

FROM: Audit and Risk Manager
TO: Head of Finance
C.C.: Chief Executive
Exchequer Manager
Revenues and Recovery Manager
Portfolio Holder (Cllr Chilvers)

SUBJECT: National Non-Domestic Rates
DATE: 26 March 2024

1 Introduction

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 National Non-Domestic Rates (NNDR) are managed by the Revenues section of the Finance department. The team is also responsible for the management of NNDR on behalf of Stratford-upon-Avon District Council.
- 2.2 The collection rate for business rates stood at 93.92% at the end of February 2024. This has seen an increase of 0.68% when compared to the collection rate figures for the same point in February 2023.
- 2.3 NNDR transactions and procedures are processed through the CIVICA Open Revenues management system. There are currently 5,370 commercial properties on the system with a total rateable value of £194,762,547.
- 2.4 The rateable value of each property is determined by the Valuation Office Agency (VOA), with a new rating list being in place following a revaluation for 2023. A multiplier, set by the Department of Communities and Local Government (DCLG), is then applied to determine the percentage of rateable value due to be paid by the proprietor.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being

controlled appropriately or whether there have been issues identified that need to be addressed.

- 3.2 In terms of scope, the audit covered the following risks, covering the valuation and liability aspects of NNDR:
1. Financial loss through ineffective processes.
 2. Reduction in Business Rates Income and / or delay in collection. (Dept RR)
 3. Relevant properties are not identified leading to a loss of income / risk of not obtaining potential income sources (Dept RR)).
 4. Breaches of NNDR legislation.
 5. Inaccurate billing due to incorrect liable businesses / persons being identified, leading to adverse publicity (NNDR bills cannot be issued or are delayed (part of risk on Dept RR)).
 6. Shortage of business rates officers leading to reduced service, loss of skills, and increased pressure on existing staff.
 7. Provision of incorrect information / advice to stakeholders (Dept RR).
 8. Deliberate evasion of charges by occupiers / proprietors of non-domestic properties.
 9. Employee collusion with occupiers / developers.
 10. Lone working for visiting officers.
 11. Loss of IT.
 12. Failure to upload accurate information onto the CIVICA system.
- 3.3 These were identified during discussion between the Principal Internal Auditor and the key contacts for the audit, with those flagged as Dept RR above being included within the departmental risk register for Finance.
- 3.4 The processes in place in this area underpin the aims outlined in the 'Delivering Valued, Sustainable Services' strategic priority set out in the new 'Corporate Strategy Warwick District 2030'.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the previous audit of these modules, reported in January 2021, was reviewed. The current position is as follows:

	Recommendation	Management Response	Current Status
1	Staff should be reminded of the need to advise the VOA of all relevant change to non-domestic properties.	This has been raised in the team meeting and also the individuals' one-to-ones.	The Revenues and Recovery Manager (RRM) suggested that this had been caused by having to deal with the COVID grants at that time, with other 'normal' activities being affected. No similar issues were found as part of the testing for this year's audit.

Recommendation	Management Response	Current Status
2 The relief paid to the Community Interest Company should be reviewed, with a further check being undertaken to ascertain whether there are any other such accounts in place.	We will investigate the CIC identified that is receiving Mandatory Charity Relief and check to ensure they are eligible. This has never been picked up before so we were unaware of this issue.	This year's audit identified another CIC that had received charity relief. However, it was deemed to be appropriate based on their charitable aims.

4.2 Financial Risks

4.2.1 Potential Risk: Financial loss through ineffective processes.

Reconciliations between the VOA schedules and the property control totals on CIVICA are undertaken on a twice-weekly basis.

Copies of the schedules are held on the network along with balancing sheets, with copies of the CIVICA reports being held on the relevant spool manager. Extracts from the two reports are also generally included on the balancing sheets.

