

Donegal County Council Internal Audit Department



DONEGAL COUNTY COUNCIL IA20/08 - Commercial Rates 2019

FINAL REPORT

August, 2021

Table of Contents

1	Executive Summary	4
2	Assurance Rating	4
3	Introduction.....	5
4	Objective.....	5
5	Scope	5
6	Methodology	5
7	Relevant Legislation, Guidance & Circulars	6
8	Commercial Rates – Background.....	6
8.1	Collection of Rates	6
8.2	Rates Liability	6
8.3	Making of the Rate and calculating the Commercial Rates bills	6
8.4	Payment of Rates – issuing of Rate Demands.....	6
8.5	Warrants	6
8.6	Property Entry Levy (PEL) Invoice	7
8.7	Sale/change of ownership of properties.....	7
8.8	Vacant Properties	7
8.9	Properties closed for repairs/renovations.....	7
8.10	Structural change to property.....	8
9	Commercial Rates Incentive Scheme	8
10	Small Business Grant for Early Payment.....	8
11	Covid-19 Business Supports	8
12	Findings	9
12.1	Relevant Legislation, Guidance and Circulars	9
12.2	Policy and Procedures.....	10
12.3	Valuation Base	10
12.4	Preparation of the Rate Book, Making of the rate.....	11
12.5	Issuing of Rate Demands	11
12.6	Payment of Rates	12
12.7	Warrants	13
12.8	Property Entry Levy (PEL) invoice	14
12.9	Properties not rateable	14
12.10	Sale of properties / transfer of ownership.....	15

12.11 Vacant properties	15
12.12 Properties closed for renovation/repairs	15
12.13 Collection of rates.....	15
12.14 Non-payment of Rates.....	16
12.14.1 Uncollected Rates – RA16.....	16
12.14.2 Pre RA16 Write offs	17
12.14.3 Domestic & Derelict write-offs.....	17
12.14.4 Six Day Notice/Legal proceedings.....	17
13 Commercial Rates Incentive Scheme	17
13.1 Objectives of the Scheme	18
13.2 Summary of the Grant Available	18
13.3 Examples of Eligible Businesses	18
13.4 The Grant.....	18
14 Small Business Grant for Early Payment.....	19
15 Commercial Rates Waiver 2020 - Covid-19.....	19
15.1 Waiver of Commercial Rates 2021 – Covid-19.....	20
16 Restart Grant Scheme 2020	20
16.1 Restart Grant Plus.....	21
17 Conclusions and Recommendations	22
17.1 Re-issuing of rate demands	22
17.2 Warrants	22
17.3 Property Entry Levy (PEL) Invoice	22
17.4 Write offs - Vacant properties	23
18 Acknowledgement.....	23
Appendix 1 – Circulation List	24
Appendix 2 – Audit Classification.....	25
Appendix 3 – IA20-08 – Commercial Rates – Summary Recommendations	26
Appendix 4 – Valuation Act, 2001 SCHEDULE 4.....	27
Appendix 5 – Covid 19 Waiver of Commerial Rates – 2020 and 2021	29

1 Executive Summary

The collection of Commercial Rates is a crucial function as a funding source in the providing of services by Donegal County Council.

Traditionally, the collection rates for Donegal have fallen somewhat short of other comparable counties. However, in recent years changes in business practices have resulted in a steady improvement in this area with collection rates rising from 56% in 2014 to 76% in 2019.

Although this audit focused on rates collection in 2019 it would be remiss not to acknowledge the changing work environment in 2020 for income collection as a result of the Covid-19 pandemic. A number of financial supports were delivered to businesses through local authorities last year; they included two major support schemes facilitated by the Income Collection Unit: the Covid-19 Business Restart Grant Scheme and the Commercial Rates Waiver Scheme.

4,392 grants were paid out under the Covid-19 Businesses Restart Scheme in 2020 with the total value of grants totalling €24,298,506. 4,159 businesses were granted a nine-month (75%) waiver of Commercial Rates during the same period with the total cost of the waiver amounting to €14,871,514. Donegal County Council was compensated for this payment in the form of a grant.

These supports have continued into 2021 and the flexibility and dedication shown by Income Collection staff in carrying out this additional work for the period in question should be acknowledged.

2 Assurance Rating

This audit has been assigned an assurance rating of:

Level 2 – Adequate

See **Appendix 2** for Classification of Audit Assurance.

On the basis of the work carried out in this audit, Internal Audit found that there is a generally adequate system of risk management, control and governance in place in relation to Commercial Rates processes. However, there are some weaknesses in the controls in place which may raise some risk concerns, particularly in the area of record keeping.

Some improvements are required to ensure that sufficient, up to date documentation is available in areas such as warrants, rate demands and write offs.

3 Introduction

Commercial rates are a property tax payable by the occupier of commercial and industrial properties. A rate demand is issued to all rate payers at the beginning of each year. Donegal County Council is obliged by law to levy and collect Commercial Rates. The shortfall between the cost of providing all services and the income from Government funding is funded through the collection of rates, income from fees and charges, as well as Government grants.

It should be noted that the Covid-19 pandemic in 2020 and the resulting restrictions on business remaining open presented an unforeseen number of difficulties for both small and large businesses across a large number of sectors. Although 2020 falls outside the original remit of this audit, some relevant information has been included in this report.

An audit on commercial rates was included in the Internal Audit Work Programme for 2020.

4 Objective

The main objectives of this audit were to:

- To provide reasonable assurance that the collection of Commercial Rates by Donegal County Council is being carried out in accordance with the Local Government Act and other legislation.
- To assess the policies and procedures currently employed and confirm if they reflect the legislation in place.

5 Scope

The scope of this audit is as follows:

- An examination of the Commercial Rates collection process within Donegal County Council.
- Verification of compliance with the legislation in place.
- An examination of the application of the nine-month waiver of Commercial Rates introduced in response to the Covid-19 pandemic.

