – Non-Domestic Rates & Aberdeen Business Improvement District.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures and Training

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, which is important in the event of an experienced employee being absent or leaving.
- 2.1.2 Written procedures are stored on an online platform, in the same way as Council Tax and other Revenue and Benefits guidance. They are accessible to all members of staff who have been given the log in details; these credentials are not unique to each individual, are not regularly changed and a list of staff with access is not maintained, as access is not seen to be high risk. The procedures were reviewed by Internal Audit and seen to cover all aspects of NDR administration. However, they had not been kept up to date.
- 2.1.3 In one case (*Billing, Recovery, and Interest on Overpayments*) the reasons, values and authority for approval for writing off debts were all obsolete as they did not agree with Finance Regulations whilst the version date was incorrect in a number of areas.
- 2.1.4 During the audit at least one new member of staff had recently been recruited and was receiving face to face training. If procedures are not kept up to date new staff may not be efficiently trained and tasks may be carried out inconsistently or incorrectly.

Recommendation

The Service should ensure that guidance documents are brought up to date and regular reviews are scheduled thereafter.

Service Response / Action

Agreed. Reviews of procedures will take place when legislation is updated.

Implementation Date

February 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Important within audited
area

- 2.1.5 Training transcripts were examined to confirm that a sample of 5 system users had received sufficient training to carry out their duties, including Information Governance and this was found to be the case.

2.2 System Access

- 2.2.1 The NDR system has been provided by Northgate since 2002. The system is not currently fully compliant with GDPR, but an upgrade is due to be provided by the system vendor which is expected to address this. The Regional Manager of the ICO Scotland Office advised at a meeting for data protection officers that it was acceptable for existing systems which were not currently compliant to remain so until an update could be supplied under contract or the contract ended.
- 2.2.2 Access is granted by the Systems team on receipt of a system access form. Access requirements are reviewed on a yearly basis and users are terminated when the Systems team is notified by a manager that the employee has left or no longer requires access. A sample of 5 users was reviewed. For all users, access forms had been completed and filed, and the access level granted was appropriate.

2.3 Billing

- 2.3.1 Liability for business rates is determined by the Rateable Value of the property, multiplied by the national poundage rates set by the Scottish Government each year. Rateable Values are determined by the local Assessors (currently a revaluation exercise is carried out every five years). On top of the standard poundage, a large business supplement is charged on all property over a set value. The 2017 Revaluation exercise raised this from £35,000 to £51,000.
- 2.3.2 Prior to annual billing, the test Northgate NDR system is updated to reflect the current position on the live system. The parameters for the new financial year (changes to the poundage rate and any relief) are input by the Revenues & Benefits Manager and checked by the Team Leader – NDR & Aberdeen BID. Screen prints are taken of all billing parameters and signed and dated by the Manager and Team Leader. Annual billing is then run on the test system and a sample of bills produced for checking. If the results are as expected, the process is repeated on the live system, with bills being checked once more for accuracy before being issued.
- 2.3.3 The documents supporting the update process for 2018/19 were obtained and reviewed. They were seen to be complete and updated parameters had been confirmed as correct with a signed and dated screenshot. The sample test and live bills were saved and were seen to be correct and complete.
- 2.3.4 Annual bills were issued on 6 April 2018. A sample of bills reviewed matched local Assessor records recorded in Universal Revenues & Benefits (URB) and were billed accurately.
- 2.3.5 The Service advised that the system is set to automatically suppress zero and in-credit bills as well as those for under £50 during the year however this is not the case for annual billing. This has the effect of writing off bills lower than £50 in year. Finance Regulations states that no debtors invoice should be raised for a value less than £25. 10 charges under £50 and over £25 were outstanding as at 19 October 2018 totalling £357.

Recommendation

The Service should ensure bills are raised in line with Finance Regulations.

Service Response / Action

Agreed.

Implementation Date

January 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Significant within audited
area

- 2.3.6 The bills tested were those which had been scanned into URB in response to customer requests for duplicate bills. The bills are produced and enveloped by the Printing Service based in Woodhill House and cannot be printed at Marischal College. The Service has advised they are in the process of testing the production of copy bills at Marischal College now that the required server has been put in place by Digital and Technology. A recommendation is included for tracking purposes.

