



**Comhairle nan Eilean Siar
Internal Audit Review
NON-DOMESTIC RATES
Final Report –2024/25 -01**

17 February 2025

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
NON-DOMESTIC RATES**

CONTENTS

		Page
SECTION 1	<u>EXECUTIVE SUMMARY</u>	1-2
SECTION 2	<u>RECOMMENDATIONS AND AUDIT OPINION</u>	3
SECTION 3	<u>FINDINGS, RECOMMENDATIONS AND ACTION PLAN</u>	4-6
APPENDIX A	<u>RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT</u>	7
APPENDIX B	<u>DEFINITION OF AUDIT OPINIONS</u>	8
APPENDIX C	<u>ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES</u>	9

Date of Visit	January 2025
Draft Report Issued	31 January 2025
Management Response Received	17 February 2025
Final Report Issued	17 February 2025

Issued to:	
Chief Executive	Malcolm Burr
Chief Financial Officer	Norman Macdonald
Revenues and Benefits Manager	Jennifer Macleod
Chief Internal Auditor	Sandy Gomez
External Audit	Martin Devenny

SECTION 1: EXECUTIVE SUMMARY

Introduction

1.1 The Report has been prepared following an internal audit review of Non-Domestic Rates (NDR) as part of the operational annual internal audit plan for 2024/25. The purpose of the Report is to provide an overview of the Comhairle's arrangements for the operation and management of Non-Domestic Rates. The scope of the audit included a review of the following objectives:

- Confirm that all relevant data from the valuation roll is promptly and correctly transferred to the assessment roll;
- Confirm that bills are correctly calculated and are processed in the correct timescales;
- Confirm that payments received are promptly processed and correctly posted to the rate payers' accounts;
- Confirm that write-offs, cancellations and refunds are correctly processed and properly controlled;
- Confirm that there is performance data in place and this is published as part of the overall Comhairle performance;
- Confirm that policies and procedures are in place to minimise the risk of staff non-compliance with legislative and management requirements and ensure that NDR functions are undertaken in an economic, effective and efficient manner;
- Confirm that there is regular canvassing in place to confirm the information held is relevant and up to date;
- Confirm that there are year-end processes in place prior to new bills being processed;
- Confirm that the chargeable rates are correct in accordance with the data provided by Scottish Government for 2024/25; and
- Confirm that adequate procedures are in place following the cyber-attack to minimise future risks.

Background Information

1.2 Non-domestic rates (NDR) are levied in respect of all non-domestic properties, subject to statutory exemptions and reliefs. The amount to be paid by the liable party is based on the rateable value (as determined by the Assessor) and the poundage rate set by the Scottish Government each year. The Comhairle is responsible for the billing, collection and enforcement of Non-domestic Rates.

The poundage rate set for 2024/25 is 48.4p, with a supplement of 2.6p for rateable values in excess of £35,000.

A revaluation took place with effect from April 2023 with reference to rental values and market conditions with the main purpose to update the NDR tax base to ensure rateable values reflect the notional rental value of each property.

COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
NON-DOMESTIC RATES

As well as new rateable values a number of rates measures took effect. The most significant of these was:

- Empty relief has been devolved to local authorities.
- Islands Hospitality Relief rates for 2024-25 allows hotels, bed and breakfast accommodation, Caravan sites, guest houses, restaurants, Airbnb etc. on islands and remote locations to claim 100% relief, capped at £110,000 per business and will continue to 2026, subject to budget passing. This will be encouraging for the Western Isles, specifically the Southern Isles where there have been well documented major disruptions due to ferry problems.

As of 31 March 2024, Business Rates applied to 3,256 rateable subjects, with 2,410 qualifying for some type of exemption or relief.

Concluding Remarks

1.3 Our detailed findings are included in the body of the Report. We would point out that the most significant issues arising from our review which require management attention are:

- The debt recovery process to get underway once the year end is complete and the billing for 2025/26 is concluded; (High 1)
- To confirm that the NDR bank reconciliation will be undertaken before the year end to give assurance that all income has been captured; (Med 2)
- A canvassing programme be rolled out to confirm that the reliefs awarded are still valid and any new reliefs applied; (Med 3)

It must be recognised that demand on resources has significantly increased due to the onset and continued response to the cyber-attack that a number of controls have been overlooked in the last year. However, from the review we can confirm that there is confidence that all the recommendations that we have put in place and in conversation with staff and the Revenues and Benefits Manager that the 2024/25 year-end will be completed and all the outstanding issues will be addressed prior to moving to the new rates year.

