



Item: 6

Monitoring and Audit Committee: 2 April 2026.

Internal Audit – Non-Domestic Rates.

Report by Chief Internal Auditor.

1. Overview

- 1.1. This report presents the internal audit report on Non-Domestic Rates, for scrutiny.
- 1.2. The internal audit plan 2025/26 includes a review of Non-Domestic Rates. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.3. Non-Domestic Rates are a local tax on properties such as shops, offices, and industrial premises. The Council collects these rates from owners or occupiers and pays them into a national pool, which is redistributed to local authorities based on population. This system is governed by legislation including the Local Government (Scotland) Act 1975, the Non-Domestic Rates (Scotland) Act 2020, and related regulations.
- 1.4. The objective of this audit was to evaluate the effectiveness and efficiency of processes and controls governing the administration of Non-Domestic Rates, ensuring compliance with statutory requirements and identifying opportunities for improvement.
- 1.5. The audit provides Limited assurance that procedures and controls relating to Non-Domestic Rates are well controlled and managed.
- 1.6. The internal audit report, attached as Appendix 1 to this report, includes one high priority recommendation regarding External Audit queries around the year-end return. There are eight medium priority recommendations regarding procedural documentation, segregation of duties, year-end procedures, annual eligibility reviews, NDR relief processes, credit balance reporting, debt recovery, and GDPR compliance. There are also four low priority recommendations regarding system access controls, a system health check, Assessor's reports, and the Empty Property Relief Policy.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, which reviewed the procedures and controls governing the administration of Non-Domestic Rates, ensuring compliance with statutory requirements and identifying opportunities for improvement, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

Andrew Paterson, Chief Internal Auditor, Extension 2107, email andrew.paterson@orkney.gov.uk.

Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our Economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.

Improving Population Health.

9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Non-Domestic Rates.



Internal Audit

Audit Report

Non-Domestic Rates

Draft issue date: 9 March 2026

Final issue date: 12 March 2026

Distribution list:	Director of Enterprise and Resources Head of Finance Service Manager (Revenues and Benefits) Team Manager (Revenues)
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Limited

There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The Non-Domestic Rates (NDR) service continues to deliver core day-to-day operational processes effectively, with several strengths observed including billing accuracy, refund controls and engagement with external partners. Despite experiencing staffing shortages and turnover over several years, the team has demonstrated a commitment to maintaining essential activities and meeting statutory requirements where possible.

However, the review also identified that the wider control framework surrounding these core processes is not operating consistently. Key areas such as documented procedures, segregation of duties, access controls, monthly reconciliations, recovery procedures, scheduled relief eligibility reviews and statutory return submissions require improvement.

It is important to recognise that many of these issues have already been acknowledged by management and a number of positive actions are underway. These include successful recruitment activity, planned updates to system access controls, participation in the NEC System Health Check and future developments in electronic document management. Once fully implemented, these steps are expected to significantly strengthen the overall control environment.

Taking the balance of operational delivery and the identified weaknesses in the supporting control framework into account, the overall audit opinion is assessed as Limited. This reflects the current state of the wider control environment. The NDR team's professionalism and cooperation throughout the audit are gratefully acknowledged.

The report includes 13 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via the Ideagen Risk Management system.

Total	High	Medium	Low
13	1	8	4

Introduction

Non-Domestic Rates (business rates) are a local tax on properties not used as homes, such as shops, offices, and industrial premises. Councils collect these rates from owners or occupiers and pay them into a national pool, which is redistributed to local authorities based on population. This system is governed by legislation including the Local Government (Scotland) Act 1975, the Non-Domestic Rates (Scotland) Act 2020, and related regulations.