Recommendation

Printing of copy bills at Mariscal College should be made available.

Service Response / Action

Agreed.

Implementation Date

January 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Important within audited
area

- 2.3.7 The Service advised that the Northgate system is capable of producing e-bills to be sent by email, but these have not been used as businesses have stated previously that paper bills are preferable. However, adding functionality to the system to enable billing documents to be easily viewed would enable the team to respond more quickly and efficiently to requests for duplicate bills. It is also noteworthy that the Barclay Review of the business rates system in Scotland has recommended that ratepayers be incentivised to sign up for online billing where available except in exceptional circumstances as savings can be made in print and postage costs.
- 2.3.8 Sending new and copy Business Rates bills electronically has been identified as a “digitalisation opportunity” to be investigated and implemented as part of the wider corporate Digital Transformation programme.
- 2.3.9 The bills are issued at the beginning of the financial year, usually during the first week of April. The Team Leader – NDR & Aberdeen BID and a member of the NDR system support team check the print run and reconcile the numbers. The Service advised that this had been carried out as usual in April 2018, but evidence of this activity had not been retained.

Recommendation

The Service should ensure that evidence of billing run reconciliations is retained.

Service Response / Action

Agreed.

Implementation Date

January 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Important within audited
area

2.4 Assessors Valuation Roll

- 2.4.1 Any changes can be intimated by the rate payer to the Council, but most come from a weekly notification from the local Assessor which is interfaced with the NDR system. This is discussed further in section 2.8 below.
- 2.4.2 A sample of 8 changes made to accounts in the NDR system following notification from the local Assessor was reviewed to confirm that they were accurate and supported, that liabilities had been recalculated where required, and that revised bills had been issued timeously. All changes were supported and liabilities had been recalculated. Revised demand notices were timeous and accurate and reasons for changes in liability, were documented and authorised where required by the Team Leader – NDR & Aberdeen BID dating and initialling the relevant section of the report.

2.5 Exemptions and Reliefs

- 2.5.1 Although the liability calculated using the poundage rate and rateable value gives the gross rates bill due, rate payers may be eligible for a number of mandatory and discretionary reliefs, and for certain business and properties, exemption can be claimed. These reductions on the rates due can be up to 100%. Service procedures require documented approval by the “Head of Service” for discretionary charitable reliefs however they do not specify who is authorised to approve other types of discretionary relief. The Council’s Powers Delegated to Officers 2018 states that the Chief Officer - Customer Experience has power to administer, collect and enforce recovery of non-domestic rates in accordance with appropriate regulations, legislation, and council policy. Authority has been delegated to the officers who currently approve discretionary reliefs, as allowed under general delegations to Chief Officers.
- 2.5.2 Statutory exemptions apply to properties which are exempt from the valuation roll (e.g. agricultural lands, crown properties, public parks, fishings and shootings, etc), or are included on the valuation roll but fully exempt from payment of rates (e.g. churches and other places of worship), or are fully exempt if and as long as they remain empty (listed buildings, properties valued under £1,700, properties where occupation is prohibited by law). Other reliefs are available for a variety of property types, although these must be applied for. The Council’s procedures require that reliefs awarded be reviewed every 12 months.
- 2.5.3 A sample of 25 properties that have been classified as exempt from assessment or valuation within the NDR system was reviewed and it was confirmed that all properties had been appropriately classified and that relief was being appropriately applied.
- 2.5.4 Charitable organisations are eligible for mandatory relief of 80% which may, at the Council’s discretion, be increased by up to a further 20%. Sports clubs are eligible for a discretionary award of up to 100%. A sample of 25 accounts where such mandatory and / or discretionary relief had been granted was reviewed to confirm that the appropriate form had been completed and was supported by evidence, that the ratepayer or property met the criteria for the relief, that the relief had been correctly calculated and processed timeously, and that where discretionary relief was awarded that this had been approved by the “Head of Service”.
- 2.5.5 15 of the properties had first been awarded the relief prior to 2005 and the original application and approval had not been retained. It was noted all had completed a fresh application or review form within the past 12 months. The review forms were authorised by the Team Leader - NDR and Aberdeen BID while ‘Briefing Report – Discretionary Rates Relief’ forms had been authorised by the Revenues Support Manager in response to applications. In all cases, a constitution, evidence of charitable status, and set of accounts had been supplied where required; the relief had been correctly calculated and applied timeously; and the ratepayer had been informed of the award. No refunds had been required.
- 2.5.6 For one of the sample, both mandatory and discretionary relief had been appropriately awarded on charitable grounds in 2011 but since June 2015 the playing field has not been in use, as advised by the property owner and recorded in URB. It is therefore not clear that granting full relief remains appropriate, since this provides no encouragement to the ratepayer to put the property back into use. The Service advised that this would be considered but that the property was likely to continue to receive 100% relief.
- 2.5.7 If discretionary awards are renewed without being reviewed there is a risk of loss of income to the Council through inappropriate awards.