6 Methodology

The audit was approached as follows:

- Assessment of the policy and procedures in place
- Meeting relevant staff
- Examination of a sample of Commercial Rates customer files
- Review Commercial rates income on the Agresso Financial Management system

- Review of the Covid-19 supports in place for businesses, including the Commercial Rates Waiver

7 Relevant Legislation, Guidance & Circulars

- Poor Relief (Ireland) Act 1838
- Local Government Act 1941
- The Local Government (Financial Provisions) Act 1978
- Local Government (Financial Provisions) Act (No. 2) 1983
- The Local Government (Financial Procedures & Audit) Regulations 2002
- The Local Government Reform Act 2014
- The Local Government (Financial and Audit Procedures) Regulations 2014
- The Valuation Acts 2001 to 2015
- The Local Government Rates and Other Matters Act 2019
- Donegal County Council Commercial Rates Procedures manual
- Donegal County Council Debt Management/Credit Control Policy 2015
- Commercial Rates Incentive Scheme
- Waiver of Commercial Rates – 2020 and 2021

8 Commercial Rates – Background

8.1 Collection of Rates

The income generated from the collection of rates on commercial and industrial properties is a crucial source of funding to Donegal County Council for the maintenance of the full range of council services. Unpaid rates therefore have an impact on the Council's ability to deliver essential services.

The income received from commercial rates, amongst other sources, contributes to a vast range of services such as:

- Provision of Housing Supports
- Winter maintenance (road gritting programme)
- Public lighting
- Road and footpath maintenance
- Street Cleaning
- Roads and Footpath Upkeep
- Tourism Development and Promotion
- Heritage & conservation activities
- Operation of the Fire Service
- Maintenance of housing stock
- Operation of Civil Defence
- Parks and Open Spaces
- Playground maintenance and development
- Contributions to Leisure Centres
- Environmental Protection
- Waste Regulations, monitoring and enforcement
- Library Services
- Heritage ,Tourism, Public Amenities and the Arts

8.2 Rates Liability

The person liable for payment of rates is primarily the person or company in occupation of the rateable property on 'The Date of Making the Rate' with the following exceptions:

- If the property is vacant at the date of making the rate, the owner of the property is liable.
- In the event that another occupier takes occupation after the date of the rate being struck, the local authority can determine that the incoming occupier should pay a portion of the rate proportionate to their occupation.

This issue or other charges owed to the Council should be specifically addressed by the occupier with their solicitors during the preparation of leases or property transfers (Section 8.7 of this report refers).

8.3 Making of the Rate and calculating the Commercial Rates bills

Following the consideration of the Annual Budget each year, the elected members determine the *Annual Rate on Valuation* (ARV) for the following year.

The rates are calculated by multiplying the ARV by what is known as *the rateable valuation of the property*. The rateable valuation of the property is determined by the Valuation Office, which provides ratepayers and local authorities with accurate, up-to-date valuations of commercial and industrial properties.

Example

Valuation of property:	€100.00
Annual Rate on Valuation (2019):	€71.81
Rates payable:	€7,181.00 (or €100 x €71.81)

* Note for properties in the former Buncrana Town Council area the Annual Rate on Valuation is €54.29 (for 2019)

8.4 Payment of Rates – issuing of Rate Demands

Rates are payable in 2 installments (moieties) each year. The first installment is due upon receipt of the first demand which includes any arrears outstanding and demands are issued ideally by the end of February, but no later than mid March annually, the second moiety is due on 1st July.

8.5 Warrants

Officers appointed as rate collectors must be provided with a warrant on their appointment. This warrant can be produced if requested by any person affected by the officer carrying out their duties.

8.6 Property Entry Levy (PEL) Invoice

If a valuation of a new property is carried out during the year, a customer may receive a Property Entry Levy (PEL) demand instead of a rates demand. In the following year, the customer will receive their rate demand.

8.7 Sale/change of ownership of properties

The Local Government Reform Act, 2014 provides for a wide range of reforms to local authority functions, structures and procedures, and includes a number of changes in respect of commercial rates. Section 32 of the Act places an obligation on property owners, or their agents, to notify the Local Authority not later than 14 days of transfer, where an interest in a rateable property is transferred and the liability for rates changes.

Section 13 of The Local Government Rates and Other Matters Act 2019 states:

"The owner of a relevant property who proposes to sell the property shall, before the completion of the sale, pay to the local authority concerned any rates imposed under this Act and accrued interest which is due and payable in respect of that property"

The person transferring the property, either the owner or occupier, must pay all rates that are due at the time of the transfer/sale. Failure to notify Donegal County Council of a change in interest within 14 days of the transfer date may result in a penalty for non-compliance in that, the owner becomes liable for an amount which is equivalent to the level of outstanding rates (up to a maximum of 2 years liability).

8.8 Vacant Properties

Section 9.1 of The Local Government Rates and Other Matters Act 2019 provides for the "Provision for abatement of rates in respect of vacant properties". A local authority may make a scheme providing for the abatement by the authority of rates due to it by liable persons or classes of liable persons in relation to vacant properties.

Where a property is not occupied and is available for lease or rent photographs of the property (internal and external) must be provided as evidence that the property is unoccupied and vacant. Evidence must also be provided in the form of an advert in a newspaper, a letter from an estate agent or a photograph of the property showing a for lease/rent sign on the property.

8.9 Properties closed for repairs/renovations

Rates are not payable for the period that a property is under renovations or closed for repairs subject to verification that this is the case.

8.10 Structural change to property

A revision of the valuation on a property can only be sought in the event of a material change having taken place since the last valuation. This can be as a result of renovation/extension works or whenever the property has reverted to domestic or agricultural use.

An application form to seek a revision is available and should be returned to the Commissioner of Valuations at the Valuation Office in Dublin 1 with the appropriate fee.

9 Commercial Rates Incentive Scheme

In January 2020 Donegal County Council introduced the Commercial Rates Incentive Scheme in order to encourage the use of vacant commercial premises in towns and villages in Donegal. It is hoped that the new scheme will reduce the number of vacant premises, stimulate commercial activity, promote retail diversity, and reinvigorate town and village centres.

