

## Audit Objective

To ensure key financial system controls are operating effectively for Business Rates, and that opportunities for error, fraud or corruption are minimised.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority 1	0	The Council does not collect all business rates due as a result of errors, omissions or fraud leading to financial loss.	Medium
	Priority 2	8		
	Priority 3	0		
	Total	8		

## Executive Summary

As part of the Council's Internal Audit Plan, a review of Business Rates has been undertaken by SWAP Internal Audit Services on behalf of the Council's Internal Audit Team. We have highlighted the key findings below, and full details of all actions are attached at Appendix 1. **Whilst a number of weaknesses have been highlighted, it should be noted that the Business Rates team were heavily involved with helping to process grants during the covid pandemic and the Revenue and Benefits manager has been in post since August 2022, limited hand over was provided when they joined.**

## Key Findings

	There are no documented policies and procedures which covers the business rates work carried out within the Council.
	Businesses granted 100% relief under the national small business rates relief scheme have not been reviewed to ensure the relief remains current since 2017. Additionally, the Visiting Officer for business rates has only completed one cycle of checks for empty, new or amended premises since the start of the Covid pandemic in 2020.
	The business rates debt recovery rate at the end of February 2023 was 92.3%. The target recovery rate at the Council is 98%. Several weaknesses were identified in the debt recovery process which has meant debt is not regularly chased and recovered.
	Business rates accounts in credit are not being reviewed to ensure refunds are issued or, if appropriate, the balance transferred onto another account.
	An error in the building control system has meant that the Visiting Officer has not been informed of new premises or premise changes signed off by privately approved inspectors. The time period for this problem was being investigated.
	Reconciliations between the total rateable values recorded by the Valuation Office and the Council's business rates system are not reviewed and signed off by management.

## Audit Scope

An audit has been undertaken of the Council's Business Rates processes and procedures. Our audit included the following areas:

- A. Policies and procedures;
- B. Staff structure, knowledge and training;
- C. Reconciliations;
- D. Discounts and exemptions;
- E. Monitoring and business rates reports;
- F. Debtors and suppressed accounts; and
- G. Creditors.

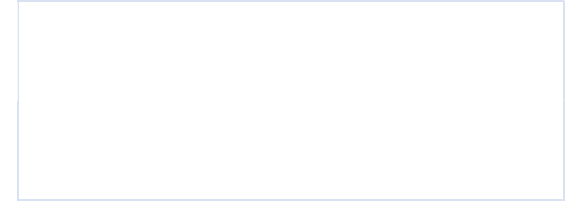
We would like to thank all staff involved for their assistance during the audit.



A single point of failure risk is posed as there is only one Taxation Officer processing business rates and one Visiting Officer. There are no contingency plans in place should either person leave, and concerns were raised regarding the capacity in the team to meet the work that is required.



There is no independent review of the work completed by the Taxation Officer or the Visiting Officer and no exception reports are run by management to identify anomalies.



## Appendix 1

## Findings & Action Plan

Finding	Action						
<p><b><u>A: Business Rates Policies and Procedures</u></b></p> <p>Our review found there are no policies and procedures which covers the business rates work carried out within the Council.</p>	<p>Policies and procedures which covers the business rates work should be drafted and reviewed to ensure they accurately reflect all tasks.</p> <p><b>Management comment:</b> As part of the restructure of the service, a review will be undertaken of all policies and procedures along with review of individual job roles to ensure all relevant task are covered in the JD'S and job Specs.</p> <table border="1" data-bbox="1272 678 2123 869"> <tr> <td data-bbox="1272 678 1635 726"><b>Priority</b></td> <td data-bbox="1635 678 2123 726">2</td> </tr> <tr> <td data-bbox="1272 726 1635 790"><b>Responsible Officer</b></td> <td data-bbox="1635 726 2123 790">Head of Revenues and Benefits Manager</td> </tr> <tr> <td data-bbox="1272 790 1635 869"><b>Timescale</b></td> <td data-bbox="1635 790 2123 869">March 2024</td> </tr> </table>	<b>Priority</b>	2	<b>Responsible Officer</b>	Head of Revenues and Benefits Manager	<b>Timescale</b>	March 2024
<b>Priority</b>	2						
<b>Responsible Officer</b>	Head of Revenues and Benefits Manager						
<b>Timescale</b>	March 2024						