The Exchequer Manager (EM) advised that, as part of the year-end processes, the total amounts of reliefs and exemptions would be reviewed. The totals have to be recorded on the NNDR1 and NNDR3 returns and the figures are checked against the previous year's figures to ensure that they appear 'reasonable'. If the figures are not roughly comparable, they would be investigated, with comments being required on the relevant return on the relevant validation tabs.

The NNDR1 form is submitted at the end of January, with the NNDR3 form being submitted at a later date (April / May). Copies of the NNDR1 forms for 2022/23 and 2023/24 and the NNDR3 for 2022/23 were reviewed and were found to contain comments as appropriate (no comments required on the NNDR3 as all figures fell within the parameters).

The EM advised that the parameters are loaded as part of the new year creation process on CIVICA. The current year parameters were checked to the information contained in the relevant Business Rates Information Letter (BRIL1) and figures on the GOV.UK website. This confirmed that the parameters had been entered correctly.

4.2.2 Potential Risk: Reduction in Business Rates Income and / or delay in collection.

Testing was undertaken on a number of different reliefs and exemptions awarded (transitional relief, empty property relief, exempt empty properties, partly occupied relief, mandatory relief, discretionary relief, and small business rate relief (SBRR)). On the whole, these tests proved satisfactory.

The only point to note was that the discretionary reliefs awarded had not been reviewed for a number of years. The RRM highlighted that these had generally just rolled forward since 2021 due to COVID unless the Council had been advised that the relief was no longer relevant. However, a review was now underway of these reliefs, with the intention that ratepayers will be required to submit applications on an annual basis going forward.

There was also one account in the sample for both mandatory and discretionary reliefs where the ratepayer had advised the Council that they were in the process of closing the charity. This was not followed up, which had led to these reliefs continuing to be applied after the charity had closed. However, the reliefs have now been cancelled and they have also been sent a form to apply for SBRR as the property ratable value would entitle them to that relief instead, should they meet the other criteria.

The Council also uses Analyse Local to undertake reviews of properties that receive SBRR to ascertain whether the ratepayer owns or operates any other properties. The report produced is reviewed, with any action required being recorded on the spreadsheet.

4.2.3 **Potential Risk: Relevant properties are not identified leading to a loss of income / risk of not obtaining potential income sources.**

The RRM advised that the main sources of information regarding new and amended properties would be the Building Control completion lists. As the properties on these are already confirmed as completed, the relevant details for new properties will be entered onto CIVICA and the VOA will be informed of the need to visit the property.

Planning Committee approvals are also provided following each committee and reports are received from the GIS team regarding new street naming and numbering.

Spreadsheets are maintained by the Visiting team of relevant planning applications received (covering both domestic and non-domestic properties), with the visits split into different sheets for each area (the three main towns and rural) and different quarters based on the latest information received regarding expected completion dates etc.

The Senior Visiting Officer (SVO) advised that planning spreadsheets are maintained that show those properties that need to be followed up. She highlighted that visits are generally the last resort, with the process mainly office-based at the moment. Letters are sent by the Admin Officer – Visiting Team (AOVT) in the first instance and, if no response is received, he will flag these with the SVO who will then try to email or call to elicit a response. If this fails, a visit may then be undertaken.

If a response is received saying that works are still ongoing etc. the property will be moved to another spreadsheet for another follow-up in due course, with notes being added to detail any responses received / visits undertaken.

The SVO advised that the AOVT has been quite busy on other work recently, so there have not been any recent updates, but this will be picked up again once that work has been completed.

Upon review of a sample of the spreadsheets held, there was evidence of the contacts made / visits undertaken, although there were also still spreadsheets from October to December 2023 that had not been rolled forward (i.e. evidence that there had not been any recent updates as indicated by the SVO).

Sample testing was undertaken to ensure that amendments to properties notified to Revenues were being promptly actioned and the VOA were notified accordingly. This test highlighted no issues.

A number of completion notices were identified during this testing and, upon review, they were found to contain all of the relevant information, although the contact details (i.e. the offices at Riverside House) had not been updated yet whilst awaiting the move to hybrid mail.