The amount payable is calculated by multiplying the property's rateable value, set by the Assessor's Office in Kirkwall under the Lands Valuation (Scotland) Act 1854, by the annual poundage rate set by Scottish Ministers. Reliefs such as the Small Business Bonus Scheme and charity exemptions may apply. Councils are responsible for billing, collection, applying reliefs, and enforcing compliance, helping to fund essential local services across Scotland. Within Orkney Islands Council, Non-Domestic Rates are administered by the Council's Revenues and Benefits team, in addition to administering Council Tax.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit included a review of the following:

- **Governance:** Roles, responsibilities, staff training and development.
- **Process Workflows:** End-to-end procedures for billing, collection, reliefs, refunds and debt recovery.
- **Controls:** Reconciliations, fraud prevention measures, document retention and access controls within systems.
- **Data Integrity:** Accuracy and timeliness of Valuation Roll updates and property classifications.
- **Calculation and Billing:** Correct application of rates, supplements, reliefs and refund handling.
- **Reliefs and Exemptions:** Verification of eligibility and documentation for all relief types.
- **Year-End Process:** Closing procedures, accruals and compliance with statutory requirements.
- **Systems:** Effectiveness of system functionality and security.
- **Monitoring and Reporting:** Management oversight, performance tracking and statutory reporting obligations.

Audit Findings

1.0 Governance

- 1.1 There is a clear scheme of delegation in place for the administration of Non-Domestic Rates (NDR) with clear reporting lines in place. Over the last 12-18 months, the small staff team has seen several changes and has been operating with a vacancy for several months. However, it is expected that there will shortly be a full team in place following successful recruitment.
- 1.2 Because of these staffing changes, clear and accessible procedures are important for maintaining continuity, so we reviewed the availability and completeness of procedure notes across key processes. Some procedure notes exist; however, they require updating.
- 1.3 Although most core operational tasks are implemented effectively, a lack of clear procedures covering all areas has had an impact on certain processes such as monthly reconciliations and year-end returns. Processes depend heavily on individual officer experience, which could lead to vulnerabilities should experienced staff leave and there is an increased risk of inconsistency in practice.
- 1.4 Procedures should be developed or reviewed, updated annually and stored centrally for staff access. As a minimum, these should cover – billing, reliefs, refunds, recovery, valuation updates, appeals, year-end returns and reconciliations.

Recommendation 1

- 1.5 Overall, segregation of duties within the NDR function is inconsistently applied due to the small team structure and ongoing staffing pressures. While effective segregation exists for refunds and valuation updates, there are gaps in areas such as ad hoc billing and relief approvals, where single officers are responsible for end-to-end processing. Daily reconciliations and transfers between accounts are also not currently reviewed by a second officer.
- 1.6 We recommend that as part of updating procedures, the minimum viable segregation approach should be documented. Given the small team size; procedures should include defining: who performs each task, who provides secondary checks and what constitutes a high-risk item requiring senior approval. This ensures consistency even during periods of absence or turnover.

Recommendation 2

- 1.7 Although there is no statutory requirement for formal qualifications within the Revenues team, staff development is actively supported and encouraged. Several arrangements are already in place regarding training with the Institute of Revenues, Rating and Valuation (IRRV) including attendance at an NDR starter course for all new staff and one officer is currently studying towards a certification.
- 1.8 The team also makes effective use of collaboration, regularly engaging with colleagues at Shetland Islands Council and the Scottish Government for advice on legislative matters, reliefs and collection.
- 1.9 Legislative and system changes are communicated clearly through COSLA notifications, IRRV forums and NEC bulletins, ensuring staff remain aware of emerging requirements and updates throughout the year.

2.0 Billing

- 2.1 Billing controls within the NDR service are generally well-designed. NEC system checklists provide detailed stages and validation steps. Annual billing is first processed through the test environment, where parameters, relief rules and system-generated checks are completed and then reconciled before the live billing run is executed. A sample of bills is manually reviewed to confirm accuracy and completeness. Reconciliations are undertaken to confirm the number of bills produced and the opening debit.
- 2.2 A sample of bills were tested and calculations re-performed based on the required poundage and supplements set by the Scottish Government. All bills tested were correct.
- 2.3 Although the NEC year-end guidance is used to support annual billing processes, internal year-end notes used by the Revenues Team are based on a historic 2022/23 version and were partially manually updated rather than fully refreshed for each subsequent year. The notes did indicate when items had been completed however, they would benefit from dates, initials and formal approval as evidence of the process undertaken.
- 2.4 To minimise the risk of errors or omissions in the NDR year-end/annual billing process, the internal year-end notes should be formally updated on an annual basis to reflect NEC guidance and legislative changes. These updated notes should be approved by management prior to use and should include a clear record of each step completed, including dates and initials of responsible officers.