The scheme complements other regeneration and business-support initiatives promoted by the Council as part of its ongoing work in these areas, including Local Enterprise Office services, Town & Village Renewal, Development Contribution Schemes, tourism promotion & development, and major economic and social infrastructure projects.

10 Small Business Grant for Early Payment

The Commercial Rates Small Business Grant rewards ratepayers who discharge their commercial rates liability in full prior to 31st October each year and have no arrears on their account. However, businesses availing of the Commercial Rates Incentive Scheme cannot avail of the Commercial Rates Small Business Grant.

11 Covid-19 Business Supports

The first of the restrictions in response to the advent of the Covid-19 pandemic were announced by the Irish Government on 12th March, 2020. More stringent measures were announced in the weeks that followed and by 27th March, Ireland went into full lockdown.

In May 2020 the Department of Enterprise Trade and Employment announced a number of financial supports to alleviate the impact of the lockdown measures on businesses in Ireland.

An initial three-month waiver of rates for businesses forced to close their business due to Covid-19 was one of these measures.

This waiver was extended initially for six months and then further until the end of 2020 due to the ongoing hardships faced by ratepayers that were forced to close their businesses or experienced turnover reductions due to the new Covid-19 protocols.

Another measure introduced nationally was the provision of a Business Restart Grant for micro and small businesses totalling €250 million.

The aim of the Covid Business Restart Grant was to provide financial aid to smaller businesses impacted by Covid-19 by enabling them to address the costs incurred as a result of the lockdown and any cash flow issues they experienced. In most cases, this support was delivered through the Finance Directorates of Local Authorities.

12 Findings

It is recommended that the findings in this report be considered and that appropriate remedial action be taken where necessary.

12.1 Relevant Legislation, Guidance and Circulars

The legislation that governs the levying and collection of commercial rates are spread across numerous enactments with the main legislation dating back to the *Poor Relief (Ireland) Act 1838*. With the exception of *The Local Government (Financial Provisions) Act 1978*, which removed domestic dwellings from rates liability, and the Supreme Court decision in 1984 which exempted agricultural land from rates, only minor changes have been made since that time.

In order to modernise this legislation *The Local Government Rates and Other Matters Act 2019* was signed into law on the 11th of July 2019. This Act states:

"An Act to revise the law relating to the collection of rates in relation to certain properties, to provide for the establishment and maintenance of a database of those properties in the State, to provide for the amendment and repeal of certain enactments; for purposes unconnected with the foregoing, to amend the Planning and Development Act 2000 and otherwise make provision in relation to certain regional spatial and economic strategies, and to amend the Residential Tenancies Act 2004 and the Residential Tenancies (Amendment) Act 2019; and to provide for related matters."

The Local Government (Financial and Audit Procedures) Regulations 2014, Part 4 Collection of Rates by Rating Authorities sets out the steps that must be followed by a rating authority under the following headings:

- Preparation of the rate book
- Notice of deposit of the rate book
- Making of the rate
- Notice of the rate having been made
- Rates bill, Schedule of uncollected rates

- Reference to a rateable valuation multiplier
- Addressing of rates bills

The legislation governing the valuation of properties for rating purposes which dated back to the 1850's has also been modernised under *The Valuation Acts 2001 to 2015*.

12.2 Policy and Procedures

In the 2010 Audit carried out on Rate Collection there was a recommendation that a Standard Operating Procedures manual should be developed for all staff dealing with arrears cases so that a more structured and professional approach to such cases can be taken. Internal Audit has found that a number procedure documents have been developed around Debt management and credit control.

- Donegal County Council Debt Management/Credit Control Policy 2015
- Procedure for dealing with Commercial Rates customer accounts.
- Procedure for claims of inability to pay
- Dealing with vulnerable customers policy

The income collection dept. has also compiled a document: "*Schedule of Works - Rates Process*". This document sets out a timeline for all of the necessary steps to be carried out in the process of collection of Commercial Rates by Donegal County Council. It details the necessary tasks for the administration of the Rates process in line with legislation and the dates that these tasks need to be implemented and the procedure which should be followed.

Income Collection have also compiled a document titled Commercial Rates procedure manual which sets out the process and steps to be followed for each of the key tasks in relation to Commercial Rates.

12.3 Valuation Base

Each year ahead of the Budget meeting the Income Collection section contacts the Valuation Office for an up-to-date rating database for Donegal, this is necessary in order to ascertain the exact Net Effective Valuation (NEV) i.e. the total valuation of all the rateable properties at that time. All relevant revisions received from the Valuation Office must be processed up to the date of the Budget meeting.

In order to have the most up to date valuations throughout the year the rating database is requested from the Valuation Office on a quarterly basis. During 2019 the valuation requests were made on the following dates, 28TH March 2019, 22nd May 2019, 22nd November 2019 and 31st December 2019. The uploads were received on the following dates, 2nd April 2019, 11th June 2019, 24th November 2019, 2nd January 2020.

There were 94 submissions made to the valuation office for revaluations during 2019; only 26 revision schedules were returned. All Commercial premises deemed rateable have been submitted for listing to the Valuation Office and have to wait on the return of the schedule to avail of an up to date valuation.

12.4 Preparation of the Rate Book, Making of the rate

The Local Government (Financial and Audit Procedures) Regulations 2014, Part 4 (Collection of Rates by Rating Authorities), sets out the steps that must be followed and for example, Section 21 (2) of the regulations states:

The rate book shall include all relevant properties which are liable for rates. Particulars in respect of each relevant property to be included in the rate book shall be as follows:

- a) Rate account number,
- b) Name of occupier or owner,
- c) Address of occupier or owner,
- d) Description(s) of relevant property,
- e) Rateable valuations of relevant property,
- f) Remissions, if any,
- g) Total assessable rateable valuation,
- h) Total for collection,
- i) Base Year Adjustment, where applicable, and
- j) Any other information considered necessary by the rating authority.

The ARV adopted by Donegal County Council on 3rd of January, 2019 was €71.81 with Buncrana Town Council being €54.29.

It should be noted that following the abolition of the Town Councils in 2014, an adjustment process of the ARV with the former Buncrana Town Council is currently ongoing until the adopted ARV in Buncrana is harmonized with that of the county.