A phenomenal amount of work has been undertaken and there is still a relative amount to be undertaken before the NDR system is restored back to what it previously was.

SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

- 2.1 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the Comhairle if it should occur.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions and the number of recommendations in each rating.

Definition of recommendation	Grade	No.
Major weaknesses that could have a significant impact on the Comhairle if not addressed and contained urgently.	High	1
Important issues relating to controls being absent, not operating as expected or could be improved.	Medium	2
The weakness is unlikely to have a material impact on the Comhairle. These are not critical but management should address.	Low	

Where we have identified isolated exceptions in our sample testing, and we consider that they are unlikely to recur; and would have no significant impact if they should occur;

We have classified them as minor or trivial, discussed them with relevant officers and detailed them in Appendix C to the Report.

- 2.2 Based on the audit work carried out our overall opinion is that a reasonable level of assurance can be placed upon the control environment of the service/area under review.

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

It should be noted that our findings and conclusions are based on the information made available to us at the time of our review. There are current limitations in place as a result of a cyber-attack on 7 November 2023. This is likely to have limited our access to documentation prior to this date which requires to be acknowledged when considering the contents of the Report.

Internal Audit
Comhairle Nan Eilean Siar
Sandwick Road
Stornoway
Isle of Lewis
HS1 2BW

17 February 2025

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
NON-DOMESTIC RATES**

SECTION 3 – FINDINGS, RECOMMENDATIONS AND ACTION PLAN

GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
High 1	<p>There are no debt recovery processes in place at the time of the review.</p> <p>Priority was given to the reset of the system and getting the bills out for 2024/25 and updating reliefs and refunds.</p> <p>Transitional relief is still being updated and applied to around 1500 accounts on the system rather than manually. This relief is due to business rates changes which came into effect in 2023.</p> <p>The target is to make sure that all issues for the present year are all dealt with and no issues from the previous year will be carried into the 2025/26 year.</p> <p>We can confirm the amount of overdue debt at the time of the review - £2,904,971.30 @ 1/2/25. The amount outstanding prior to the cyber-attack was £3,187,470.26.</p>	<p>The Revenues and Benefits Manager to progress with the recovery of any outstanding and overdue debt once transitional relief due to ratepayers has been fully applied and the year end processes are complete and the bills have been dispatched.</p>	Agreed		April-May 2025

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
NON-DOMESTIC RATES**

GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Med 2	<p>Payments to accounts have continued, specifically through direct debit methods of payment and we checked a random selection relating to the period April to December 2024.</p> <p>This was satisfactory with all accounts being credited in a reasonable time.</p> <p>However, we cannot determine the NDR bank balance as reconciliations have not been undertaken since the cyber-attack.</p>	<p>The Revenues and Benefits Manager to confirm that an NDR bank reconciliation will be undertaken prior to the year end 2025.</p>	<p>Agreed</p>	<p>Revenues and Benefits Manager</p>	<p>May 2025</p>

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
NON-DOMESTIC RATES**

GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Med 3	<p>Canvassing is an important aspect of ensuring that tenants/proprietors are in receipt of the correct reliefs. Canvassing forms would be sent out to the rate payer to confirm if existing reliefs still apply and the information held is accurate and up to date.</p> <p>We would not have expected canvassing to have taken place as there have been competing priorities but going forward this should be continued as previous.</p>	<p>The Revenues and Benefits Manager should consider a roll-out of canvassing to confirm that reliefs being claimed are still applicable and any new reliefs applied.</p>	<p>Agreed. A program of reviews of entitlement will be planned once the annual billing is completed.</p>	<p>Revenues and Benefits Manager</p>	<p>August 2025</p>

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT

Responsibility in Relation to Internal Controls

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors is to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

It is the responsibility of the Comhairle's management to consider the detailed findings of this Report, where such findings have a specific impact on risk registers. This may include a risk that has not yet been identified, or current risk controls which may be required to be updated to reflect any changes as a result of the findings contained in this report.

Responsibilities in Relation to Fraud and Corruption

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption, or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

DEFINITION OF AUDIT OPINIONS AND RATINGS

The standard definitions for internal audit assurance over an engagement are as follows:

Level of Assurance	Definition
Full Assurance	Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION