

Final Internal Audit Report

Business Rates (and Business Grants)

June 2022

Distribution: Corporate Director Resources and S151 Officer
Interim Director of Finance and Deputy S151 Officer
Head of Payments, Revenue, Benefits and Debt
Interim Head of Corporate Finance
Strategic Collection Manager
Council Tax & Business Rates Manager

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, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, 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. Whilst a revaluation of business rates was planned for 2021, this was eventually cancelled to help reduce uncertainty for businesses affected by the impacts of coronavirus (Covid-19).
- 1.3 In order to help businesses, manage the effects from Covid-19, the government also instituted a series of financial support schemes, including business rate relief and other grants. Within the Council this is the responsibility of the Payments, Revenues, Benefits & Debt Team and this is led by the Strategic Collection Manager.
- 1.4 As announced at the Budget on 3 March 2021 by the Chancellor, the government continued to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This was followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties.
- 1.5 Properties that are vacant are entitled to receive business rate exemptions. The non-domestic rates (NDR) team are notified by the ratepayer that a property is to become, or has become vacant, and on authorisation from a Manager in the team at Croydon Council (Council) rate exemption can be granted.
- 1.6 The 'Restart Grant' was announced as part of the budget on 03 March 2021 and the guidance applied to England only from 1 April 2021. The Restart Grant supported non-essential retail premises with one-off grants of up to £6,000 in Strand One of the Restart Grant. The Restart Grant also supported hospitality, accommodation, leisure, personal care and gym business premises with one-off grants of up to £18,000 in Strand Two of the Restart Grant.
- 1.7 Since 2019/20 the government has provided a Business Rates Retail Discount for retail properties which for 2020/21 it expanded to include the leisure and hospitality sectors. Following the announcement on 23 March 2020 of further measures to limit the spread of coronavirus, the government confirmed that that some of the exclusions for this relief, such as estate agents and letting agents, had been removed, so that retail, leisure, and hospitality properties that were forced to close as a result of the COVID-19 restriction measures were eligible for the relief. On 03 March 2021 the government confirmed that the Expanded Retail Discount (ERD) would continue to apply in 2021/22 at 100% for three

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months (01 April 2021 to 30 June 2021) and at 66% for the remaining period (from 01 July 2021 to 31 March 2022).

- 1.8 Charities and Community Amateur Sports Clubs can apply for charitable rate relief of up to 80% if a property is used for charitable purposes. Charity ratepayers are granted a mandatory 80% relief from non-domestic rates where the property is wholly or mainly used for charitable purposes.
- 1.9 Summonses are automatically sent to taxpayers in arrears who fail to respond to reminder letters. Croydon Magistrates Court Grants Liability Orders against the ratepayers. This process was put on hold for 2021/22, however, the collection of rates recovery process re-commenced in November 2021.
- 1.10 The fieldwork for this review was completed remotely during the government measures put in place in response to Covid-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.11 This audit was undertaken as part of the agreed Internal Audit Plan for 2021/22. Some delays were experienced due to the responsiveness to communication to Internal Audit from the main contacts of the audit.

2. Key Issue

Priority 2 Issue

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

There were no Priority 3 issues

3. Actions and Key Findings/Rationale

Audit Area: Accounting and Reconciliation

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p>Currently Corporate Finance team work with LG Futures, our advisors on Collection Fund, on an annual basis to put together the Collection Fund accounts. Their advice and work ensures on an annual basis the Northgate and the Ledger are reconciled to avoid year end risks.</p> <p>Monthly reconciliations have not been done for a good number of years, this is not only a 2021/22 issue.</p> <p>A new project is in the process of being set up to review all the Council's reconciliation processes. This review will bring the reconciliations up to date and set up regular reconciliation processes with intervals based on priority (e.g. some may be monthly, others</p>	<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 confirmed that the monthly reconciliations between Northgate and the General Ledger had not been completed for the financial year 2021/22. We were also informed that the Finance Team is currently working through the 2021/22 year-end accounts and the reconciliation for Business Rates would only be ready in June 2022 as part of the Council's closing timetable.</p> <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>

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	quarterly). The review will also identify any resourcing gaps. Review to be complete by January 2023.	
Responsible Officer	Deadline	
Interim Head of Corporate Finance	January 2023	

AUDIT TERMS OF REFERENCE

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1. INTRODUCTION

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- 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 In order to help businesses, manage the effects from Covid-19, the government instituted a series of financial support schemes, including grants and business rate relief.
- 1.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2021/22.

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):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Business Rates 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 Identified Issues

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 identified issues 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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