Recommendation

The Service should investigate the identified property and confirm that the type and level of relief awarded is correct.

Service Response / Action

Agreed. The relief will be reviewed in January 2019 as part of the property's annual review.

Implementation Date

January 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Important within audited
area

- 2.5.8 Other types of relief include void relief, which grants 50% relief for 3 months followed by 10%; Small Business Bonus, which offers up to 100% relief based on the rateable value of the property; and miscellaneous reliefs such as Fresh Start, offering 12 months 50% relief to newly occupied properties, and Disabled, offering 100% relief to properties used by an organisation where care or welfare services are provided. Tests were carried out on 25 properties for each of these categories. All applications for void and Small Business Bonus relief reviewed were supported by the appropriate exemption form and were supported by evidence, had been reviewed if necessary, and had been entered accurately into the NDR system. Revised liability had been correctly calculated, date of reduction where relevant was correct and refunds had been processed timeously.
- 2.5.9 All sampled applications for other types of relief were supported by the appropriate form and by evidence where required. In all cases relief and revised liability had been correctly calculated and applied from the correct date. However, in 12 Disabled relief cases, the award had not been reviewed within the last 12 months as required by Service procedures. If awards of relief are not regularly reviewed there is a risk of loss of income to the Council. The Service advised that these had been a low priority for review as they were long-standing and rarely changed. However, the process for review was underway at the time of the audit.
- 2.5.10 In one case the relief had been granted for one year from 1 August 2017 but, as at September 2018, there was no indication that this had been reviewed or the liability recalculated. The Service advised that an error had been made when the relief was entered into the system in 2017 which had extended the relief to 2019 rather than 2018. The error was corrected after the Internal Audit query and a fresh bill generated.
- 2.5.11 Relying on manual entry of data increases the risk of error. If reliefs which have a set expiry date had an end date automatically calculated by the NDR system upon input, this would minimise the risk of inappropriate extension.

Recommendation

The Service should investigate with the system provider whether it would be possible to have end dates for certain reliefs automatically completed by the system.

Service Response / Action

Agreed.

Implementation Date

January 2019

Responsible Officer

Revenues & Benefits
Manager

Grading

Significant within audited
area

2.6 Payments

Income

- 2.6.1 There are several options for payment and these are described on the back of the Bill issued. Payments can be made through the online payments portal; in person or by post; over the phone; or by setting up a direct debit. Rates are payable by 10 instalments from May to February or in full before 30 September in any year. If an account is issued after the start of a financial year, the number of instalments will reduce.
- 2.6.2 A daily reconciliation is carried out between the cash receipting system, the ledger and the NDR system by the Bank Reconciliation team. The reconciliation and supporting documents for August 2018 were reviewed and it was confirmed that the process is working satisfactorily.
- 2.6.3 Failed payments are reported to the Bank Reconciliation team as part of the matching and reconciliation process and are investigated and corrected by the Bank Reconciliation team and NDR team working together. Failed payment reports for August 2018 were obtained and reviewed and the appropriate actions were seen to have been taken. In addition, Billing and Collection reports and Charges and Transactions reports are run on a monthly basis by the Team Leader – NDR & Aberdeen BID to show what has been collected, and how, and what remains outstanding; this data is reported to the Revenues and Benefits Manager.

Refunds

- 2.6.4 Refunds may become due if previous years are found to have been overpaid after recalculation, or if relief is allocated after payments were made. Where the overpayment is as a result of an error or a Rateable Value reduction, the Council is required to pay interest at a rate determined by the Scottish Government (at present this is based on the current Bank of England base rate). The NDR system automatically recalculates the liability and shows resulting credits on the account. The NDR team checks that the ratepayer has no other outstanding rates bills for other properties, and also notifies the corporate cash collection team to ensure no corporate debt is outstanding. Account credits should be allocated against such debts before being refunded. The customer is then refunded with the transaction being recorded in the NDR system, and the balance updated. Refunds are reported on monthly and checked by the Team Leader – NDR & Aberdeen BID, who also reconciles refunds paid on an annual basis. Recent reports were obtained and reviewed and seen to be regularly run and the appropriate action taken, although the refund reconciliation for 2017/18 had not been completed at the time of the audit.
- 2.6.5 According to the NDR system report 712 refunds were made in 2017/18 with a value of £4.77 million; this compares to 691 refunds in 2016/17 with a total value of £3.89 million. As at the end of September 2017, 127 refunds had been made for a total value of £860,000, giving an average payment of £6,771. As at the end of August 2018, 89 refunds for a total value of approximately £300,000 had been made, giving an average payment of £3,370.
- 2.6.6 A sample of 8 refunds was selected at random and reviewed. All refunds had been appropriately authorised, were supported by documentation and were calculated correctly. The correct amount had been paid to the correct payee, per documents supplied, and no interest payments were due. In one case the payment was not made timeously; the refund became due after Small Business Bonus relief was awarded on 6 February 2018 (having been applied for on 30 October 2017) but the payment was not actioned until 16 May 2018. In another a further payment had been made after liability ended which had yet to

be refunded, leaving the account in credit. If applications for relief and payments due are not processed promptly there is a risk of reputational damage and the Council may become liable for interest payments.

<u>Recommendation</u>		
A reminder should be issued to staff in relation to expected processing times for relief applications and refunds.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Revenues & Benefits Manager	Important within audited area

Suspense

2.6.7 Payments which cannot be allocated to an account are placed in a Suspense account in the NDR system. The Suspense account is reviewed every month through a report run by the Team Leader – NDR & Aberdeen BID and transactions are investigated and cleared on a regular basis by the NDR and Bank Reconciliation teams working together. Reports were reviewed and seen to be run regularly. However, as at 3 September 2018, there was a balance of £70,044 in the Suspense account with transactions dating back to March 2010. Activity within the account showed more recent transactions have been investigated and cleared.

2.6.8 If suspended transactions are not investigated and cleared, accounts may appear to be in arrears when payments have been made. The longer a payment is held, the more difficult it will be to investigate and return the payment if it has been made in error.

<u>Recommendation</u>		
The Service should work with Finance to identify the best way to investigate and clear Suspense transactions over 12 months old.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
January 2019	Revenues & Benefits Manager	Important within audited area

2.7 Arrears

Recovery

2.7.1 The Business Rates team run the Top Debts report on a monthly basis. This shows the recovery stage of every account. Reminders are sent to accounts in arrears at the end of August. A batch job is then run to create a Recovery report showing a list of accounts at Final Notice stage. This is manually checked for accounts where the Final Notice should be suppressed (e.g. business in liquidation, liabilities being appealed) and these are removed. Then the report is run again to generate the Final Notices, and these are sent to the Printing Service at Woodhill House. Should payment in full or by arrangement not be made by the set deadline then when the report is next run a summary warrant from the Sheriff Court will be requested and a 10% admin charge will be applied to the account. Accounts with arrangements are reported on and reviewed each month by the Team Leader – NDR & Aberdeen BID.

2.7.2 A sample of 8 accounts in arrears was selected from system reports and reviewed. The accounts selected were those in arrears from previous years. In all cases documents had been sent timeously and the appropriate recovery actions had been taken. Accounts had been debited with a surcharge where a warrant had been applied for and payment arrangements, where appropriate, had been put in place and were being monitored through regular reporting and correspondence recorded in URB. In one case, recovery had reached Final Notice then been put on hold as the liability was being disputed; this was being monitored. Accounts on hold are reviewed on a monthly basis through a report run by the Team Leader – NDR & Aberdeen BID. Reports were obtained and reviewed and seen to be run regularly; 45 accounts were shown in the August 2018 report and all had been given a reason for the suspension and scheduled for review.

