

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 22 JANUARY 2018

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 7-2018

1 PURPOSE OF REPORT

1.1 To present to the Joint Board the Internal Audit Report – Non Domestic Rates (No 2018/03) which is attached as an Appendix to this report.

2 RECOMMENDATIONS

2.1 The Joint Board is asked to note the contents of the Report and the Internal Audit Report which is attached as an Appendix.

3 FINANCIAL IMPLICATIONS

3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4 MAIN TEXT

4.1 Henderson Loggie, Chartered Accountants, were appointed to provide an Internal Audit Service in respect of the period from 1 April 2016 to 31 March 2019. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2016 to 2019 as approved by the Joint Board on 22 August 2016.

4.2 Internal Audit Report 2018/03 - Non Domestic Rates is attached as an Appendix to this Report. It has been prepared by Internal Audit following discussion with the Assessor. The overall grading of the Report is '**Good** – System meets control objectives'. The Report also notes that work is ongoing to review and improve the efficiency of checking procedures. There are no recommended actions arising from the Report.

5 POLICY IMPLICATIONS

5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 CONSULTATIONS

6.1 The Clerk and Treasurer to the Joint Board have been consulted on this report.

7 BACKGROUND PAPERS

7.1 None.

ALASTAIR KIRKWOOD
Assessor

10 January 2018

Tayside Valuation Joint Board

Non Domestic Rates

Internal Audit Report No: 2018/03

Draft Issued: 21 December 2017

Final Issued: 22 December 2017

LEVEL OF ASSURANCE

Good

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires Improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of the Joint Board.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by the Assessor.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

1. Overall Level of Assurance

Good	System meets control objectives.
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2. Risk Assessment

This review focussed on the controls in place to mitigate the following risk included on the Board's risk register:

- 5.2 – Failure of Information provision: Non Domestic Rating (risk rating: low/moderate)

3. Background

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board',) for 2017/18, we carried out a review of the arrangements in place for updating the Valuation Roll in relation to the revaluation of non-domestic properties. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Commercial properties are subject to Non Domestic Rates charges based on their valuation as determined by the Assessor and recorded in the Valuation Roll. The Valuation Roll is a public document that contains an entry for all non-domestic properties in an Assessor's area except those specifically excluded by law.

Values are established periodically at Revaluation, with the latest occurring on 1 April 2017 with the date of valuation set at 1 April 2015. Revaluation results in the production of a new Valuation Roll that contains revised values for all non-domestic properties in the Assessor's area. Following a Revaluation, new values will generally remain unchanged until the next Revaluation, unless the property is altered, or other changes take place.

4. Scope, Objectives and Overall Findings

This audit reviewed the adequacy and effectiveness of the controls and procedures in place to ensure that the records relating to current property values are up to date and accurate, valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation Roll.

The table below notes each separate objective for this review (which collectively underpin the overall objective) and records the results:

4. Scope, Objectives and Overall Findings (continued)

Objective	Findings				Actions already in progress
	1	2	3	No. of Agreed Actions	
The objective of this audit was to obtain reasonable assurance that good progress has been made in updating the underlying records held on the Boards' systems which are used in updating the Valuation Roll, including:					
1. There are appropriate procedures in place to ensure that: all non-domestic properties are on the Valuation Roll.	Good	0	0	0	
2. All property valuations are carried out by suitably qualified valuers and are evidenced as checked and authorised by a Valuer or Senior Valuer.	Good	0	0	0	✓
3. All valuations are input into the Valuation Roll and the weekly 'Roll of Change' is evidenced as checked by an Assistant Assessor or Principal Valuer.	Good	0	0	0	
4. All appeal applications are logged on the appeals system as soon as they are received and are accepted and checked by a Valuer or Senior Valuer.	Good	0	0	0	
5. The Valuation Roll is accurately and timeously amended to record the outcome of an appeal.	Good	0	0	0	
6. Only authorised staff can input amendments and all new entries are checked independently and evidenced.	Good	0	0	0	
7. Authorised staff change their passwords in line with pre-determined password protocols and where staff leave their access is suspended.	Good	0	0	0	
8. All deletions are properly authorised by a Valuer or Senior Valuer and there are procedures in place to ensure that staff do not make alterations to any properties on the Roll in which they have an interest.	Good	0	0	0	
9. A Valuation Notice is produced and sent out to the responsible party in line with legal requirements and any subsequent appeals are lodged within six months of the Valuation Notice being issued.	Good	0	0	0	
Overall Level of Assurance	Good	0	0	0	
		System meets control objectives.			

5. Audit Approach

From discussion with relevant staff, and review of procedural documentation, we confirmed any system changes made; identified the key internal controls in place within the non-domestic rates valuation and appeals systems; and compared these with expected controls. Audit testing was then carried out to ensure that the controls in place are operating effectively in each of the three area offices.

6. Summary of Main Findings

Strengths

- The internal controls in place are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously; and appropriate controls are in place over entries and amendments made to the Valuation Roll.
- From the sample testing carried out we obtained reasonable assurance that the information held on the Valuation Roll is an accurate, comprehensive and is an up-to-date record of non-domestic properties in Tayside. Our sample testing confirmed that additions, deletions and alterations to the Valuation Roll are appropriately controlled and verified.
- Appeal cases are logged on receipt and, from our sample testing, they have all been dealt with timeously.
- There is an adequate level of segregation of duties between identification of changes in value to the Valuation Roll and the input of amendments on the Valuation Roll.

Weaknesses

- Although we identified that there are robust checks in place to ensure the accuracy of the Valuation Roll and no significant weaknesses in controls were identified during our audit testing, we did note that the current processes are not as efficient as they could be due to a) the number of checks in place and b) the number of staff involved in those checks. This issue has already been identified by the Assessor and the management team and therefore, in preparation for the move to three yearly revaluations of non-domestic properties in 2020, the management team have been tasked with investigating how the Board's processes can be streamlined in this area.