Recommendation 3

- 2.5 Ad-hoc billing is performed monthly to capture in-year changes to rateable values or reliefs. Officers undertake manual checks of these bills and a recommendation has already been made at paragraph 1.6 to ensure appropriate segregation of duties.
- 2.6 Amended and revised bills sampled during the audit were found to contain sufficient supporting information and correctly aligned with system entries.

3.0 Reliefs

- 3.1 Relief administration shows several strengths including correct application of relief rules in line with Scottish Government guidance and system controls in place to prevent duplicate or conflicting reliefs.
- 3.2 A sample of relief awards were checked to ensure they were appropriately awarded under the relief rules and had appropriate application forms and evidence retained where required. In all cases, the relief awarded was appropriate.
- 3.3 Direct and indirect evidence of application and eligibility was observed in 90% of cases where an application was required. In two cases, application forms and evidence of eligibility was not observed however due to the date of the award, it is possible that the evidence is retained in storage.
- 3.4 Currently, application forms and evidence are held in paper form with previous year and current year documents held securely within the Revenues office. There are developments underway to support an electronic document management system to move to electronic file management. A recommendation on this was made within the Council Tax audit undertaken in 2024/25. This will strengthen evidence retention.

- 3.5 A small sample of recent relief awards were tested to ensure customers had been notified of the decision. In one case, as the property was under reconstruction, this was confirmed by the Assessor and in the other cases, revised bills were sent out to the ratepayers, confirming their relief award.
- 3.6 Relief testing also indicated that the last review of continued relief eligibility was conducted in January 2020. There is currently no operational schedule for annual eligibility reviews.
- 3.7 The Revenues Team should reinstate and maintain a scheduled programme of annual eligibility reviews for all ongoing reliefs, ensuring that entitlement is still valid and supported by appropriate evidence.

Recommendation 4

4.0 Minimal Financial Assistance Threshold

- 4.1 Public authorities can now award subsidies under Minimal Financial Assistance (MFA) up to a maximum of £315,000 per recipient over the current and previous two financial years, replacing the former Trade and Cooperation Agreement (TCA) limit of €325,000 Special Drawing Rights; any previous subsidies awarded under the TCA must still be counted towards this rolling three-year total to ensure the MFA threshold is not exceeded.
- 4.2 Where reliefs fall under subsidy control, the application must include a declaration covering all other public assistance received, allowing the Council to assess compliance with the Subsidy Control Act and MFA rules.
- 4.3 Subsidy declarations were required from 2022/23 onwards and during this year applicants were required to complete a separate declaration in addition to a relief application form.
- 4.4 Newer versions of application forms such as the Small Business Bonus Scheme and Enterprise Areas Relief have inbuilt declarations however the wording used in the declaration statement is outdated due to the change in legislation. Other application forms do not contain declaration statements, which is an efficient means to comply with requirements.
- 4.5 The Business Rates-Reductions webpage on the Council's website also requires updating to reflect that subsidies in the UK are now legally governed by the Subsidy Control Act 2022. The application forms available online should be regularly reviewed to ensure they reflect the changing reliefs available.
- 4.6 The Revenues Team should update all NDR relief processes to ensure compliance with the Subsidy Control Act 2022, including revising application forms to include the required MFA declaration and obtaining written confirmation from applicants that receiving relief will not cause them to exceed the £315,000 three-year threshold. The website should also be updated including application forms to ensure that they reflect current reliefs available and any changes in legislation.

Recommendation 5

5.0 Appeals

- 5.1 There have been no escalated appeals on billing or relief approvals made within the audit period.

- 5.2 There is a clear and straightforward process for initial appeals as is set out on template decision letters and within billing notices. However, there is no formal documented procedure for handling appeals or dealing with escalations.
- 5.3 A recommendation has been made at paragraph 1.4 to include procedures for appeals to be developed, to ensure consistency in addressing cases where there is an escalation beyond the initial stages.

6.0 Refunds

- 6.1 Refund processing is a well-controlled area. Sampling confirmed that all refunds tested had dual authorisation, bank detail verification, proper justification documented and a record of the customer having been notified.
- 6.2 Interest repaid was correctly calculated and applied in all cases where required under the 2025/26 interest rate circular.