In 2019 the NEV was €483,669.29 made up of 4,267 customers with 5,646 commercial properties/Laids. A customer may have more than one property, therefore each property is given an individual Laid no.

Internal Audit carried out a check of the relevant documentation required for the making of the rate, i.e. notices in the newspapers and Chief Executive Orders. The required newspaper notices were in order and CEO no. [REDACTED]
[REDACTED], [REDACTED] all of which refer to the making of the rate are in place.

12.5 Issuing of Rate Demands

Rates are payable in 2 moieties each year. The first moiety is due upon receipt of the first demand which includes any arrears outstanding.

Once the rate is made and all the relevant information is updated on Agresso the Rate Demands can be generated and printed. Certificates of posting are also printed out for the Rates Collectors. These are signed by the Collectors when they post the demands and are counter signed and dated by the post office.

The demands are then returned by the Collectors to head office for filing and are retained as proof of posting in the event that they are sought/required in a legal case.

In 2019 there were 5,646 rate demands run, the first demands were sent out on the 20th of February; all of the certificates of posting were returned to head office and are retained there.

If for some reason a rate demand needs to be re issued, (e.g. it was sent to the wrong address), it can be re-issued by sending a notification to head office. Rate demands can be re-issued within one month of the original demand without a Chief Executive Order (CEO). However, after 1 month a CEO must be prepared for any demands that are to be re-issued.

In 2019 there were 159 rates re-runs, 126 of these were processed within the 1 month timeframe and the remaining 33 required CEO's in order to be processed.

During 2019 reminder letters were issued as follows:

- reminder no1- 10th of July
- reminder no2 - 7th August
- reminder no3 - 2nd September
- reminder no4 - 24th September

As part of the checks conducted in the course of this audit, IA inspected the file containing the certificates of posting and found them to be in order. The rates re-issue folder which contains the recommendations outlining the reason for the re-issue of the rate demand, was also examined.

12.6 Payment of Rates

Donegal County Council provides a facility for rate payers to pay their rates by way of monthly installments over the year. It also provides for payments to be made by a number of methods, Direct Debit, Standing Order, Electronic Fund Transfer and Debit or Credit card.

Payments can also be made by Set Off; where the rate payer is due a payment by Donegal County Council this can be offset against the rates bill.

Section 58 of the Local Government Act 1941 and Section 7 of the Local Government (Financial Provisions) Act (No. 2) 1983 makes provision for the Council to apply off set monies due to a supplier against monies that are due to the Council:

"Where a sum is due to any person by a local authority and, at the same time, a sum is due to such local authority by such person in respect of rates or would be so due but for the fact that such sum has been advanced and paid to such local authority by a rate collector, the former sum may be set off against the latter either, as may be appropriate, in whole or in part".

The Income Collection Unit provided the details on how this process is carried out to Internal Audit.

To facilitate the application of a set off, the customer and supplier must be one and the same entity i.e. the name on the customer account must be the same on the supplier account.

In order for a set off to be processed, the customer must submit invoices in respect of services provided to the relevant section of Donegal County Council. The payment is then processed in accordance with the Purchase-to-Pay cycle.

A report is run weekly on Agresso which links payments due to suppliers with outstanding balances due to that same entity/customer. Income Collection staff contact the relevant customers to request authorisation to process the set-off of payment in respect of invoices due to them from DCC against outstanding arrears in respect of Commercial Rates.

Once set off is approved, Income Collection staff request the Accounts Payable department to set off the payment of invoice(s) against outstanding charges owing on the customer account. A Chief Executive Order is prepared recommending the set off in accordance with the relevant legislation.

The set off is applied by journal by Accounts Payable. Income Collection will then issue a letter to the customer advising that payment in respect of invoices (listed) due to them from Donegal County Council for services provided was set-off against monies due from them in respect of Commercial Rates, as provided for in Section 58 of the Local Government Act 1941.

During 2019, 28 customers had their rates with a value of €51,411.69 paid or part paid by Set Off, a list of these customers and the amounts set off has been provided to IA.

12.7 Warrants

A warrant must be completed for each Municipal District in advance of running the rate demands so that a copy can be given to the Collection Staff. There are currently 9 Officers appointed as Revenue Collectors. The warrants must be signed and sealed.

A Chief Executive Order (CEO) must be prepared for "Affixing of Seal of the Council to Revenue Collection Warrants" this is carried out in January and signed off on the day the rate is made.

Internal Audit found CEO no. [REDACTED] for affixing the seal which was signed on the 3rd of January 2019 and the warrants for 2019 which were signed and sealed on 26th February 2019. There were two additional warrants signed and sealed on the 10th of September 2019. CEO's were also prepared for the appointment and authorisation of each member of staff appointed to collect the rates.

Details of warrants issued in 2019

Municipal District	Total Warrant	In Respect of 2019	In Respect of Arrears
Donegal	€9,152,989.93	€6,550,299.96	€2,602,689.97
Inishowen	€6,543,871.93	€5,175,793.90	€1,368,078.03
Letterkenny	€16,397,272.60	€9,422,620.14	€6,974,652.46
Glenties	€5,067,597.80	€3,417,235.46	€1,650,362.34
Stranorlar	€5,824,679.71	€3,754,626.64	€2,070,053.07
Global/Key Accounts	€6,584,934.92	€5,831,670.68	€753,264.24
	€49,571,346.89	€34,152,246.78	€15,419,100.11

12.8 Property Entry Levy (PEL) invoice

During 2019 there were 17 Property Entry Level demands issued by Donegal County Council. The amount due is calculated by multiplying the assessable valuation on the property by the annual rate on valuation by the number of days assessed divided by the number of days in the year of billing.

IA examined the PEL file containing copies of the invoices issued and details of the date of the new entry and reason for same (e.g. a new build etc). IA found copies of the 17 invoices on the file backed up with the valuation certificates outlining the reason for the new entry.