Testing was also undertaken to ensure that the VOA is taking action when they are notified of amendments to properties with subsequent action taken following their response. This highlighted a number of cases where the VOA had not taken action on the information that the Council had sent to them. However, the RRM advised that the Council is 'no longer allowed' to chase the VOA except in cases where the ratepayer is suffering financial hardship.

4.3 **Legal and Regulatory Risks**

4.3.1 **Potential Risk: Breaches of NNDR legislation.**

The RRM advised that all staff have access to the IRRV (Institute of Revenues Rating and Valuation) manual on-line, with the Council holding a license to enable it to be viewed. A link, along with supporting guidance and procedures are held on a 'one note' page that is accessible to all relevant staff.

BRIL releases are also made available to all staff and are held on the relevant network drive.

The RRM advised that any relevant updates will be shared with staff at the team meetings, although these are not, currently, minuted.

Advisory

Consideration should be given to minuting team meetings to evidence that staff have been made aware of relevant changes to legislation etc.

4.4 **Reputational Risks**

4.4.1 **Potential Risk: Inaccurate billing due to incorrect liable businesses / persons being identified, leading to adverse publicity / NNDR bills cannot be issued or are delayed.**

Identification of the correct liable person is not always straightforward. However, the RRM advised that a number of methods would be employed such as sending out canvas forms, contacting the relevant agents or 'Googling'.

Copies of the lease agreement are also now being requested when liable persons have been identifying themselves, with this being implemented during the processing of the COVID grant payments.

Recent accounts that had been created were reviewed (six highest account numbers that were still active) and each liable person / company had been identified in a different manner.

The CIVICA system automatically calculates the bill for the year, based on the start date of the liability. This was confirmed for one of the sample reviewed above where liability had changed during the course of the year.

4.4.2 **Potential Risk: Shortage of business rates officers leading to reduced service, loss of skills, and increased pressure on existing staff.**

The RRM advised that there would always be an awareness of staffing levels, especially when the backlog was growing. However, the most recent appointment to the team only works on NNDR with the other two revenues officers covering both Council Tax and NNDR and, as at the date of the audit testing, there was no current backlog, with the latest outstanding items being within a week.

It was, however, noted (as highlighted at 4.2.3 above) that there had been issues with visits to properties, with a vacant post not being able to be appointed to (due to the calibre of the candidates when the post had been advertised) and the AOVT only recently returning to work after a period of absence. As a result, there was a current backlog of undertaking visits and dealing with some of the reports from building control and others advising of property updates. However, this was a known issue which was expected to improve now that the AOVT was back in work.

4.4.3 **Potential Risk: Provision of incorrect information / advice to stakeholders.**

The RRM confirmed that if anyone did ask to see a copy of the register, they would be directed to the gov.uk website. However, she could not remember the last time anyone had asked to see it.

4.5 **Fraud Risks**

4.5.1 **Potential Risk: Deliberate evasion of charges by occupiers / proprietors of non-domestic properties.**

To support the Visiting team, the Council's Fraud team have recently visited some void, listed, properties to identify if they are still void or whether they were occupied. This resulted in a number of properties being identified that should potentially have the empty property relief removed.

One of the Revenues Officers is working through these to ascertain whether they should be billed. The Fraud team plan to undertake further visits in the near future to look at other properties receiving listed exemptions and other exempt properties.

The explanatory notes published on the intranet highlight the need to inform the Council of changes with regards to Small Business Rate Relief. The RRM highlighted that there is also a legal duty to notify the VOA of any changes in respect of new occupiers, with the VOA producing weekly 'gateway' reports to inform the Council of any relevant contacts dealt with during the week along with Check or Challenge reports where there may be a need to process other changes.

The 'LAGI' reports contain a disclaimer that the information provided is based on contact details held by the VOA for maintenance of the rating lists and has not been verified, so no assurance is provided that it actually relates to the current or previous liable ratepayer.