7.0 Income Collection

- 7.1 Payment processing operates through several mechanisms designed to ensure that receipts are posted accurately, unidentified payments are managed promptly and rejected items are correctly handled.
- 7.2 Testing of receipts confirmed that payments were recorded appropriately, and officers demonstrated awareness of how to address queries where payments did not have a customer reference. Reversals are clearly identified on statements and reports used to update the NDR system and ledger.
- 7.3 The suspense account is monitored daily and items are normally cleared promptly and where this cannot occur, payments are moved to a holding account. At the time of the audit, the holding account had no outstanding items.
- 7.4 A weekly report of NDR accounts in credit is expected, but only one such report, dated October 2025, was located for 2025/26. This has resulted in credit balances remaining unresolved.
- 7.5 For example, testing of recovery samples identified two accounts with credits following banding changes and application for relief at the end of 2025.
- 7.6 Credit balances arise legitimately and may be held against future amounts due. However, they require regular review as they can indicate unclaimed refunds, misallocated payments or errors requiring corrective billing.
- 7.7 The Revenues Team should reinstate and consistently maintain a formal weekly credit balance reporting process.

Recommendation 6

- 7.8 Transfers between NDR accounts are recorded manually using a paper transfer sheet kept within the Revenues Office. While these sheets include the initials of the officer entering the transfer, they do not record the reason for the transfer or include initials from a second officer to support segregation of duties. A recommendation has been made with regards to segregation of duties which should include transfers.

8.0 Recovery

- 8.1 A structured recovery timetable for recovery of overdue payments is not currently being followed. There have been no write-offs in the current financial year and one within the previous financial year which was under the threshold requiring approval by the Head of Finance (under £5).
- 8.2 Reminder letters have been issued within the period of the audit. However, these were infrequent with previous reminders sent in March 2025 and no further action taken on many outstanding accounts until January 2026.
- 8.3 Monthly collection monitoring reports are completed and serve as a monitoring, reconciliation and performance-tracking tool. Entries to the reports include billing runs, collections data, arrears, direct debits and reconciliations. Although this is a well-designed monitoring and reconciliation control, it is not operating consistently due to missed recovery actions.
- 8.4 The percentage of debt outstanding from year to year has seen an increase between 2022/23 and 2024/25 from 0.38% (£40,434.51) to 1.03% (£122,095.59). There was a pause in passing on outstanding cases to the Sheriff Officers in 2022/23 and 2023/24 following the COVID-19 pandemic, with this beginning again during 2024/25.
- 8.5 There is no Service Level Agreement in place with the current Sheriff Officers. However, there is work ongoing with Procurement to run a mini-competition under the Scottish Excel Framework for this service to ensure best value.
- 8.6 A formal NDR recovery timetable should be reinstated and consistently followed, ensuring that reminder notices and escalation actions are issued in a timely and structured manner.

Recommendation 7

9.0 Reconciliation

- 9.1 Reconciliation processes operate at both daily and monthly levels, but only the daily element is currently being completed consistently.
- 9.2 Daily reconciliation between the NEC system and payments received are carried out consistently and these are signed to indicate completion. There is no independent review however which would provide assurance that variances are being addressed. A recommendation has already been made with regards to segregation of duties.
- 9.3 In several instances, unresolved items such as unmatched card refunds within reconciliations did not include a documented explanation to evidence a resolution. Officers were able to show that these had been resolved however the information was not captured on the reconciliation.
- 9.4 Monthly reconciliations, which should provide assurance over income completeness and the integrity of the ledger, are not being undertaken. Staffing pressures and the length and complexity of the process were cited as reasons for the lapse. Officers reported that these can take several days to complete under current methodology.
- 9.5 The lack of monthly reconciliation work, if not rectified, can contribute to difficulties at year-end. This reinforces the need for a simplified, sustainable monthly reconciliation model that the small team can realistically maintain.