12.9 Properties not rateable

Full details of properties that are 'Not Rateable' can be found in Schedule 4 of the 'Valuation Act 2001' and include:

- Properties such as agricultural land
- Land for forestry
- Farm buildings
- Domestic premises
- Land developed for sport
- Any land, building used for the purpose of caring for sick persons
- Any land or building used for public workshop
- Burial grounds and crematoriums
- Any land, building occupied by a school, college or university
- Public Service buildings
- Community Halls

- Buildings used solely for the provision of early childcare care and education

Properties such as art galleries, museums, libraries and parks that are normally open to the general public and not maintained for the purpose of making a private profit are also included.

Schedule 4 of the Valuation Act, 2001 is included in **Appendix 4** of this report.

12.10 Sale of properties / transfer of ownership

There were a number of sales/transfers of properties during 2019. As there is no central record of sale/transfer of rateable properties, this information is held on the individual customer files. When a query in relation to a proposed sale is received, staff will engage with the relevant solicitor/customer to ensure any arrears outstanding are discharged at the time of the sale.

12.11 Vacant properties

During 2019 there were 1,283 vacant properties with a rates valuation of €4,323,756.

IA has examined a number of customer files that had their rates written off due to vacancy and found the backup documentation to be satisfactory.

12.12 Properties closed for renovation/repairs

During 2019 there were 20 properties closed for renovations/repairs with a rates value of €47,458.49.

IA has examined a number of customer files that had rates written off due to renovation/repair and found the backup documentation to be satisfactory.

12.13 Collection of rates

The Rates Department informed IA that during the Local Government Audit of 2019 it was discovered that staff had been using a current CCAS report instead of an end of year arrears report from Agresso. This report was used to calculate the annual warrant which was bringing in the incorrect figure for the Rates arrears. The staff who are involved in preparing the warrant figures are now aware of the correct procedure for running the arrears report and use the Agresso end of year figure.

Rates Collection figures 2019

Rates arrears @ 01/01/19	2019 Rates Due	Rates Collected 2019	Rates arrears@ 31/12/19
€15,276,901	€34,153,707	€27,746,968	€15,424,576

*Figures as per the Annual Financial Statement (Audited) 2019

12.14 Non-payment of Rates

Donegal County Council is obliged by law to levy and collect Commercial Rates, as unpaid rates have an effect on the Council's ability to deliver essential services. Legal enforcement will be pursued where necessary.

However, DCC is very much aware of the difficulties facing businesses and in every way try to encourage and support industry and commerce. Any customer that has any queries regarding their account is urged to contact the relevant staff member whose name and contact number is on the bottom of their rate demand.

12.14.1 Uncollected Rates – RA16

The Local Government (Financial Procedures and Audit) Regulations 2002 states that: "*a Rating Authority shall, not later than 30 days after the close of a local financial year, prepare a schedule of uncollected rates at the close of that year and indicate thereon the reasons for non collection of the Rates*" this schedule is known as the RA16.

Balances outstanding at end of year are listed on RA16 forms by the Revenue Collector and the reasons for failure to collect are documented.

Prior to the RA16 write offs accounts with small debit or credit balances less than or equal to €10 are written off, two Chief Executive Orders are drawn up; one for the debits and one for the credits; and sent to Management Accounts to write off these balances.

In 2019 the small debit balance write off was €28.40 - [REDACTED] relates, and the small credit balances write off was €44.80 - [REDACTED] relates.

After this process the RA16 sheets can be printed for each Municipal District, which are then forwarded to the Head of Finance for approval. The sheets are then printed in card form and relevant staff arrange for the sheets to be signed in the presence of a Commissioner of Oaths.

IA examined the Schedule of Uncollected Rates for the year ended 31st Dec. 2019 and found all the required signatures in place and witnessed by a Peace Commissioner dated 26th Feb. 2020, the amount recorded as irrecoverable was €6,259,063.61.

Once the write offs have been processed a statement of account is printed and sent to the customer.

RA16 Write offs 2018/2019

	RA16 2018 Write Offs	Amount	RA16 2019 Write Offs	Amount
Vacant properties	1,285	€4,398,783	1,283	€4,323,756
Others	366	€1,619,379	424	€1,935,307
Totals	1,651	€6,018,162	1,707	€6,259,063

12.14.2 Pre RA16 Write offs

The majority of write offs are carried out at year end following the RA16 meetings. However, occasionally a small number of write offs must be reversed or applied to accounts that missed the RA16 load sheet.

In 2019 there were 5 Pre RA16 write offs applied. The details of write offs are stored in the individual customer files held by each of the revenue collectors. IA has obtained the details of these pre RA16 write offs for 2019.

12.14.3 Domestic & Derelict write-offs

In 2019 there were 33 write offs listed under the Domestic and Derelict indicator. IA has examined a number of customer files that had their rates written off under the heading and found back up documentation to be satisfactory.

12.14.4 Six Day Notice/Legal proceedings

When a Customer is in arrears and is not engaging with the Rates Collector or Donegal County Council in order to address the arrears, (e.g. entering into a payment plan), the first stage in the legal process is to send out a Six Day notice. This document gives the Customer the opportunity to make contact with the Rates Collector or the rates section before Donegal County Council will further proceed with legal action.

During 2019 there were 19 Six Day Notices issued, with 18 of these resulting in legal action being taken. Legal Proceedings were halted in the other case and the company is now dissolved. Donegal County Council currently has 152 open legal cases in relation to commercial rates.

IA has obtained a sample copy of a six day notice issued in 2019.

13 Commercial Rates Incentive Scheme

Donegal County Council introduced the Commercial Rates Incentive Scheme in January 2020 in order to encourage the use of vacant commercial premises in towns and villages in Donegal.

13.1 Objectives of the Scheme

- To bring vacant property back into productive use
- To regenerate and revitalise town and village centres
- To increase footfall for existing businesses in towns and villages
- To provide a financial incentive for new businesses setting up in towns and villages
- To promote job creation and retention
- To improve the commercial and retail mix in towns and villages
- To increase the attractiveness of towns and villages and to improve streetscapes

13.2 Summary of the Grant Available

A Grant is available to new businesses setting up in vacant premises in towns and villages in Donegal, subject to certain conditions. The premises must have been vacant for over two years. New businesses which could displace or unfairly compete with existing businesses are not eligible. Also, certain types of business are specifically excluded from availing of the scheme.

