AUDIT INTO THE BUSINESS LICENSE PROCESS AND THE POSSIBILITIES OF DIGITIZING

General Audit Chamber

Algemene Rekenkamer

This document is an English translation of the original Dutch language report entitled: *"Doelmatigheidsonderzoek naar het proces van vestigingsvergunningen en de mogelijkheden van digitalisering"*.

In the event of textual contradictions or any other differences, the original Dutch text will prevail.

June 8th, 2020
General Audit Chamber, Juancho Yrausquin Blvd #10, unit 4 & 5.

PREFACE

This report is based on our review of the process related to the issuance of business licenses.

Everyone (with some exceptions), must be in possession of a business license in order to operate a business. To obtain a license, a person is required to visit the Economic Licenses Department. We have examined whether the process starting from the application to the issuance (or rejection), is efficient. The objective of this report is to identify areas of improvement and subsequently to contribute to an increased Government revenue stream.

We wish to thank the Ministry of Tourism, Economic Affairs, Transport and Telecommunications for their cooperation during this audit.

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SUMMARY

The general objective of the Economic Licenses Department is to implement economic regulations in a professional, efficient, and customer-friendly manner, to facilitate investments and to make proposals for improvement. Among other things, the Department processes applications for Business Licenses. There are fees associated with the license which is a source of money for Government.

The objective of our investigation is: *to determine whether the process of issuing business licenses is efficient from the application request to the issuance or rejection of a license.*

Based on our findings, we conclude that the process can be more efficient.

The reason is due to the cumbersome nature of the procedure, as well as a sub-optimal use of automation / digitization opportunities.

We conclude that there is uncertainty about the amount of the annual fees that should be paid, and that settlement is untimely. As a result, the country is losing income. How much, is unclear because of contaminated records.

RECOMMENDATIONS

In view of our findings, we issue the following recommendations to the Minister of Tourism, Economic Affairs, Traffic and Telecommunications:

- Improve the efficiency of the process:
    - Draft a plan to allow applications and related documents to be submitted electronically;
    - Use one registration system (BLIS) and ensure that the information in the other two computer applications (Buslic and spreadsheet) are included in BLIS;
    - Minimize physical contact with the applicant; maintain digital contact with the applicant (e.g. via e-mail or via an online portal on the ministry's website);
    - Concurrently, ensure that people who are not well versed in the use of computers and/or have no computer, are also facilitated by way of, for example, walk-in days/hours;
    - Ensure that BLIS is linked to the Receiver's records;

- To increase reliability, periodically determine that changes to files have only been made by authorized officials;
- Clean the Buslic files;
- Send invoices annually (preferably digitally) to the license holders to pay the annual fee;
- Investigate the possibility of having the collection of the annual fees performed digitally via the Economic Licenses Department;
- Update the legislation that requires the Chamber of Commerce and Industry to issue an advice on the issuance, refusal, or retraction of the license;

1   THE AUDIT

In Chapter 1, we explain our audit methodology. We describe the basis, our purpose and which primary and secondary audit questions we answer. We explain our research framework and the content of each chapter in the report.

1.1 The basis

Pursuant to Article 74 of the Constitution, we are charged with auditing, among others, the efficiency of Government's income. Our authority to audit the process of business licenses is stipulated in the first paragraph of Article 30, of the National Ordinance for the General Audit Chamber.[1] This is a performance audit.

1.2 Audit objective

The purpose of the audit is to issue recommendations to the Minister of Tourism, Economic Affairs, Traffic and Telecommunications (hereafter: TEATT) about improvements to the business license process.

1.3 Primary questions

In this report we answer the following main questions:
- *Are business licenses issued efficiently?*
- *Is the income generated optimal?*

We investigated whether:

a. the structure of the internal organization is adequate;
b. registration is reliable and provides information about the process;
c. the state of affairs and progress are reported to the Minister.

1.4 Reading guide

In chapter 2, we present our findings on internal control. We outline the structure of the process from the application to the issuance or refusal. We then indicate whether the process contributes to efficient licensing.

We report our findings on invoicing and collection of annual fees in chapter 3. In chapter 4, we discuss the possibilities of using ICT. We present our conclusions in chapter 5; this relates to answering the audit questions.

In chapter 6, we include the Minister of TEATT's reaction, supplemented by our epilogue.

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[1] Article 30 National Ordinance for the General Audit Chamber: The General Audit Chamber devotes attention to the efficiency of the management of funds and goods, the organization and functioning of the country's departments.

2 THE PROCESS

In this chapter, we present our findings on the process.