- 9.6 Clarity over the reconciliation process is not secure because procedures are not defined, leading staff to depend on historical reconciliations undertaken rather than a standardised approach.
- 9.7 A recommendation has been made regarding ensuring clear procedures for monthly reconciliations in addition to other processes. This will support clarity on the methodology required to undertake reconciliations and troubleshoot where issues arise.
- 9.8 Part of the complexity around monthly reconciliations stems from many sources of receipts to the Non-Domestic Rates cost centre within the finance ledgers, as well as timing differences. These include direct debits, card payments, bank transfers, internal payments and journals from other cost centres.
- 9.9 Through the course of the audit, it was agreed with the Senior Finance Assistant within the Payments Team, that customer reference numbers would be added to the narrative when journals are processed. This will support more efficient identification of the source of the income recorded within the ledger.

10.0 System

- 10.1 The NEC Revenue and Benefits system in place is broadly robust with some built-in validation for reliefs, audit logs available and reliable backup arrangements.
- 10.2 Change management processes are being developed in order to properly document and record updates made to the system. Change requests are logged with a system in place to track progress, providing an audit trail. This is acknowledged as a work in progress, with plans to include officer initials and dates to make it clear who has completed change testing and implementation.
- 10.3 There are well-designed access management procedures in place. However, testing revealed several user accounts which were no longer required due to staff leaving and moving jobs internally. These changes occurred after the last access review in May 2025.
- 10.4 One account was duplicated, and another had been kept due to concerns that removing it would disable access to part of the system - Business Objects. Assurance was provided that Business Objects will no longer be required from 31 December 2026 so it will be possible to disable the account after this.
- 10.5 We recommend that access control should be strengthened by introducing quarterly access reviews.

Recommendation 8

- 10.6 There are plans to review the overall structure of user access which is an existing audit action following the Council Tax audit of 2024/25. The system's built-in controls are currently used to ensure that sensitive information is only visible to staff who need to see it however, beyond this there are no further built in controls to support segregation of duties and prevent unauthorised changes from being made to accounts.
- 10.7 The System Support Officer is undertaking NEC training this year which will support a review of privileges on user accounts. This will also support the exploration of built in access controls to ensure segregation of duties and approvals where appropriate.

- 10.8 The system providers, NEC, are conducting a 'Health Check' alongside Revenues and Benefits staff to review system capabilities and efficiency in operations. This is expected to take place this year.
- 10.9 Through this review, it is anticipated that several opportunities for automation and making best use of system capabilities will be explored. The Health Check should cover access controls, the benefits of automated billing, automated customer correspondence and capabilities for processing information that reduces the need for manual data input.

Recommendation 9

- 10.10 The system does not currently interface with the banking system, leading to receipts for NDR being manually input into customer accounts. A recommendation was made to automate this process at the time of the last NDR audit (2021/22). However, a decision was taken in early 2024 to keep the process manual as there are very few payments and many without reference numbers which require manual input from staff anyway.
- 10.11 Another recommendation from the previous audit, in 2021/22, concerns data retention on the system. Although there are measures in place to ensure data retention policies are followed for paper records and electronic records stored on the secure network, there are no document retention controls built into the NEC system. Due to this, the action has not been completed and remains outstanding.
- 10.12 We recommend that within the NEC health check, assurance over GDPR compliance is sought in terms of documentation retention capabilities within the system.

Recommendation 10

11.0 Valuation Updates

- 11.1 Updates from the Assessor are imported through a manual upload process. Dual review and reconciliation controls are in place and operating to ensure accurate and complete records, though at times, there have been processing delays. There is evidence of processing times improving as the team catch up and make best use of delegation to a higher number of officers.
- 11.2 Marked-up Assessor reports and system logs are retained as a clear audit trail of changes, deletions and additions. A sample of changes tested showed correct updates.
- 11.3 Reports received contain highlighted information to make it clear what changes are required however officers identified that Assessor extracts contain less detail compared to reports previously received. This often leads to additional cross-checking or follow-up queries to obtain full information about liable persons or property details.
- 11.4 We recommend that Revenues discuss an agreed reporting format with the Assessor, to ensure that weekly Valuation Roll updates support operational efficiency, where possible. A log should be maintained of queries made to the Assessor which can be tracked and monitored.