The guidance document sets out the eligibility criteria and outlines the qualifying conditions of the property and of the applicant and gives details of activities that are deemed specifically ineligible.

13.3 Examples of Eligible Businesses

- Shops/retail units
- Offices
- Crèches and childcare facilities
- Health/medical clinics
- Wellbeing and personal care

13.4 The Grant

Eligible businesses can avail of a grant that is equivalent to:

- Year 1: 75% of Commercial Rates Liability (subject to a maximum of €3,750 for the subject year)
- Year 2: 50% of Commercial Rates Liability (subject to a maximum of €2,500 for the subject year)
- Year 3: 25% of Commercial Rates Liability (subject to a maximum of €1,250 for the subject year)

Grant assistance will cease at the end of Year 3, with the Commercial Rates liability being payable in full from Year 4.

Note: each year of eligibility is equivalent to a 12-month trading period commencing from the date trading commences at the business premises.

Grants will be allocated in January each year, based on a retrospective assessment of the qualifying status of the business for the calendar year just passed. The maximum period for which a business may be eligible is 36 months.

In each case, payment of the grant will be subject to the ratepayer having discharged the residual Commercial Rates liability for the year in question (i.e. 25% in Year 1, 50% in Year 2, and 75% in Year 3). The Grant will then be applied retrospectively to the accounts of eligible ratepayers at year-end each year in order to discharge the Commercial Rates liability in full.

The full details of the scheme are outlined in the Commercial Rates Incentive Scheme guidance document which is available on the Donegal County Council website.

14 Small Business Grant for Early Payment

This scheme gives a grant of up to 7.5% of the annual rates demand (excluding arrears), subject to a maximum annual grant of €375 and subject to certain terms and conditions being met. The grant is applied as a credit at the end of the year. To qualify for the Small Business Grant, the following main terms and conditions apply:

- All rates in respect of the current year must be paid in full and there must be no arrears on the account by the deadline.
- For 2021, the deadline for full payment of rates has now been extended to 31st October 2021–this includes customers paying by monthly direct debits and standing orders.

The grant is applied to the rate account at the end of the financial year which will show as a credit on the customer account.

Small Business Grant for Early Payment		
2018	2,204 Customers	€432,989
2019	2,281 Customers	€443,654

CEO's 2019/F/H/0424, 2020/F/H/0010, 2020/F/H/0011 and 2020/F/H/0017 were raised to cover the issuing of the grant of €443,654.14 in 2019.

15 Commercial Rates Waiver 2020 - Covid-19

An initial three-month waiver of rates for businesses forced to close due to Covid-19 was announced in May 2020. This was further extended on two separate occasions until the end of 2020 due to the public health requirements and subsequent lockdowns which meant many rate payers had to close their business or suffered significant reductions in their turnover.

A 100% waiver was applied to all businesses with the exception of a small number of categories mainly; banks, utilities, large supermarkets and corporates.

Excluded Business Categories			
• Public Service	• Network (Storm Water)	• Network (Water)	• Network (Cable)
• Vacant Properties	• Wind farms	• Banks	• Pharmaceutical manufacturing
• Generating Stations	• Building Societies	• Landfill Sites	• Data Centers
• Individual Office Premises with an annual rates bill of €100k or greater in 2020	• Incinerator, Generating Stations	• Global Utility Networks on the Central Valuation List	• Computer/Technology/Electronic manufacturing
• Individual Industrial Premises with an annual rates bill of €100k or greater in 2020		• Supermarkets greater than 500m ² (Categories Supermarket 2 and Supermarket 3)	
• Premises contracted to provide services related to the Covid-19 pandemic to/on behalf of the State, where the State is already compensating for rates as part of the contract between the occupier or service provider and the State.			

A total of €900m was allocated by Government to fund the cost of a waiver of commercial rates for nine months to the end of December 2020 for eligible businesses. In Donegal 4,159 businesses were granted a nine-month (75%) waiver of Commercial Rates during 2020. The total cost of rates waived by Donegal County Council was €14,871,514 which was compensated from this Government fund.

15.1 Waiver of Commercial Rates 2021 – Covid-19

The Government announced Level 5 restrictions, including the closure of non-essential businesses, from close of business on 31st December. Further restrictions were announced on 6th January 2021. In order to reflect these restrictions and to continue the supports available for ratepayers, and in recognition of the impact of the on-going trajectory of Covid-19, the Government has announced a further waiver of Commercial Rates which will apply to specified business categories in the first quarter of 2021. This three-month waiver has modified criteria from the 2020 scheme and accordingly is a separate, standalone waiver scheme.

Appendix 5 of this audit report outlines the Covid-19 Waiver of Commercial Rates for 2020 and 2021.

16 Restart Grant Scheme 2020

€250m was made available to the Restart Grant to give direct grant aid to micro and small businesses to help them with the costs associated with reopening and re-employing workers following Covid-19 closures.

The Grant was made available to businesses with a turnover of less than €5m and employing 50 people or less, which were closed or impacted by at least a 25% reduction in turnover out to 30th June 2020. It is a contribution towards the cost of re-opening or keeping a business operational and re-connecting with employees and customers. The grant will be equivalent to the rates bill of the business in 2019, with a minimum payment of €2,000 and a maximum payment of €10,000.

16.1 Restart Grant Plus

In August 2020, the Restart Grant Plus Scheme was announced as part of a further package of measures designed to stimulate a jobs-led recovery and build economic confidence while continuing to manage the impact of Covid-19.

The Key changes to the Restart Grant Plus Scheme:

- €300 million funding in addition to €250 million previously committed
- The grant amount increased substantially with the minimum grant amended to €4,000 and maximum €25,000
- Medium sized companies were now eligible. Companies with up to 250 employees could now apply
- There was increased eligibility, where non-rateable B&Bs, sports clubs with commercial activities and trading charity shops were now eligible to apply
- Businesses that received a grant under the first scheme can re-apply to local authorities to receive additional funding. For first-time applicants under Restart Plus, the minimum grant is €4,000 and the maximum is €25,000

The Restart Grant Scheme closed for applications on 31st October 2020. As of 31st January 2021, there have been over 4,500 payments to 2,214 separate businesses availing of the Covid Business Restart Grant and the Restart Grant Plus schemes with payments totalling €24,296,505

No further applications can now be made under this scheme. Financial support for businesses impacted by the Covid-19 restrictions is now under the Covid Restrictions Support Scheme (CRSS), which is operation by The Office of the Revenue Commissioners.

Internal audit has carried out a separate audit of the administration of The Restart Grant Scheme by Donegal County Council.

17 Conclusions and Recommendations

It is recommended that the findings in this report be considered and that appropriate remedial action be taken where necessary.

17.1 Re-issuing of rate demands

Conclusion

Rate demands can be re-issued within one month of the original demand without a Chief Executive Order. However, after 1 month a CEO must be prepared for any demands that are to be re issued.

Recommendation

Internal audit examined the file containing paperwork relating to the re-issue of rate demands. It is recommended that a copy of the re-issued demand be attached to the original demand in this file and also a copy of the CEO where relevant also be attached to the original demand.

17.2 Warrants

Conclusion

A warrant must be completed for each Municipal District in advance of running the rate demands so that a copy can be given to the Collection Staff. Each Warrant details the amount to be collected in respect of Rates due for the year and in respect of arrears due.

Recommendation

Internal Audit found that there was a discrepancy in the total of the signed and sealed Warrants for 2019 and the actual rates due for 2019. This discrepancy had come about as a result of the wrong arrears figure being used.

IA recommends that all the relevant procedure documents be updated to include the correct process for running the annual warrant and that this is brought to the attention of all of the staff involved in this process.

17.3 Property Entry Levy (PEL) Invoice

Conclusion

If a valuation of a new property is carried out during the year, a customer may receive a Property Entry Levy (PEL) demand instead of a rates demand.

Recommendation

An examination of the file containing copies of the PEL invoices issued in 2019 was carried out. Of the invoices checked 11 had no backup information attached. It is recommended that more detailed information be provided as backup for every PEL invoice issued.

17.4

17.5 Write offs - Vacant properties

Conclusion

A local authority may make a scheme providing for the abatement by the authority of rates due to it by liable persons or classes of liable persons in relation to vacant properties.

Recommendation

IA examined a random sample of write offs due to vacancy and found that generally there was sufficient backup documentation in place.

However, on one example [REDACTED] there was some back up emails attached, one dated 3rd Jan 2020 was requesting audited accounts be sent in as the write off could not be done based on the accounts furnished. The File note dated on the 9th of January recommends the write off due to vacancy, however, there does not appear to be sufficient evidence to support this attached in the file.

It is recommended that all recommendations to write off rates should have all of the relevant supporting documentation attached to the recommendation.

Comment from Income Collection:

"Notification that the property was vacant was received late in 2019, and this was a late inclusion to the RA16. It had been intended to photograph the property in early 2020 but due Covid-19 restrictions an inspection did not take place".

18 Acknowledgement

I would like to acknowledge the assistance and co-operation of staff from the Finance Directorate and I would like to give special thanks to the staff from Income Collection for all of their assistance during the course of this audit.

Sean Canning

A/INTERNAL AUDITOR

Appendix 1 – Circulation List

18/08/2021 Final Report sent to:



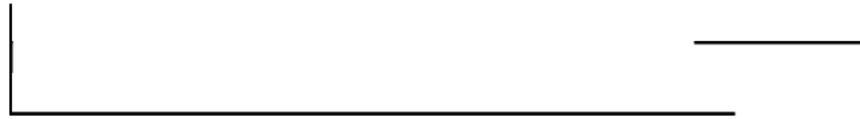
Copied to:



01/07/2021 Draft Report sent to:



Copied to:



Appendix 2 – Audit Classification

Level	Definition
1. Substantial	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> -There is a robust system of risk management, control and governance - The systems in place should ensure that objectives are fully achieved - The control processes tested are being applied consistently
2. Adequate	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a generally adequate system of risk management, control and governance - The systems in place should ensure that essential objectives are fully achieved - The control processes tested are, in general, being applied consistently - However, there are some weaknesses in control that are placing some objectives at risk. There is a risk that some objectives may not be fully achieved - Some improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance
3. Limited	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is a weak system of risk management, control and governance - There is considerable risk that objectives will not be achieved - The control processes that exist are not being applied consistently - There are some significant weaknesses in control in a number of areas - Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance
4. Unsatisfactory	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - There is an inadequate system of risk management, control and governance -The system has failed or there is a real and substantial risk that the system will fail to meet its objectives - Systems/processes are open to significant error or abuse - Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance
5. No Assurance	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> - Internal Audit has been unable to form an opinion on the system of risk management, control and governance - Internal Audit has been unable to access or has been prevented from accessing essential information required to form an opinion - Internal Audit has not received the cooperation of staff/management

Appendix 3 – IA20-08 – Commercial Rates – Summary Recommendations

	<i>Material Issues Identified</i>	<i>Actions Undertake or to be undertaken</i>	<i>Timeline</i>	<i>Responsible Director & Service</i>
1	<u>Re-issuing of rate demands</u> It is recommended that a copy of the re-issued demand be attached to the original demand in this file and also a copy of the CEO where relevant also be attached to the original demand.	Agreed	Implemented	[REDACTED]
2	<u>Warrants</u> All the relevant procedure documents should be updated to include the correct process for running the annual warrant and that this is brought to the attention of all of the staff involved in this process.	Agreed	Implemented	[REDACTED]
3	<u>Property Entry Levy (PEL) Invoice</u> More detailed information be provided as backup for every PEL invoice issued.	Agreed – this is standard practice	In place	[REDACTED]
4	<u>Write offs - Vacant properties</u> All recommendations to write off rates should have all of the relevant supporting documentation attached to the recommendation.	Agreed – this is standard practice	In place	[REDACTED]

Appendix 4 – Valuation Act, 2001 SCHEDULE 4

2001.] *Valuation Act, 2001.* [No. 13.]