7. Acknowledgements

We would like to thank Board staff for the co-operation and assistance we received during the course of our review.

8. Findings and Action Plan

Valuations

Objective 1: There are appropriate procedures in place to ensure that: all non-domestic properties are on the Valuation Roll;

Objective 2: All property valuations are carried out by suitably qualified valuers and are evidenced as checked and authorised by a Valuer or Senior Valuer; and

Objective 9: A Valuation Notice is produced and sent out to the responsible party in line with legal requirements and any subsequent appeals are lodged within six months of the Valuation Notice being issued.

As part of our audit testing, we selected a random sample of 45 VC1 cards, from across the three area offices, ensuring that sufficient documentation existed on the subject files to support the valuations arrived at. In all cases we could confirm that appropriate evidence was held to ensure that the valuation noted on each property file agreed to the valuation per the VC1 cards and the subsequent Roll of Change.

For each item in our sample we confirmed that valuations had been carried out by a qualified valuer, and where valuations had been carried out by technician these were found to have been subsequently approved by a Senior Valuer.

The Non Domestic Rating General Outline of Procedures state that once a Valuer has amended a valuation on-screen (or by way of spreadsheets or manually) a VC1 card must be completed by the Valuer. The procedures describe the required details that must be recorded on the VC1 cards, which include showing the extent of the monetary difference between the original value and the proposed amended valuation. This assists in reconciling the weekly additions and deductions of value to the valuation roll. Our testing confirmed that in all three area offices this information was recorded on all of the VC1 cards included in our sample with no exceptions noted.

In all instances Valuation Notices were found to have been issued in line with the corresponding entry made in the updated Valuation Roll of Change without exception.

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Roll of Change

Objective 3: All valuations are input into the Valuation Roll and the weekly ‘Roll of Change’ is evidenced as checked by an Assistant Assessor or Principal Valuer.

The Non Domestic Rating General Outline of Procedures recommends that the weekly checking of VC1 cards against the Roll of Change is carried out by both Senior Valuers and clerical staff with any differences that are highlighted during the checking process brought to the attention of the Administrative Assistants who will ensure that any necessary corrections are applied to the property database. From the sample testing conducted we confirmed that these checks were being carried out at all three area offices and that the control is operating as expected.

In each of the three area offices, a Roll of Change report is produced which shows all changes to properties relating to that week. This is passed to all Senior Valuers with a covering control sheet. Each Valuer identifies properties in their designated area and signs and dates the property to show that the change made is as expected. They then sign and date the cover sheet. Once all properties have been checked the report is passed back to the clerical staff to check that all properties have been checked and that details are correct. This is then passed to the Assistant Assessor to review and sign off.

For the sample of Rolls of Change tested, which relate to our testing of VC1 cards noted above, we found that in all cases the controls in place relating to the checking of the weekly Roll of Change were operating in line with the Board’s procedures.

Appeals

Objective 4: All appeal applications are logged on the appeals system as soon as they are received and are accepted and checked by a Valuer or Senior Valuer; and

Objective 5: The Valuation Roll is accurately and timeously amended to record the outcome of an appeal.

We selected a random sample of 15 appeals from across all three area offices and ensured that:

- the appeal was lodged and recorded within the statutory timeframe;
- the Board had issued an acknowledgment letter to the appellant;
- an appeals header sheet had been produced;
- sufficient documents were available to support the appeals and any amended valuation; and
- that the final header sheet agreed with the final valuation as entered into the corresponding Roll of Change.

No exceptions were noted from our testing.

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Deletions / Amendments

Objective 6: Only authorised staff can input amendments and all new entries are checked independently and evidenced;

Objective 7: Authorised staff change their passwords in line with pre-determined password protocols and where staff leave their access is suspended; and

Objective 8: All deletions are properly authorised by a Valuer or Senior Valuer and there are procedures in place to ensure that staff do not make alterations to any properties on the Roll in which they have an interest.

Our sample testing of 45 VC1 cards included seven properties which were deleted from the Valuation Roll. Our sample also included 12 amended valuations to existing properties listed on the Valuation Roll. In each case we were able to agree the deletion or amendment of the entry to supporting documentation and confirmed that appropriate authorisation had been obtained for the deletion or amendment. No exceptions were noted.

Guidance relating to the access to the Board's systems is included within Security of Information Technology Systems, which has been issued to all staff. The guidance outlines the need to eliminate any potential risk of unauthorised disclosure of information and of unauthorised amendments being made to the Valuation Roll and all other computer applications operated by the Assessor and the Board. All computer equipment is configured in such a way that all users are required to enter a user name and password before the computer can be operated. Unique user names are allocated to each member of staff. The guidance refers to the Board's password policy, which states that passwords must be changed at least once every three months. Systems are set up to automatically prompt users to change passwords if a change has not been made within the required period.

Adequate segregation exists amongst staff to minimise the risk of unauthorised amendments being made to the Valuation Roll. This is achieved by ensuring that access to the Valuation Roll is determined by business need to ensure that the integrity of the Valuation Roll is maintained. Any amendments are authorised by Senior Valuers with subsequent changes to the Valuation Roll then applied independently by clerical staff. Valuation staff do not have direct access to the Valuation Roll. We found the controls in this area were operating effectively.

There is a formal requirement for staff to complete an annual return listing any properties in which members of staff may have a personal interest. Such properties are flagged in the Valuation Roll and reports are generated and reviewed each month by an Assistant Assessor when changes are made to properties that are linked to staff. Changes are then reviewed to ensure that any amendments affecting the Valuation Roll are bona fide and accurate.