Recommendation 11

- 11.5 We advise that the NEC Health Check is used to explore system capabilities such as interfacing with Assessor Reports to provide an automated upload of assessor changes. A

recommendation has been made with respect to the Health Check at paragraph 10.9 which covers this.

12.0 Discretionary Relief Policies

12.1 Discretionary reliefs are being awarded against agreed levels, as set by the Policy and Resources Committee.

12.2 In February 2023, the Empty Properties Relief Policy set out the Council's intention to introduce a local empty property relief scheme because the national scheme was abolished from April 2023, giving local authorities full responsibility for setting their own rules.

12.3 Key features of this discretionary relief include:

- A policy mirroring the former national scheme (to encourage properties back to use).
- A £10,000 hard cap per ratepayer per financial year to manage financial risk.

12.4 There are no controls in place to monitor reliefs awarded to ratepayers to ensure the maximum limits are not breached. However, an analysis conducted confirmed that no ratepayers received more than £10,000 for the year 2025/26.

12.5 For 2025/26, the total cost to the Council of exemptions due to empty properties with a rateable value of below £1,700 is £17,181.54 per year (of this, £3,979.02 relates to Council owned properties). The cost to the Council of exemptions due to empty properties which are listed buildings is £2,739 per year.

12.6 Based on the comparison of Empty Property Relief policies across the family group of Scottish Local Authorities, Orkney is currently positioned as one of the most generous authorities in terms of both the level and duration of relief offered.

12.7 Orkney Islands Council provides 100% relief for six months followed by 10% thereafter for industrial properties and for all other non-domestic rates properties, relief is provided at 50% for six months followed by 10% thereafter. A more favourable period than peers, most of whom provide 50% for three months before reducing relief to 10% for a limited period.

12.8 In terms of exemptions, Orkney still grants relief to listed buildings and to properties with a rateable value of below £1,700. However, four local authorities within the family group- Highland, Argyll & Bute, Shetland and Scottish Borders have now removed these exemptions. These authorities provide exemptions instead only in limited circumstances such as insolvency, legal prohibition or liquidation. A table is provided at Appendix 1 which illustrates the differences in provision.

12.9 The Council should undertake a full review of the Empty Property Relief policy, with consideration given to tightening both relief levels and exemption criteria to maximise potential income generation.

Recommendation 12

12.10 Testing revealed that all properties granted empty property relief at 10% have been empty for longer than six months.

- 12.11 One property belonging to the Council, with a rateable value of under £1,700 is being charged rates despite being empty and under the threshold currently set within the discretionary policy.
- 12.12 Four properties with a rateable value of £1,700 and over are being granted 100% exemption based on the rateable value threshold.
- 12.13 A recommendation has already been made with regard to eligibility reviews for reliefs and exemptions at paragraph 3.7 of this report.

13.0 Statutory Returns

- 13.1 NDR income is collected locally but forms part of the national NDR pool, from which the Scottish Government redistributes funding back to councils through the Local Government Finance Settlement. To support this system, local authorities must submit a series of statutory NDR income returns each year. These returns enable the Scottish Government to monitor NDR income, forecast pool contributions and calculate the distributable amount of NDR.
- 13.2 There are four statutory NDR returns, each serving a different purpose and submitted at set points in the annual cycle:
- Provisional Contributable Amount (PCA) – initial estimate of NDR income at the start of the financial year.
 - Mid-Year Estimate (MYE) – a revised estimate submitted mid-financial year.
 - Notified Return – submitted shortly after year-end providing a provisional outturn position for the financial year just ended.
 - Audited (Certified) Return – external auditors review the Notified Return and submit the audited version to the Scottish Government in the following financial year, once they have completed their assurance work.
- 13.3 Provisional contribution amounts and mid-year returns are being submitted to the Scottish Government as required. Year-end returns are being completed, however, their accuracy and reliability are affected by issues raised by external audit.
- 13.4 Correspondence with external auditors demonstrates that material errors in the 2022/23 and 2023/24 NDR returns have required retrospective correction. External audit queries dating back to the 2022/23 and 2023/24 returns were still in the process of resolution in January 2026. The external audits for both years began later than expected, with audit findings provided to the Service in June 2025. This timing contributed to the length of time the queries have remained open with a period of delay in completing required responses from the Service.
- 13.5 The external auditors have not yet begun reviewing the 2024/25 NDR returns. As part of this audit, figures submitted on the statutory return for 2024/25 were traced to working papers and NEC system reports. Several differences were noted between the return and source figures. Some of the discrepancies align with some of the issues previously raised by external auditors in earlier years including 2022/23 and 2023/24.
- 13.6 Returns are not finalised until all queries are resolved. Taking into account issues highlighted by external audit in January 2026 and material errors identified in the 2022/23 and 2023/24 NDR returns, the figures submitted to the Scottish Government have distorted the Council's contribution to and distribution from the NDR pool, with corrections delayed pending completion of the audited returns. Without rebuilding the underlying