Finding	Action
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## **B: Discounts and Exemptions**

We reviewed a sample of 20 discounts and exemptions which had been applied to businesses within the borough and noted the following issues:

- Under the national small business rates relief, if a business falls below a certain threshold, they get a 100% relief from business rates due. 3 out of the sampled 20 discounts and exemptions were for this reason. Businesses granted this rate relief should be regularly reviewed to ensure it remains current, however the Council has not set a review criterion and we found a review had not been done by the Council since 2017. There is a risk that businesses have increased in size and are therefore no longer entitled to the relief and/or the business entitled to the relief has in fact been sold and a review has not been done of the new owner. In either of these examples, there could be a negative financial impact on the Council.
- There is a Visiting Officer at the Council who, among other things, is responsible for doing site visits across the whole borough as a way of checking if properties are empty, if there has been a change to their use or size, or if there are any new premises which have not been reported to the Council. There is a schedule to monitor the checks done, with the borough split into 30 walks, which should be completed on a six monthly cycle. However, we were informed that only one cycle of checks has been completed since the start of the Covid pandemic in March 2020. This was completed between September 2022 to January 2023. The Visiting Officer advised that there used to be two Officers, however there is now only one and they feel they do not have the capacity to carry out the checks on a regular basis.

The Council should consider how often businesses receiving the small business rates relief should be reviewed, who should complete this, and ensure this is followed.

The Council should consider how often the walks to check empty, new and changed premises should be completed and determine if they have the capacity within the current team structure to comply with this requirement.

**Management comment:** Comment noted; however, the report does not reference the additional work that officers have been engaged in since the start of the pandemic in 2020 which meant other important area of work have not been carried out including visiting, reviewing discounts and exemptions etc. Therefore, not unusual only one cycle of checks has been undertaken.

However, a review of the processes and procedures will be undertaken as part of the restructure and necessary changes will be implemented.

<b>Priority</b>	2
<b>Responsible Officer</b>	Revenues Manager
<b>Timescale</b>	March 2024

<b>Finding</b>	<b>Action</b>
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## C: Debtors and Supressed Accounts

We reviewed the process followed for recovering debt on business rates accounts and noted the following:

- The recovery rate at the end of February 2023 was 92.3%. The target recovery rate at the Council is 98%.
- Debt recovery for business rates in the Council is some what automated in that once a debt falls due, recovery reports are run, so that reminder letters are issued or the court summons process is initiated. If a payment is made after a reminder letter has been issued but there is a debt still remaining, a final notice letter should be sent before the business is taken to court. 3 out of the 10 debts reviewed had made a payment in May 2022, the balance had not been cleared but no further action had been taken by the Council to recover the debt. We were informed that final notice letters have not been issued since the Revenue and Benefits Manager joined in August 2022 and as such debts sat at this status have not been chased. A report showed there were 37 accounts at this stage amounting to c.43 thousand pounds.
- The debt on an account can be suppressed so that it is not chased for a defined period of time. We were advised that suppressed accounts are not independently reviewed and there is no guidance to outline when an account debt should and shouldn't be suppressed.
- Once a debt has been summons by the court it is passed to an enforcement agent to help recover the debt. 4 of the 10 debts reviewed had got to this stage, however when we reviewed the status on the enforcement agent's workflow, 2 of these had been passed back to the Council but the status on the Council's system still said they were with the enforcement agent. This meant that no recovery action was being taken by either party. We were informed that the Council do not reconcile the statuses between the systems to identify anomalies. However, this reconciliation was performed for our audit and this revealed that the Council's system showed 150 cases were with the enforcement agent, but in fact 117 cases had been returned and therefore no action was being taken on them.
- The Council only use one enforcement agent to help recover debt after a court summons. If the enforcement agent is unsuccessful in recovering the debt, the case is passed back to the Council and no further action is taken.
- The Council does not have a process to regularly review if debts should be written off, we were unable to determine when this was last done but we were advised that it is not something that has been done since the Revenue and Benefits Manager joined in August 2022.

Final notice letters should be sent out to all debts falling into this stage of the debt recovery process. These should be generated on a regular basis to ensure that debts continue to be recovered.

Guidance around debt suppression should be drafted and appropriately approved. The Council should develop a method to help ensure adherence to the guidance is monitored.

The Council should explore a way to reconcile the debt recovery status between the Council and the enforcement agent's system. This should be carried out on a regular basis, so anomalies are identified as quickly as possible.

The Council should review what action should be taken on the debt that has been passed back from the enforcement agent and as a result is not being chased. They may want to consider if another enforcement agent would be beneficial.

The Council should develop a process to review debts and determine if they should be written off on a regular basis.

### **Management comment:**

Recommendation noted; However, officers have been engaged in delivery of time sensitive Governments response to the Covid 19 pandemic since 2020 including business grants, extended retail relief and Council Tax hardship fund payments reducing capacities to cover other areas of work.

As part of the review of the service, reports and reconciliation processes will be introduced into the job roles.

<b>Priority</b>	<b>2</b>
<b>Responsible Officer</b>	Revenues Manager

Timescale

March 2024

Finding	Action
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**D: Creditors**

Our review found that as of 7th March 2023, the number of accounts in credit and the value across each financial year was as follows:

Billing Period	Number of Accounts in Credit	Credit Total
2005	1	-134.15
2007	2	-1123.33
2009	2	-172.32
2010	3	-2366.91
2011	7	-3697.63
2012	4	-5058
2013	3	-2889.78
2014	7	-10423.9
2015	14	-14750.02
2016	23	-21739.98
2017	27	-12862.97
2018	47	-19973.43
2019	45	-49759.15
2020	64	-27647.27
2021	57	-76471.09
2022	98	-164647.74

We reviewed a sample of 20 accounts in credit and found no action had been taken to either refund or transfer the balance to another account on 9 of these accounts. The date of these credits ranged from 2016 to 2023. We were advised that nobody looks at the credit list on a regular basis and we were unable to confirm when the credit list was last reviewed. We were advised that it definitely had not been looked at in the last 3 years, but it may have been longer, the reason given was lack of capacity within the team.

A process should be developed and appropriately approved which determines how often the creditors list will be reviewed and what action should be taken.

Adherence to the process should be monitored to ensure it is complied with.

**Management comment:**

Comments noted; However, officers have been engaged in delivery of time sensitive Governments response to the Covid 19 pandemic since 2020 including business grants, extended retail relief and Council Tax hardship fund payments reducing capacities to cover other areas of work.

A review of the list of accounts in credit will be undertaken asap and there will be an overhaul of the entire procedure as part of the restructure of the service

Priority <sup>2</sup>	2
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Responsible Officer	Revenues Manager
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Timescale

March 2024

Finding	Action						
<p><b><u>E: New Business and Valuation Changes</u></b></p> <p>The Visiting Officer at the Council is informed about new premises or changes to premises via building control. However, it has recently been discovered that they have not been informed of new premises and changes signed off by private approved inspectors. We were advised this was due to a recording error in the building control system. As a result, there may be businesses which are not being charged business rates or the business rates might not be being charged at the correct rate.</p> <p>The building control processes have now been fixed so all new and changed premises are reported and the building control team are currently trying to pull together a report which will identify the premises which have not been reported. However, the Visiting Officer was not aware when this will be provided. We were advised that new premises should be identified during the walks mentioned in Finding B of this report, but as already mentioned, these are not being completed on a regular basis and changes to premises, such as a conversion or extension, may be harder to identify.</p>	<p>The Visiting Officer should liaise with the building control team to obtain an updated schedule of the new and changed premises that have not been reported.</p> <p>These premises should be visited, and business rates values issued and recovered from the owners.</p> <p><b>Management comment:</b> The above recommendation is noted and will ensure the visits are carried out as soon as possible. Additionally, a review of the process will be undertaken as part of the restructure.</p> <table border="1" data-bbox="1254 842 2134 1011"> <tr> <td data-bbox="1254 842 1637 895">Priority</td> <td data-bbox="1637 842 2134 895">2</td> </tr> <tr> <td data-bbox="1254 895 1637 954">Responsible Officer</td> <td data-bbox="1637 895 2134 954">Revenues Manager</td> </tr> <tr> <td data-bbox="1254 954 1637 1011">Timescale</td> <td data-bbox="1637 954 2134 1011">ASAP</td> </tr> </table>	Priority	2	Responsible Officer	Revenues Manager	Timescale	ASAP
Priority	2						
Responsible Officer	Revenues Manager						
Timescale	ASAP						

Finding	Action
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**F: Reconciliations**

Twice a week the Business Rates Senior Taxation Officer (Taxation Officer) receives a schedule of rate changes from the Valuation Office. The Taxation Officer makes the changes in the Council’s business rates system and runs a report to reconcile the total rateable value in the business rates system to the total rateable value on the Valuation Office’s schedule.

We reviewed a sample of reconciliations completed in December 2022, January 2023 and February 2023 and found while they had been completed and no issues were identified, the reconciliations had not been independently reviewed and signed off. We were advised this had not been done since the Taxation Officer moved to working from home at the start of the Covid pandemic in March 2020.

The reconciliations completed by the Taxation Officer should be reviewed and signed off to help ensure they are completed on a timely basis and anomalies are identified and rectified as quickly as possible.

**Management comment:**

Comments noted; As part of the restructure, a review of the current process will be undertaken with the view to implement a new process map which prompt officers to pass on reconciliation for review and sign off.

<b>Priority</b>	2
<b>Responsible Officer</b>	Revenues Manager
<b>Timescale</b>	March 2024

Finding	Action
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## **G: Staff Structure and Training**

Our review found there is only one member of staff processing business rates work and one Visiting Officer at the Council. Both of these pose a single point of failure risk, which is heightened due to the lack of documented policies and procedures highlighted in Finding A of this report. Contingency plans are not in place to help address the risk if either staff member were to leave.

Through discussion during the audit, we were advised that debt collection, credit processing and monitoring of exemptions are not being carried out to an expected standard due to lack of capacity within the team. We were advised that management have been considering a restructure to address these problems for a number of years but no action has yet been taken.

The Revenue and Benefits Manager, who oversees the business rates team, was appointed in August 2022. We were advised that they are currently trying to review the team structure, roles and capacity against the work required but little progress has been made due to their own limited capacity.

A full business rates team structure review should be completed, assessing what duties are required against the capacity of the current team. If the team are deemed to be under resourced a business case for extra resource should be submitted to the appropriate review panel for consideration.

Job descriptions should be reviewed and amended so all staff members are aware of their roles and responsibilities.

### **Management comment:**

Comment notes, however due to the relatively small hereditaments in the HBC, one VO is adequate for the workload, however a review will be undertaken as part of the restructure of the service to ensure the team can deliver flexibility in response to future demands.

<b>Priority</b>	2
<b>Responsible Officer</b>	Revenues Manager
<b>Timescale</b>	March 2024

## **Finding**

### **H: Monitoring and Business Rates Reports**

As noted in Finding G of this report, there is only one Taxation Officer processing business rates work at the Council. We asked if anyone oversees the work they complete to help ensure it is carried out correctly and in a timely manner. We noted the following:

- No exception reports are run to monitor debtor and creditor positions (this includes a review of suppressions and write offs also);
- Whilst there are agreed authority thresholds for processing refunds and transfers, the business rates system does not prevent the Taxation Officer from processing refunds or transfers above their authority and no exception reports are run to monitor adherence.
- There is no quality assurance or spot checks completed over the Taxation Officer’s work to help determine if business rates, including discounts and exemptions, have been appropriately applied.

## **Action**

The Council should establish controls to monitor the work completed by the Taxation Officer and the Visiting Officer. Exception reports should be run on a regular basis and a quality assurance process introduced.

### **Management comment:**

I agree nor disagree with the findings, however as above, a review of the process and procedures will be undertaken as part of the restructure of the department and changes implemented at the earliest opportunity.

<b>Priority</b>	2
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In addition to the above, the work completed by the Visiting Officer is also not monitored on a regular basis to determine if the schedule of walks mentioned in Finding B of this report are being completed.

**Responsible Officer**

Head of Revenues and Benefits

**Timescale**

March 2024

## Audit Framework and Definitions

### Assurance Definitions

<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

### Definition of Corporate Risks

Risk	Reporting Implications
<b>High</b>	Matters that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Matters which should be addressed by management in their areas of responsibility.
<b>Low</b>	Matters of a minor nature or best practice where some improvement can be made.

### Categorisation of Actions

**In addition to the corporate risk assessment it is important that management know how important the action is to their service. Each action has been given a priority rating at service level with the following definitions:**

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.