

Report to: Audit Committee

Date of Meeting: 31 July 2018

Report Title: Chief Auditor's Summary Audit and Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the Debtors and Non-Domestic Rates audits.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary report to Audit Committee

Debtors

Background Information

This review was undertaken as part of the agreed audit plan for 2017/18. The last full audit of the Debtors system was in November 2014.

The level of invoices raised and income received is substantial, although it inevitably varies from year to year. In 2014, the value of invoices raised during the period 1 April 2013 to 31 March 2014 amounted to £8,638,556. For the period from 1 April 2017 to 28 March 2018, invoices raised amounted to £10,869,767.

It is therefore imperative that the Debtors system is administered efficiently and effectively – ensuring invoices are accurately raised for money owed to the Council and that revenue is promptly received.

At the time of the last full audit of the Debtors system in November 2014, the Service was then graded as A: Good and a small number of minor improvement recommendations were made.

Overall Audit Assessment: B – Satisfactory

Most controls are in place and work effectively. Some improvements are recommended to ensure best practice and efficiency. Further changes are recommended in order to provide assurance that the service is fully equipped to support the Council's commercial approach to income generation.

Key Findings

1. In 2014, the value of invoices raised during the period 1 April 2013 to 31 March 2014 amounted to £8,638,556. For the period from 1 April 2017 to 28 March 2018, invoices raised amounted to £10,869,767.
2. The total debt outstanding as at 28 March 2018 is £2,080,724. In comparison, the total debt outstanding as at 31 March 2014 was £715,206.
3. Additionally, aged debt >120 days as at 28 March 2018 amounted to £719,461, whereas the aged debt >120 days as at 31 March 2014, was £257,735.
4. The development of more in-depth debt profiling will result in a greater understanding of outstanding debts and will assist with targeting recovery action more effectively.
5. The main identifiable risk relating to the Debtors service is a failure to maintain a satisfactory level of debt recovery. Internal Audit acknowledges that following completion of its fieldwork, the Debtors function was transferred to Accountancy & Exchequer Services.

6. An integrated Finance, HR and Payroll system was introduced at the beginning of April 2018 and is currently at the phase two implementation stage.

Management Response

We agree the report and have put in place action plans to address the recommendations.

Summary report to Audit Committee

Non-Domestic Rates

Background Information

The audit was undertaken as part of the agreed audit plan for 2017/18. The last full audit of the Non-Domestic Rates (NDR) system was in 2014, when the service was given an overall assessment of A: Good.

In 2013/14, the collectable debt was £21,897,447 from 3,297 rated properties. The collection rate achieved for 2013/14 was 97.8% against a target of 97%.

In June 2016, the District Valuation Office concluded its revaluation of property values within the Borough. The revaluation became effective from April 2017 and consequently, for the period 2017/18, collectable debt had increased to £22,126,038 from 3,556 properties. Nevertheless, the collection rate achieved for 2017/18 was still 98.5%, compared to a target of 98%.

Given the sums involved and the importance of the contribution from business rates to the Council's budget, it is imperative the service is carried out effectively, efficiently and economically. It is equally important that robust internal controls exist for the billing, account management and recovery of outstanding NDR debts.

Overall Audit Assessment: A – Good

Controls are in place and work effectively. Some improvements are recommended to ensure best practice and future efficiency.

Key Findings

1. In 2013/14, the collectable debt was £21,897,447 from 3,297 rated properties. The collection rate achieved for this period was 97.8% against a target 97%.
2. In June 2016, the District Valuation Office concluded its revaluation of property values within the Borough. The revaluation became effective from April 2017 and consequently, for the period 2017/18, collectable debt had increased to £22,126,038 from 3,556 properties. Nevertheless, the collection rate achieved for 2017/18 was still 98.5%, compared to a target of 98%.
3. In April 2017, the Council introduced a Business Improvement District (BID) levy to be used for developing projects that benefit businesses in that local area. The BID is a defined area in which a levy is charged in addition to the business rates bill for non-domestic properties with a rateable value of £5,000 or more. As at 31 March

2018, 502 businesses were included within the BID and the total levy charged was £234,000.

4. Unrecovered NDR debt for the period 1 April 2000 to 31 March 2018 currently stands at £1.18m. Uncollected NDR debt represents a risk and it is therefore imperative that the Revenues section is equipped to robustly pursue both in-year and historical NDR debt. Audit has made recommendations aimed at addressing this risk for the future.

Management Response

We accept the report and its recommendations.

Wards Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

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