4.5.2 **Potential Risk: Employee collusion with occupiers / developers.**

The RRM advised that the Revenues Team Leader and the Senior Revenues Officer (SRO) will do random checks on work undertaken by other staff and if any issues are identified they will be flagged in one-to-ones.

The SRO confirmed that he had also been undertaking spot checks on the accounts that had been worked on by the new Revenues Officer when she first started and would go through any errors with her.

4.6 **Health, Safety and Wellbeing Risks**

4.6.1 **Potential Risk: Lone working for visiting officers.**

The RRM advised that staff undertaking visits have been advised to use the Solo Protect system to check the staff alert list as required. However, most visits are 'drive by' visits with no direct in-person interaction.

4.7 **Other Risks**

4.7.1 **Potential Risk: Loss of IT.**

The Council Tax audit, completed in December 2023 confirmed that backups of the (CIVICA IBS) system are performed on a nightly basis with mini backups completed every thirty minutes during the day. Changes made to data on the

system are auto-saved, historical data is retained so there is an audit trail for the changes made.

An ICT audit of back-up processes is due to be undertaken in 2024/25, so detailed testing will be performed as part of that audit.

4.7.2 **Potential Risk: Failure to upload accurate information onto the CIVICA system.**

Testing was undertaken to ensure that properties on the valuation list are appropriately reflected on the CIVICA system. A random sample of properties was selected from the those detailed on the listing on the gov.uk website and all were found to be accurately recorded on the CIVICA system.

Where changes are made to the property records by the VOA, they are detailed on 'Schedules of Alterations to the Rating List' reports which are provide to the Council on a twice-weekly basis. Testing was undertaken on a sample of changes reported on these schedules to ensure that CIVICA had been updated as appropriate with no issues being identified.

Where changes to the Rateable Value (RV) have resulted in the ratepayer making an overpayment, they are now entitled to receive interest on these payments. This has only been in place for the current financial year following a number of years with low inflation and interest rates.

A sample of reductions in RV from the schedules was selected to ensure that repayments had been made as appropriate and interest had been paid in appropriate cases.

Refunds were found to have been made in the appropriate cases but, of the thirteen cases that were due a refund, only ten had received an interest payment.

The RRM suggested that interest should have probably been paid in the three remaining cases and the agent for one ratepayer had actually contacted the Council to highlight that an interest payment was due.

Recommendations

Review the identified refunds to ascertain whether interest payments need to be made.

Remind staff of the need to check whether interest payments are due when processing refunds.

5 **Summary and Conclusions**

5.1 Section 3.2 sets out the risks that are under review as part of this audit. The review highlighted weaknesses against the following risk:

- Risk 12 – Failure to upload accurate information onto the CIVICA system.

- 5.2 A further 'issue' was also identified where an advisory note has been reported. In this instance, no formal recommendation is thought to be warranted as there is no significant risk attached to the action not being taken.
- 5.3 In overall terms, therefore, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the valuation and liability aspects of National Non-Domestic Rates are appropriate and are working effectively to help mitigate and control the identified risks.
- 5.4 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

6 Management Action

- 6.1 The recommendation arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of National Non-Domestic Rates – March 2024

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.7.2 (a)	Failure to upload accurate information onto the CIVICA system.	Review the identified refunds to ascertain whether interest payments need to be made.	Low	Revenues and Recovery Manager	The three identified were looked at and interest was refunded in two of the three cases. In the other case, the overpayment was not due to the change in rateable value, so no interest was due.	Completed
4.7.2 (b)	Failure to upload accurate information onto the CIVICA system.	Remind staff of the need to check whether interest payments are due when processing refunds.	Low	Revenues and Recovery Manager	Schedules have been moved now to ones where the Team Leader and senior officer are in, so they can be checked straight away before any interest is or is not awarded. We will also cover the criteria again with staff and some notes have been produced with scenarios to help them decide if interest is paid or not.	Completed

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.