2.1 Legislation

The National Ordinance Business Licenses (hereafter: Lvo Vb) regulates when a license is required, the requirements with which an application must comply, the minister's authority, reasons for revoking the license, and the penalties that are applicable when not adhering to the rules. The Lvo Vb contains no provisions on the following subjects:

- maximum time for processing of the application;
- period of validity of the license.

The Chamber of Commerce and Industry (hereafter: CoCI) is required to provide advice prior to a license being issued, refused or retracted.[2] If the Economic Licenses Department (*Dienst Economische Vergunningen*- DEV) fails to receive advice after a week, the department assumes a positive CoCI advice.[3]

2.2 The process for issuing a business license

In 2019, 579 business license applications were submitted.[4] The 2019 budget revenue estimate was ANG 8.3 million.[5] The process for issuing business licenses involves the following four steps:

- Application by the applicant;
- Review by the Economic Licenses Department;
- Decision-making by the authorized official at the Ministry;
- Issuance of the license.

The process has been outlined by the department.[6] Figure 1 illustrates the process in a simplified way.

Figure 1: simplified representation of the issuance process of a business license

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[2] Article 8 of the National Ordinance Establishment of Businesses.
[3] Interview report of the meeting March 17th,2020, with the interim head of DEV.
[4] Spreadsheet received from DEV.
[5] Budget 2019, income from operational budget, budget line item 8220, page 76.
[6] 'Economic requests process in accordance with Mandate, dated November 30, 2017'.

1. Payment of the processing fee **–** The applicant takes the required documents to the Customer Service counter (front office). If all documents are present, the processing fee must be paid to the Receiver.

2. Application - The proof of payment is presented at the Customer Service counter. The application is now complete and will be registered.

3. Review - The case is assigned to a licensing advisor (back office). The documents are scanned, and the data is entered into the BLIS computer application.[7] BLIS produces a draft advice, which is checked by the licensing officer (advisor), reviewed by the senior advisor and approved by the department head.

4. Decision-making - After approval, the approval- or rejection letter is signed by the department head.

5. Issuance - The applicant collects a payment order (payment letter) at the counter and pays the remaining fees at the Receiver. Upon presentation of the proof of payment at the counter, an appointment is made for the collection of the business license.

6. Annual fee - The license holder must pay an annual fee to maintain the license. DEV annually produces the list of license holders.[8] This file is sent to the Receiver, who sends the license holders an invoice and takes care of the collection.

2.3 Our findings on the process

2.3.1   The structure of the internal organization

A separation has been made between the functions: registration (administrative assistant front- and back office), execution (the advisor and senior advisor) and deciding (establishing the amount of the fees by Parliament and taking a decision by the department head).

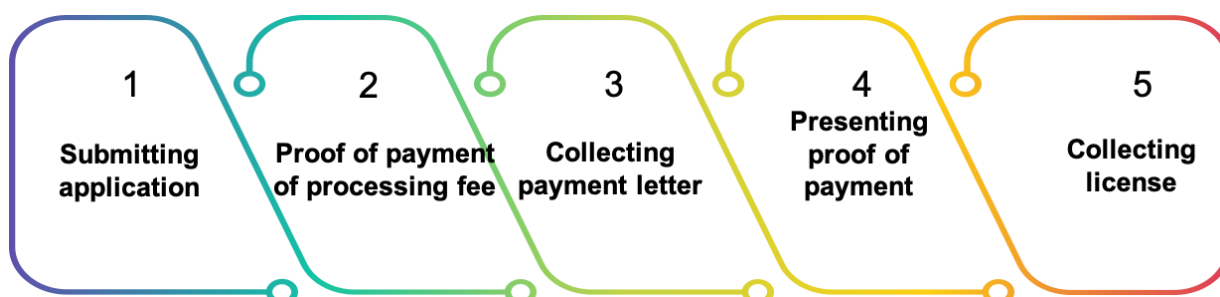We conclude that the structure of the internal organization is adequate.

The completeness of the registrations in the spreadsheet, BLIS and Buslic, are not checked based on totals. There is a risk that unauthorized changes to the files cannot be detected (in a timely fashion). As a result, there is uncertainty on the reliability of the registration and the amount of the outstanding annual fees. Furthermore, the compatibility of the three registers could not be determined.

2.3.2   Efficiency

The process for issuance is recorded in three separate registers: a spreadsheet, BLIS and Buslic. One registration / administration should suffice, namely BLIS. Registering in Buslic can be explained (BLIS is not linked to the Receiver whereas Buslic is), but it is not effective.

An applicant must go to the Customer Service counter a total of five times. DEV wants to change this (digitally) in the future. Figure 2 illustrates when an applicant has to go to the counter.