Write Offs

2.7.3 Per Finance Regulations, NDR debts up to £25,000 per debtor may be written off under the authority of the Chief Officer – Finance or Chief Officer – Customer Experience (CE). Nominated officers, in this case the Revenues and Benefits Manager, may write off debts up to the value of £10,000 per debtor on the basis that a schedule is supplied to the Chief Officer – CE at least every 6 months. Debts over £25,000 must be reported at least annually to the City Growth & Resources Committee with details of the debt and the reasons for recommending write-off; there are a limited number of reasons which will be accepted.

2.7.4 A write off form must be completed by NDR staff and authorised either by the Team Leader or Revenues and Benefits Manager, then recorded in URB. The write off will be recorded on Northgate and the balance reduced to zero. A spreadsheet is maintained throughout the year by the Team Leader – NDR & Aberdeen BID and this is used to create a report by the Revenues and Benefits Manager for Committee at year end.

2.7.5 A sample of 8 written off debts was selected from system reports and reviewed. All written off debts were supported by the appropriate form and by evidence and were recommended for one of the reasons under the procedure after all recovery methods had been exhausted. The forms had been authorised appropriately and the write-offs had been properly approved, either by the Revenues and Benefits Manager or by Committee, and entered correctly into the system.

2.8 Reconciliations & Reporting

2.8.1 As described in 2.6.2 above, a daily reconciliation between the cash receipting system, the ledger and the NDR system is carried out by the Bank Reconciliation team and recorded in a spreadsheet. At the end of each month a Fund Analysis report is run for the whole month from the cash receipting system and this is used to double-check the figures entered in the spreadsheet. The reconciliation spreadsheets for April – August 2018 were reviewed and seen to have been completed timeously, with reconciling differences explained.

2.8.2 A reconciliation is also carried out of properties in the NDR system to the local Assessor's database. A full extract of the local Assessors' database (the Valuation Roll Interfaces Report) is interfaced / uploaded to the system on a weekly basis, generally a Friday, which updates existing accounts and creates new accounts, including the rateable value. An Error Report is run following the interface to identify any mismatches and confirm that the numbers of properties in the NDR system and on the Valuation Roll reconcile. Errors are investigated and corrected so that the values reconcile. The NDR team follows a checklist which must be initialled at each stage to confirm completion and then countersigned by the Team Leader. Records of data received and input for August 2018 were reviewed

and seen to be complete and timeously input, with new bills being generated the following week. Errors had been investigated and corrected promptly.

- 2.8.3 New and revised bills are issued on a weekly basis. As part of this process a reconciliation is carried out between the number of documents produced by the NDR system and the number confirmed as printed by Xerox. The reconciliation for the most recent run was provided to Internal Audit and seen to be complete.
- 2.8.4 A report showing all liabilities for the current year, known as the FOI report as it is produced to respond to Freedom of Information requests, is extracted as a spreadsheet every three months; confidential information is redacted, and the report is published on the Council website. Any changes throughout the year will be included.
- 2.8.5 The Council's performance reporting system is updated monthly with NDR amounts collected and collection rates, by the Revenues and Benefits Manager, which are available to the Director of Resources to review.
- 2.8.6 Collection rates are reported to the Improvement Service as part of the Local Government Benchmarking Framework and to CIPFA as part of the Directors of Finance Scottish Performance Indicators, where the Council was reported as having the eighth highest collection rate over the past 5 years, prior to 31 March 18, when compared to other Scottish Councils. This is in contrast to the previous audit when a report was regularly produced. The Service advised that this report had not been found useful and so had been discontinued.
- 2.8.7 Each year a confirmation of the actual collected rates is submitted to the Scottish Government so that the total can be contributed to the notional pool before being re-distributed. The return, having been checked by External Audit, must be submitted by a set date, which for 2017/18 was 3 October 2018. It was submitted by the Revenues and Benefits Manager and confirmed as received by the Scottish Government on 21 September 2018.

AUDITORS: D Hughes
A Johnston
L Jarvis

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.