SCHEDULE 4

Relevant Property Not Rateable

- 1.—Agricultural land.
- 2.—Land developed for horticulture.
- 3.—Land developed for forestry.
- 4.—Land developed for sport.
- 5.—Farm buildings.
- 6.—Any domestic premises (but subject to section 59(4) (which provides that apartments are rateable in certain limited circumstances)).
- 7.—Any land, building or part of a building used exclusively for the purposes of public religious worship.
- 8.—Any land, building or part of a building used by a body for the purposes of caring for sick persons, for the treatment of illnesses or as a maternity hospital, being either—
 - (a) a body which is not established and the affairs of which are not conducted for the purpose of making a private profit from an activity as aforesaid, or
 - (b) a body the expenses incurred by which in carrying on an activity as aforesaid are defrayed wholly or mainly out of moneys provided by the Exchequer and the care or treatment provided by which is made available to the general public (whether with or without a charge being made therefor).
- 9.—Any burial ground or crematorium which is not established or operated for the purposes of making a private profit and the income derived from the operation of which is used wholly to defray the expenses (including expenses of a capital nature) incurred in its operation.
- 10.—Any land, building or part of a building occupied by a school, college, university, institute of technology or any other educational institution and used exclusively by it for the provision of the educational services referred to subsequently in this paragraph and otherwise than for private profit, being a school, college, university, institute of technology or other educational institution as respects which the following conditions are complied with—
 - (a) (i) it is not established and the affairs of it are not conducted for the purposes of making a private profit, or
 - (ii) the expenses incurred by it in providing the educational services concerned are defrayed wholly or mainly out of moneys provided by the Exchequer,

and

 - (b) in either case it makes the educational services concerned available to the general public (whether with or without a charge being made therefor).
- 11.—Any art gallery, museum, library, park or national monument which is normally open to the general public and which is not established or maintained for the purpose of making a private profit.
- 12.—Property (whether falling within paragraph 11 or not) occupied by—

- (a) the National Museum of Ireland,
- (b) the National Library of Ireland,
- (c) the National Gallery of Ireland,
- (d) the Irish Museum of Modern Art Company,
- (e) the Arts Council,
- (f) the Heritage Council,
- (g) the National Concert Hall Company,
- (h) the Chester Beatty Library, or
- (i) the National Theatre Society Limited.

13.—Any buoy, beacon or lighthouse.

14.—Any land, building or part of a building occupied for the purpose of caring for elderly, handicapped or disabled persons by a body, being either—

- (a) a body which is not established and the affairs of which are not conducted for the purpose of making a private profit from an activity as aforesaid, or
- (b) a body the expenses incurred by which in carrying on an activity as aforesaid are defrayed wholly or mainly out of moneys provided by the Exchequer.

15.—Any building or part of a building used exclusively as a community hall.

16.—Any land, building or part of a building which is occupied by a body, being either—

- (a) a charitable organisation that uses the land, building or part exclusively for charitable purposes and otherwise than for private profit, or
- (b) a body which is not established and the affairs of which are not conducted for the purpose of making a private profit and—
 - (i) the principal activity of which is the conservation of the natural and built endowments in the State, and
 - (ii) the land, building or part is used exclusively by it for the purpose of that activity and otherwise than for private profit.

17.—Any land, building or part of a building occupied by a society established for the advancement of science, literature or the fine arts and which is used exclusively for that purpose and otherwise than for private profit.

18.—Any turf bog or turf bank used exclusively for the purpose of cutting turf or for making turf mould therefrom for fuel or manure.

19.—(1) Any building or part of a building occupied by a member Sch.4 of either House of the Oireachtas or a representative in the European Parliament which is used exclusively for the purposes of accommodating his or her constituency office and the whole or part of the expenses incurred in maintaining that accommodation are defrayed by that member or representative.

(2) In this paragraph “constituency office” means an office which is used solely for the provision of representative services by the member of the House of the Oireachtas or representative in the European Parliament concerned in his or her capacity as such a member or representative but does not include the head office of a political party or any other office occupied by a political party.

Appendix 5 – Covid 19 Waiver of Commercial Rates – 2020 and 2021

From [Department of Housing, Local Government and Heritage](#)

Published on 6 January 2021

Last updated on 1 June 2021

An initial three-month waiver of rates for businesses forced to close business due to COVID-19, was announced in May 2020. In recognition of the fact that not only were many ratepayers forced to close business due to the public health requirements, but also many that remained open suffered significant reductions in turnover, the waiver was extended from three to six months until 27 September 2020. A 100% waiver was applied to all businesses with the exception of a small number of categories, mainly banks, utilities, large supermarkets and corporates. The rationale for the exclusion of certain categories of ratepayers is that their operations are not as severely impacted by the pandemic, coupled with the need to direct resources appropriately. 600m euro was allocated by Government to fund the cost of the six-month waiver, which takes the form of a credit in lieu of rates.

In Budget 2021, the Government announced an extension of the waiver for the final quarter of the year (until end of December 2020) at an additional cost of 300m euro. The criteria for the extended waiver remained the same. A total of 900m euro was allocated by Government to fund the cost of a waiver of commercial rates for nine months to the end of December, for eligible businesses. This unprecedented measure provided support to businesses and certainty to our local authorities.

The Government announced on 1 June that the commercial rates waiver put in place for the first half of 2021 will be extended to the end of September. It applies to eligible businesses as they adjust to the reopening of the economy and recover from a period of lower commercial activity. Businesses currently eligible for the waiver will continue to be eligible for the waiver for quarter three.

As has been the case with the 2021 waiver to date, automatic eligibility applies to:

- retail
- hospitality including hotels, pubs and restaurants, leisure and entertainment
- personal services such as hairdressers and barbers
- health services
- various other categories

The waiver will continue to be administered by local authorities. Local authorities will engage with ratepayers on the matter.