methodology, templates and procedures, the risk remains that similar errors will continue in future years.

- 13.7 The Scottish Government applies oversight controls to support the accuracy, completeness and compliance of the NDR provisional and final year-end returns submitted by local authorities. Returns are uploaded through the ProcXed system and are then manually reviewed by government officers who request clarification or corrections where necessary. A number of queries were issued to officers regarding returns over the period of the audit, which indicates a need for increased review prior to submission.
- 13.8 All external audit queries should be resolved as soon as possible with a review undertaken of the year-end returns process, including the underlying methodology, templates and internal review process to minimise errors and inaccuracies in future submissions.

Recommendation 13

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 Procedures should be developed or reviewed, updated annually and stored centrally for staff access. As a minimum, these should cover- billing, reliefs, refunds, recovery, valuation updates, appeals, year-end returns and reconciliations.	Medium	Procedure notes will be created or updated.	Service Manager (Revenues and Benefits)	30 September 2026
2 We recommend that as part of updating procedures, the minimum viable segregation approach should be documented. Given the small team size; procedures should include defining: - who performs each task, who provides secondary checks and what constitutes a high-risk item requiring senior approval. This ensures consistency even during periods of absence or turnover.	Medium	Agreed	Service Manager (Revenues and Benefits) and Team Manager (Revenues)	30 September 2026
3 To minimise the risk of errors or omissions in the NDR year-end/annual billing process, the internal year-end notes should be formally updated on an annual basis to reflect NEC guidance and legislative changes. These updated notes should be approved by management prior to use and should include a clear record of each step completed, including dates and initials of responsible officers.	Medium	Agreed. We can amend the EOY notes as soon as the process is completed this year but they will need amending once NEC Annual Guidance notes are published which is normally in January	Service Manager (Revenues and Benefits)	30 April 2026 then 31 January 2027
4 The Revenues Team should reinstate and maintain a scheduled programme of annual eligibility reviews for all ongoing reliefs, ensuring that entitlement is still valid and supported by appropriate evidence.	Medium	Agreed	Team Manager for Revenues	30 September 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
5 The Revenues Team should update all NDR relief processes to ensure compliance with the Subsidy Control Act 2022, including revising application forms to include the required MFA declaration and obtaining written confirmation from applicants that receiving relief will not cause them to exceed the £315,000 three-year threshold. The website should also be updated including application forms to ensure that they reflect current reliefs available and any changes in legislation.	Medium	We will ensure that all information held on the website is correct and updated	Service Manager (Revenues and Benefits)	30 June 2026
6 The Revenues Team should reinstate and consistently maintain a formal weekly credit balance reporting process.	Medium	Agreed	Team Manager (Revenues)	31 August 2026
7 A formal NDR recovery timetable should be reinstated and consistently followed, ensuring that reminder notices and escalation actions are issued in a timely and structured manner.	Medium	Recovery cannot commence until September for the current year. Collection rate has remained over 97% over the last 4 years and this is expected for 2025/26	Service Manager (Revenues and Benefits) and Team Manager (Revenues)	30 September 2026
8 We recommend that access control should be strengthened by introducing quarterly access reviews.	Low	Agreed	Service Manager (Revenues and Benefits) and Systems and Support Officer	30 June 2026
9 The Health Check should cover access controls, the benefits of automated billing, automated customer correspondence and capabilities for processing information that reduces the need for manual data input.	Low	Agreed	Service Manager (Revenues and Benefits)	31 December 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
10 We recommend that within the NEC health check, assurance over GDPR compliance is sought in terms of documentation retention capabilities within the system.	Medium	Agreed	Service Manager (Revenues and Benefits)	31 December 2026
11 We recommend that Revenues discuss an agreed reporting format with the Assessor, to ensure that weekly valuation roll updates support operational efficiency, where possible. A log should be maintained of queries made to the Assessor which can be tracked and monitored.	Low	Agreed	Service Manager (Revenues and Benefits) and Team Manager (Revenues).	30 September 2026
12 The Council should undertake a full review of the Empty Property Relief policy, with consideration given to tightening both relief levels and exemption criteria to maximise potential income generation.	Low	Agreed	Service Manager (Revenues and Benefits)	31 August 2026
13 All external audit queries should be resolved as soon as possible with a review undertaken of the year-end returns process, including the underlying methodology, templates and internal review process to minimise errors and inaccuracies in future submissions.	High	Hope to have the corrections done by 17 March 2026. Template and training notes will be written alongside completing the EOY return for 2025/26.	Service Manager (Revenues and Benefits)	31 March 2026

