

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S APARTMENT

BUSINESS RATES 2018-19

Issued to: Claudine Douglas-Brown, Assistant Director Exchequers Services
John Nightingale, Head Revenues and Benefits
Jayne Carpenter, Revenues and Benefits Manager

Cc: Peter Turner, Director of Finance (Final Report only)

Prepared by: Internal Auditor
Date of Issue: 3rd January 2019

Report No.: CEX/11/2018/AU

REVIEW OF BUSINESS RATES FOR 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of Business Rates for 2018-19. The audit was carried out in quarter 3 of 2018-19 as part of the programmed work specified in the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 3rd September 2018.
4. A Client Team for the London Borough of Bromley (the Authority) liaise with the Exchequer contractor, who are contracted to undertake business rate administration for the Authority.
5. A 'Revaluation Support' project (the Project) is in place to assist Bromley business rate payers due to the recent revaluation. For the financial year 2017-18, the Project had an amount of £1,404,760 which could be awarded to business owners to help in the payments of their business rate fees, due as long as certain criteria were met. For the 2017-18 financial year, a total of £1,392,836 the equivalent of 99.15% of the aforementioned amount was distributed. Any funding not allocated by the end of the September following the end of the financial year, will be lost.
6. For the 2018-19 financial year, the Authority will have approximately £700,000 to assist business rate payers. Of this, as at September 2018, a total of £252,434 (which amounts to approximately 37%) had been allocated.

AUDIT SCOPE

7. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

8. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

REVIEW OF BUSINESS RATES FOR 2018-19

MANAGEMENT SUMMARY

9. Controls noted to be in place and working well, based on the sample testing conducted, included:
- A copy of the Authority's business rates policies and procedures was obtained and confirmed to be in line with the latest Government legislation and changes to business rates.
 - A sample of 10 business rate collections was tested out of a total of 1048 of active businesses as at 31st March 2018. Business rate bills were confirmed to be issued on time with the associated calculations documented on the system.
 - Business rate payments for the aforementioned sample were confirmed to be up to date. A sample of 10 business rate reliefs was tested (small business rate relief, rural rate relief, charitable rate relief, enterprise zone relief and hardship relief) and were found to be allocated correctly, with supporting documentation retained.
 - Monthly business rate reports were produced and sent to the Authority by the Exchequer contractor.
 - A sample of 10 write-offs was tested, (from those sent from the Exchequer contractor to the Authority for the January 2018 write-off batch). These write-offs sampled were evidenced to have been reviewed, investigated and then subsequently authorised by the Authority. These write-offs sampled were all actioned on the system by the Exchequer contractor in a timely manner.
 - Executive meetings were held between the Head of Revenues and Benefits and the Director of Finance to discuss the administering of local business rate relief, progress was monitored and the strategy was revisited in subsequent meetings.
 - Complaints are sent via email to the Exchequer contractor, a draft response is sent to the Authority where it is reviewed and approved before being issued to the customer. In 2017-18, there were three complaints, two were unfounded and one was founded. In 2018-19, at the time of the Audit in October 2018, there was one ongoing complaint that was under-going investigation.
10. However, we would like to bring to management attention the following issues:
- One refund from a sample of 10 refunds tested (from a total population of 990) was found where the refund requested did not match the refund stated in the local authority's system. This was still authorised.

REVIEW OF BUSINESS RATES FOR 2018-19

- One of the sample of 10 arrears tested did not have a formal recovery letter and a court summon letters retained in the system.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. There were no priority one recommendations raised as part of this audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

REVIEW OF BUSINESS RATES FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><u>Refunds</u></p> <p>Business rate refunds normally occur when there has been a change in legislation or a change in the way business rates are calculated. Where a refund is due, it is the business' responsibility to contact the Authority to request a refund.</p> <p>A sample of 10 refunds from a total of 990 refunds was selected from the Authority's system detailing account information and the system which stores documented information.</p> <p>For an account, three emails were sent by the payee to the Authority on the 20th March 2018 requesting three separate refunds of £71.41, £57.97 and £121.81, which totalled £251.19.</p> <p>Credit amounts as per the account recorded on the system, however were recorded as the following £39.12, £48.19 and £121.81 totalling £209.12. The account was therefore in credit £209.12, with £251.19 being requested by the payee. A refund was paid by the Authority to the payee of £251.19 instead of the actual credit amount of £209.19 as per the account.</p>	<p>Where refunds paid do not match the credit amount as per the system, there is a risk that the Authority refunds the incorrect amount.</p>	<p>It should be ensured that refunds match credits on accounts.</p> <p>(Priority 2)</p>

REVIEW OF BUSINESS RATES FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2.	<p><u>Arrears Recovery Documentation</u></p> <p>The business rates arrears procedure starts with notifying the debtor of an arrear or a missed payment. A first letter is generated if the debtor does not contact the Authority to resolve the matter. A second letter is subsequently sent if the matter is not resolved and a court summons thereafter.</p> <p>A sample of 10 arrears was selected. Evidence of supporting documentation could not be located on the system and in one instance – no evidence of letter 1 being sent or the Court Summons letter being sent.</p>	<p>Where evidence of all steps in the recovery procedure is not scanned and uploaded onto the system, the Authority will have difficulty reviewing these cases should further dispute arise.</p>	<p>Evidence of all correspondence between the Authority and the client should be recorded on the system.</p> <p>(Priority 2)</p>

REVIEW OF BUSINESS RATES FOR 2018-19**APPENDIX B****MANAGEMENT ACTION PLAN**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	It should be ensured that refunds match credits on accounts.	2	It is agreed that the sum refunded should not exceed the credit on the account.	Head of Revenues and Benefits	Ongoing
2.	Evidence of all correspondence between the Authority and the client should be recorded on the system.	2	Evidence of all correspondence between the Authority and the client should be recorded on both systems.	Head of Revenues and Benefits	Ongoing

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.