

Draft Internal Audit Report

Business Rates (and Business Grants)

July 2021

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| Assurance Level | Issues Identified | |
|-----------------------|-------------------|---|
| Substantial Assurance | Priority 1 | 0 |
| | Priority 2 | 1 |
| | Priority 3 | 0 |

Confidentiality and Disclosure Clause

This report (“Report”) was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Business rates are collected by local authorities from those who occupy non-domestic properties, as a contribution to the cost of local services.
- 1.2 All non-domestic property rateable values are reassessed at revaluations to ensure that business rates bills are up to date, more accurately reflect current rental values and relative changes in rents. However, revaluation of business rates will no longer take place in 2021 to help reduce uncertainty for businesses affected by the impacts of coronavirus.
- 1.3 The government has also announced a set of business support schemes to provide support to business that have experienced increased cost and disruption to cash flows as a result of the coronavirus pandemic (Covid-19). This includes:
- Businesses in the retail, hospitality, leisure and childcare sectors benefitting from 100 per cent relief from business rates for the 2020/21 financial year.
 - A number of grant schemes for businesses, ranging from grants of £10,000 and £25,000 to small businesses and these in the hospitality and leisure sectors to more recent Local Restriction Support Grants.
- These grants are administered by the Council.
- 1.4 The fieldwork for this review was completed during the government measures put in place in response to Covid-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.5 This audit was undertaken as part of the agreed Internal Audit Plan for 2020/21.

2. Key Issue

Priority 2 Issues

Monthly reconciliations between Northgate and General Ledger were not being undertaken. **(Issue 1)**

There were no Priority 3 recommendations.

3. Actions and Key Findings/Rationale

Audit Area: Accounting and Reconciliation

| Priority | Action Proposed by Management | Detailed Finding/Rationale - Issue 1 |
|---------------------|-------------------------------|---|
| | | <p>Monthly reconciliations should be undertaken between Northgate and the General Ledger to identify any variances where there could be accounting errors.</p> <p>Discussion with the Interim Head of Corporate Finance that the monthly reconciliations between Northgate and the General Ledger had not been completed for the financial year 2020/21. We also understand that the Finance Team are currently working through the 2020/21 year end accounts and the reconciliation for Business Rates would only be ready in August 2021.</p> |
| Responsible Officer | Deadline | |
| | | <p>Where reconciliations between Northgate and the General Ledger are not completed on a monthly basis, there is an increased risk that accounting errors are not identified and corrected in a timely manner.</p> |

AUDIT TERMS OF REFERENCE

Business Rates (and Business Grants)

1. INTRODUCTION

- 1.1 Rates are collected by local authorities from those who occupy non-domestic properties, as a contribution to the cost of local services.
- 1.2 All non-domestic property rateable values are reassessed at revaluations to ensure that business rates bills are up to date, more accurately reflect current rental values and relative changes in rents. However, revaluation of business rates will no longer take place in 2021 to help reduce uncertainty for firms affected by the impacts of coronavirus.
- 1.3 The government has also announced a set of business support schemes to provide support to business that have experienced increased cost and disruption to cash flows as a result of coronavirus crisis. This includes:
- 1.4 Businesses in the retail, hospitality, leisure and childcare sectors benefitting from 100 per cent relief from business rates for the 2020/21 financial year.
- 1.5 A number of grant schemes for businesses, ranging from grants of £10,000 and £25,000 to small businesses and these in the hospitality and leisure sectors to more recent Local Restriction Support Grants. These grants are administered by the Council.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2020/21.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit included the following areas (and issue raised):





Draft for discussion purposes only

| Control Areas/Risks | Issues Raised | | |
|--------------------------------|----------------------|------------------------|---------------------|
| | Priority 1 (High) | Priority 2 (Medium) | Priority 3 (Low) |
| Business Grants | 0 | 0 | 0 |
| Business Rates Relief | 0 | 0 | 0 |
| Collections and Recovery | 0 | 0 | 0 |
| Accounting and Reconciliations | 0 | 1 | 0 |
| Total | 0 | 1 | 0 |

Definitions for Audit Opinions and Recommendations

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

| | | |
|---|-----------------------|--|
|  | Full Assurance | There is a sound system of control designed to achieve the system objectives and the controls are constantly applied. |
|  | Substantial Assurance | While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk. |
|  | Limited Assurance | There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk. |
|  | No Assurance | Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage. |

Priorities assigned to recommendations are based on the following criteria:

| | |
|--------------------------------|---|
| Priority 1 (High) | Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk. |
| Priority 2 (Medium) | Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period. |
| Priority 3 (Low) | Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area. |

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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