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

Appendix 1

Benchmarking Against Other Local Authority Policies (Within Local Government Benchmarking Framework Family Group)

Local Authority	Empty Property Exemptions	Empty Property Relief
Orkney Islands Council	<ul style="list-style-type: none"> • Properties which are listed buildings or have a preservation order. • Properties with a rateable value of less than £1,700. • Properties where the person entitled to possession is a trustee for sequestration, liquidation or executors. • Properties prohibited by law from occupation. 	<ul style="list-style-type: none"> • 100% for 6 months for industrial properties and 50% for all other non-domestic rate properties. • 10% thereafter if the property remains unoccupied
Shetland Islands Council	<ul style="list-style-type: none"> • Empty property which is owned by a trustee for sequestration, liquidation, or executors • Empty property which cannot be occupied by law • Empty property which is under a compulsory purchase order • Empty property where the owner is in administration (or subject to an administration order) • Empty property where the owner is a company or partnership being wound up 	<ul style="list-style-type: none"> • 50% for 3 months • 10% thereafter until occupied.
Comhairle Nan Eilean Siar	<ul style="list-style-type: none"> • Industrial subjects (up to 6 months) • Listed Buildings • Properties with a Rateable Value less than £1700 • Properties where occupation or use is prohibited by law 	<ul style="list-style-type: none"> • 50% for 3 months • 10% thereafter until occupied.
Highland Council	<ul style="list-style-type: none"> • Properties where the person entitled to possession is a trustee for sequestration, liquidation or an executor • Occupation prohibited by law, public authority or the Crown (evidence will be required) • Owner in administration (unless trading) 	<ul style="list-style-type: none"> • If you received a 100% discount in the 2023 to 2024 financial year: • in 2026 to 2027 your discount will be 10% • in 2027 to 2028 there will be no discount, full charge • If you received a 50% discount in the 2023 to 2024 financial year: • in 2025 to 2026 your discount will be 5% • in 2026 to 2027 there will be no discount, full charge

Local Authority	Empty Property Exemptions	Empty Property Relief
		<ul style="list-style-type: none"> • If you received a 10% discount in the 2023 to 2024 financial year: • in 2026 to 2027 there will be no discount, full charge
Argyll and Bute Council	<ul style="list-style-type: none"> • The only exception applies to properties that are empty due to the owner's insolvency, which will continue to receive 100% relief. 	<ul style="list-style-type: none"> • 50% for 3 months • 10% for up to 9 months
Scottish Borders Council	<ul style="list-style-type: none"> • 100% relief will be awarded indefinitely where the person entitled to possession of a property is a trustee for sequestration or liquidation; or the property is prohibited by law from occupation 	<ul style="list-style-type: none"> • 50% for 3 months • 10% for 9 months
Dumfries and Galloway Council	<ul style="list-style-type: none"> • Properties with a rateable value less than £1,700 • Properties subject to a preservation notice • Lands and heritages which are kept vacant by reasons or actions taken by the Crown or Local Authority 	<ul style="list-style-type: none"> • 50% for 3 months • 10% for 9 months