

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2(e)

17th March 2021

Title of the Audit: Financial Services – Non-Domestic Rates Changes

1. Introduction

11.1 As part of the agreed Internal Audit plan we have carried out a review of the Non-Domestic Rates (NDR) changes including those introduced due to COVID-19. This includes all non-domestic properties in Scotland receiving a 1.6% rates relief; retail, hospitality and leisure businesses receiving 100% rates relief if the property is occupied, and Small Business Bonus relief available to properties which are in active use. Additionally, the poundage rate (the pence in the pound tax rate used to calculate the amount payable) has been increased from 49p to 49.8p for 2020/21.

1.2 The purpose of the audit was to ensure that changes made to the NDR legislation for 2020/21, including those introduced as a result of the COVID-19 pandemic, have been effectively implemented in the processes, systems and procedures used by the Council, that bills for properties which are affected by these changes are calculated accurately, and that monitoring is in place to prevent and detect erroneous or unauthorised application of relief.

1.3 The scope of the audit included:

- Documented procedures and training available to all relevant staff,
- Performing a walkthrough of the process for calculating and applying updated charges and reliefs,
- Quality checking and controls in place,
- Reviewing the system used for calculating and applying new reliefs and charges,

- Sample checking cases to ensure the system has been configured to apply charges and reliefs correctly and issue accurate bills,
- Management sign off of new or amended processes,

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and three recommendations which management should address.

3. Main Findings

3.1 We are pleased to report that the key controls are in place and generally operating effectively. A documented procedure was in place for the retail, hospitality and leisure relief. In addition to this, we confirmed that training was available for all relevant staff. From a sample of 15 retail, hospital and leisure reliefs, we found that all reliefs had been applied accurately and in accordance with the documented procedure.

3.2 The NDR system has been configured to apply charges and reliefs accurately, and to produce bills which consider other reliefs and payment schedules. User acceptance testing was carried out for the new system release and management have signed off on system updates required to apply new reliefs or charges.

3.3 From reviewing a sample of 15 reliefs, we confirmed that the 1.6% relief had been applied and bills had been updated to reflect the new poundage relief in all instances.

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3.4 However, our audit testing found that there are some areas of non-compliance. Although staff were able to verbally detail the process to be followed when applying the small business bonus relief, a documented procedure was not in place to reflect the changes which came into effect in April 2020.

3.5 From reviewing a sample of 15 small business bonus reliefs, we were able to confirm that the advised process had been followed in 12 instances. For the remaining three, we identified that elements of the process had not been followed however, these did not have an impact on the value of the relief provided.

3.6 Arrangements are in place to identify and monitor erroneous or unauthorised input of reliefs, however, we found that higher risk transactions are not separately identified for scrutiny.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.9 We would like to thank officers involved in this audit for their cooperation and assistance.

3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Documented procedures and training have been made available to relevant staff.				
1	<p>Although staff were able to verbally detail the process to be followed when applying the small business bonus relief, a documented procedure was not in place to reflect the changes which came into effect in April 2020.</p> <p>We were advised that management are currently in the process of drafting new updated procedures relating to all reliefs.</p> <p>A lack of documented procedures increases the risk that poor or inconsistent practices may develop.</p>	<p>Documented procedures should be updated to reflect the changes which came into effect this year.</p> <p>Thereafter, relevant staff should be informed of the changes to procedural documents.</p>	Low	<p>Response: Accepted.</p> <p>Updated training document will be produced and implemented with staff</p> <p>Officer Responsible for Implementation:</p> <p>Operations Manager (Revenues)</p> <p>Timescale for Implementation:</p> <p>31 March 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: An application form and evidence of eligibility has been provided and reviewed for reliefs awarded.				
2	<p>From reviewing a sample of 15 small business bonus reliefs, we were able to confirm that the advised process had been followed in 12 instances. For the remaining three, there was at least one requirement in the process that had not been adhered to:</p> <ul style="list-style-type: none"> • There were two instances where an out-of-date application form had been accepted. • There was one instance where a relief was continued although the liability had changed, without an appropriate application being received. <p>In addition to this, we found a number of administrative errors such as evidence of eligibility checks not being noted on the Academy system.</p> <p>There is therefore an increased risk that reliefs are awarded to ineligible applicants.</p>	<p>FS management should remind relevant staff to apply reliefs in accordance with the advised process and written procedure and consider if any additional training is required.</p>	<p>Medium</p>	<p>Response: Accepted.</p> <p>Will be completed as noted in recommendation 1</p> <p>Officer Responsible for Implementation:</p> <p>Operations Manager (Revenues)</p> <p>Timescale for Implementation:</p> <p>31 March 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Controls are in place to identify and monitor erroneous or unauthorised input of reliefs.				
3	<p>Arrangements are in place to identify and monitor erroneous or unauthorised input of reliefs, however, we found that higher risk transactions (e.g. application of reliefs) are not separately identified for scrutiny.</p> <p>Carrying out smaller sample checks of random input may increase the risk that higher value fraudulent activity could go undetected.</p>	FS management should conduct a review of the current review process and consider if improvements could be made to help ensure that erroneous or unauthorised transactions are identified.	Medium	<p>Response: Accepted.</p> <p>Will review and consider whether any changes are required to current quality checking processes</p> <p>Officer Responsible for Implementation:</p> <p>Operations Manager (Revenues)</p> <p>Timescale for Implementation:</p> <p>31 March 2021</p>