Figure 2: number of visits required to obtain a business license

1	2	3	4	5
Submitting application	Proof of payment of processing fee	Collecting payment letter	Presenting proof of payment	Collecting license

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[7] Business License Information System.
[8] National Ordinance regulating the levying and collection of precario taxes and fees.

2.3.3   ICT

All documents are scanned by DEV employees. This takes up a lot of time and can be done more efficiently.[9] In the past, steps were taken to have the applicant submit documents electronically to DEV. Nonetheless, this option cannot be used as yet.

Although the BLIS application is also intended to produce the annual payment file, DEV maintains a separate file in the Buslic system (BLIS is not yet linked to the Receiver's administration).

2.3.4   Application processing times

The department's goal is to issue a business license within 6 weeks. Table 1 provides a breakdown of the processing times, based on data provided by DEV.

Table 1: Breakdown of the processing times for business licenses

Process time in weeks	Number of applications completed	Number of applications processed in %
6 weeks	95	16%
12 weeks	196	34%
18 weeks	199	34%
24 weeks	61	11%
More than 24 weeks	28	5%
Total	579	100%

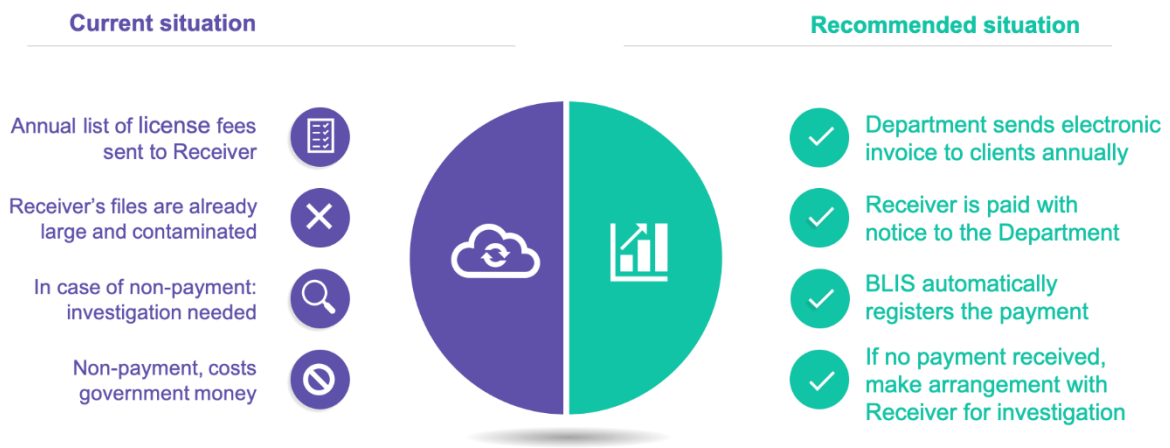[9] Interview report of March 17th, 2020 with the Acting Head of DEV.

3   THE ANNUAL REQUIRED FEE

A business license holder is required to pay a fee at the beginning of every year.[10] Annually, DEV submits the file of issued licenses to the Receiver. This file is incorporated into the Receiver's Integrated Financial Information System (GEFIS). Since 2016, the Receiver stopped sending the yearly invoices to the business license holder. However, the Receiver still sends reminders to license holders in case of non-payment.[11] The Receiver's settlement of outstanding invoices is not optimal. In November 2019, we issued an audit report on this topic entitled: *Efficient Collection of Government Claims*.[12]

DEV does not have information on the settlement of receivables. An excessive but necessary amount of time is spent by the Receiver retrieving correct data in order to track down reminders and enforcement orders to the right persons and companies.

If DEV was aware of this, the department (for example, in collaboration with the Inspection Department of the TEATT ministry) could conduct targeted investigations. DEV could submit the invoices digitally to save time. Figure 3 compares the current situation to the recommended situation.

Figure 3: current and recommended situation for the annual payment of license fees

Current situation

Annual list of license fees sent to Receiver

Receiver's files are already large and contaminated

In case of non-payment: investigation needed

Non-payment, costs government money

Recommended situation

Department sends electronic invoice to clients annually

Receiver is paid with notice to the Department

BLIS automatically registers the payment

If no payment received, make arrangement with Receiver for investigation

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[10] Article 4, first paragraph of the National Ordinance regulating the levying and collection of precario taxes and fees.
[11] Reaction dated May 7th, 2020, of the Acting Head of DEV.
[12] Report Efficient collection of Government claims, November 2019.

4 CURRENT ICT CAPABILITIES

During this audit, we argued that the process can be more efficient.

4.1 Benefits of digitization

ICT is an increasingly important way of working more efficiently and stimulating economic growth. Figure 4 provides a number of examples on how to (continue) digitizing:

Figure 4: benefits of digitization
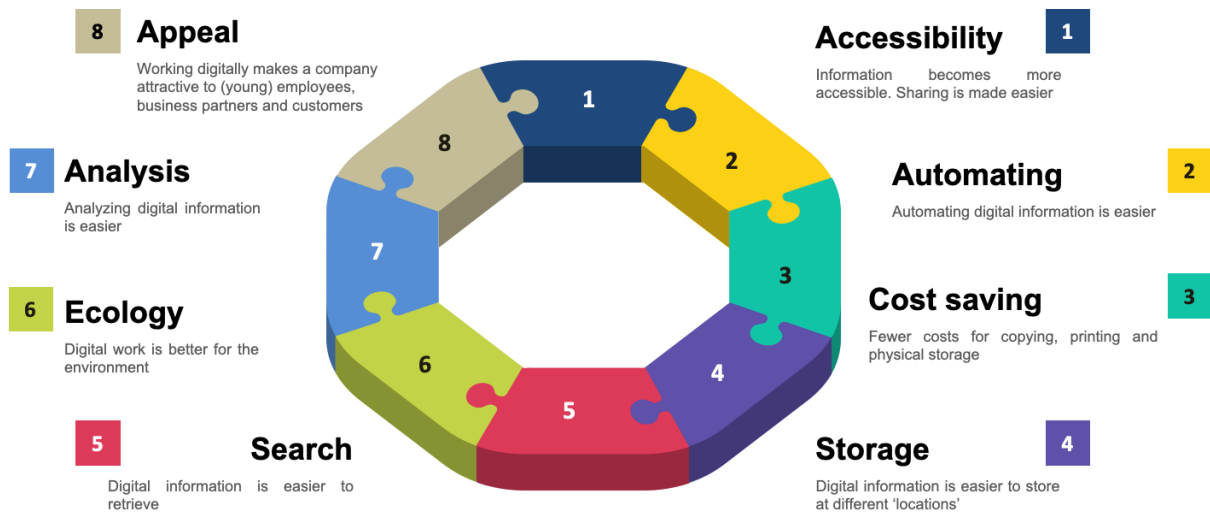
4.1.1 Cloud-computing

Cloud computing offers a range of benefits.[13] As an example, we refer to the General Audit Chamber that fully transitioned to Cloud-computing since 2017. Where in the past data was downloaded on a physical computer or server, Cloud-computing provides access to the same type of applications, online. The biggest advantage is that with an internet connection and the right login credentials, a user can access information anywhere and always, in a secure manner.

For DEV, the benefits mentioned in Figure 4 could apply.

4.1.2 Disaster management and recovery

With the devastation of ICT caused by Hurricane Irma, a lot of government's information was lost. At the time of the preparation of this report, we are experiencing the COVID-19 crisis. Cloud-computing guarantees continuity. Because data is not on a physical server or on a computer, information remains readily available. All information remains accessible and is kept secure. Efficiency and productivity are optimized as much as possible.

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[13] Cloud-computing means that all kinds of IT services are provided over the Internet, including software, databases, servers and networks. End users can access their software and applications anytime, anywhere.

5   CONCLUSION

Based on our findings, we conclude that the structure of the process issuing business licenses is adequate but can become more efficient.

- Efficiency of the process;
  - o   The amount of physical contact between applicant and department can be reduced;
  - o   Scanning of documents by DEV can be eliminated if documents are scanned/uploaded by the applicant;
  - o   Invoicing of annual fees can be simplified with optimal us of the BLIS application.

- Automation can be used more optimally;
- The number of registers (excel spreadsheet, Buslic and Bliss) can be reduced from three to one;
- The reliability of the comprehensiveness of the annual fees can be improved by enhancing internal controls and cleaning up the contaminated backlog of receivables;
- In cooperation with the Receiver, the efficiency of settlements of claims can be increased.

6 REACTION FROM THE MINISTER AND OUR EPILOGUE

6.1 Minister's reaction

In keeping with our audit protocol, the draft report was presented to the Minister Tourism, Economic Affairs, Traffic and Telecommunications with a request for her reaction. We have been notified by the Minister's Cabinet that she has no comments to add to the report.

6.2 Epilogue

We wish to thank the Ministry of Tourism, Economic Affairs, Transport and Telecommunications for the cooperation provided during our audit. We believe most of the expertise needed for digitization is present at the Economic Licenses Department. The Department started the process in the past, but steps still need to be taken to improve the efficiency. This includes addressing the number of visits that an applicant must make prior to eventually obtaining a license. Scanning documents and the general time required to obtain a license can, in our opinion, be drastically shortened using digitization. Finally, with the right software, the annual collection process can be improved, which will benefit Government's revenues, as well as customer service to the license holder.

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