

**REPORT TO: TAYSIDE VALUATION JOINT BOARD – 25 JUNE 2018**

**REPORT ON: INTERNAL AUDIT**

**REPORT BY: ASSESSOR**

**REPORT NO: TVJB 12-2018**

## **1 PURPOSE OF REPORT**

- 1.1 To present to the Board the following Internal Audit Reports which are attached as appendices to this report:-

Internal Audit Report 2018/04 – Corporate Governance

Internal Audit Report 2018/05 – Follow-Up Reviews

Internal Audit Report 2018/06 – Annual Report to the Joint Board and the Assessor

## **2 RECOMMENDATIONS**

- 2.1 The Board is asked to note the contents of the three Audit Reports.

## **3 FINANCIAL IMPLICATIONS**

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

## **4 POLICY IMPLICATIONS**

- 4.1 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.

## **5 BACKGROUND**

- 5.1 Henderson Loggie were appointed to provide an Internal Audit Service for 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 Board on 22 August 2016.

- 5.2 Internal Audit Report 2018/04 – Corporate Governance - is attached as Appendix 1 to this report. It has been prepared by Internal Audit following discussion with the Assessor and relevant members of staff. This audit reviewed the Board's Corporate Governance arrangements. The overall conclusion of the review is that the level of assurance is good and that the arrangements are in accordance with best practice. The review identified one recommendation; that the Scheme of Delegation should be reviewed and updated. This recommendation will be addressed in line with the action plan included in the Report.

- 5.3 Internal Audit Report 2018/05 – Follow-Up Reviews - is attached as Appendix 2 to this report. It has been prepared by Internal Audit following discussion with the Assessor and relevant members of staff. This review assessed whether recommendations made in internal audit reports from 2015/16 have been appropriately implemented and sought to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them. The overall conclusion of the review is that the Board has made reasonable progress in fully implementing two of the five recommendations followed up as part of this review. Of the remaining three recommendations, these have been assessed as "Partially Implemented" as no projects of a significant size managed by the Board have been undertaken in recent years. However, projects being considered for 2018/19 may

provide a suitable opportunity for management to apply a project management methodology.

- 5.4 Internal Audit Report 2018/06 – Annual Report to the Joint Board and the Assessor - is attached as Appendix 3 to this report. It sets out a summary of the audit reviews undertaken during the year 2017/18 and the results and conclusions of those reviews, together with the operational plan for 2018/19. The overall conclusion of the report is that the Board operates adequate internal control systems as defined in the Audit Needs Assessment. The audit and assurance work has not identified any significant gaps in the Board's control environment that would increase the risk of financial loss.

## **6 CONSULTATIONS**

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

## **7 BACKGROUND PAPERS**

- 7.1 None.

**ALASTAIR KIRKWOOD**  
Assessor

**June 2018**

**Tayside Valuation Joint Board****Corporate Governance****Internal Audit Report No: 2018/04****Draft Issued: 06 June 2018****Final Issued: 07 June 2018****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:

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

### Action Grades

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

## 1. Overall Level of Assurance

<b>Good</b>	System meets control objectives.
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## 2. Risk Assessment

This review did not focus on any specific risks included on the Tayside Valuation Joint Board (the 'Board') Risk Register, but aspects of corporate governance will have an impact on a number of risks.

## 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 corporate governance arrangements in place. 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.

The Board functions under the terms of the Rating, Valuation and Local Government Acts and Regulations in respect of Rating and Council Tax activities. These are generally referred to as 'The Valuation Acts' and lie within the legislative remit of the Scottish Parliament. In the field of Electoral Registration, the Board operates in terms of the Representation of the People Acts and Regulations which lie partly within the remit of the UK Parliament and partly within the remit of the Scottish Parliament.

In 2001, CIPFA in conjunction with SOLACE and with support from key organisations in local government, responded to the need to draw together the principles identified by Cadbury and Nolan into a single framework of good governance for use in local government bodies and published 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework'. In spring 2016 CIPFA and SOLACE published a revised 'Guidance Note for Scottish Authorities – Delivering Good Governance in Local Government: Framework'.

The Framework and Guidance are based on 7 principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefit.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

On 26 June 2017 the Joint Board approved the updated Local Code of Corporate Governance, which was based on the seven Principles of Corporate Governance as detailed above.

## 4. Scope, Objectives and Overall Findings

This review covered the corporate governance arrangements within the Board and compared these against best practice included in the CIPFA 'Delivering Good Governance in Local Government: Guidance Note for Scottish Authorities (2016)'. This included review of the following:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Governance self-assessments;
- Fraud and Corruption policies and procedures; and
- Complaints and Whistleblowing procedures.

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

Objective	Findings		
	1	2	3
<b>The primary objective of this audit was to obtain reasonable assurance that:</b>	<b>No. of Agreed Actions</b>		
1. The Board's corporate governance arrangements are in accordance with best practice as set out in the CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016) and accompanying guidance notes for Scottish Authorities, which was published in September 2016.	0	0	1
<b>Overall Level of Assurance</b>	<b>0</b>	<b>0</b>	<b>1</b>
	System meets control objectives.		

## 5. Audit Approach

We identified the corporate governance arrangements in place through interviews with the Assessor and analysis of the Board's most recent corporate governance self-assessment, which was prepared in June 2017. Relevant supporting documentation was also reviewed to confirm that the arrangements in place have been adequately documented; communicated; and are operating effectively.

## 6. Summary of Main Findings

### **Strengths**

- The Board's corporate governance arrangements are, where applicable, in accordance with the best practice as set out in the CIPFA / SOLACE 'Delivering Good Governance in Local Government guidance' in almost all respects. One minor weakness was identified which is set out below.

### **Weaknesses**

- The Board has a Scheme of Delegation in place, but this document has not been updated since 1996. Whilst we acknowledge that the core functions of the Board (and therefore the authority delegated to the Joint Board and the Officers) have remained relatively static for many years, it is a matter of good practice to ensure that the Scheme of Delegation is subject to review and updated, where applicable, to reflect any changes in the Board's governance arrangements.

## 7. Acknowledgements

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

## 8. Action Plan

Ref.	Recommendation	Grade	Management Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
5.2	<b>R1</b> Ensure that the Scheme of Delegation is reviewed and updated where applicable to reflect any changes in the Board's governance arrangements.	3	The Scheme of Delegation will reviewed and updated.	Y	Assessor, Treasurer, Clerk	30 September 2019



## 9. Assessment against the 7 Principles

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</b>		
1.1	Behaving with integrity	<ul style="list-style-type: none"> <li>• All members have agreed to abide by the Board's Local Code of Corporate Governance which refers to the Nolan Principles.</li> <li>• All staff are required to comply the Board's Code of Conduct. This is integrated into the induction scheme for all new employees.</li> <li>• Employee review and development plans are undertaken annually.</li> <li>• An Anti-fraud and bribery policy is in place which has been communicated to all employees.</li> <li>• A register of disclosures &amp; interests and register of gifts &amp; hospitality is held by the Assessor.</li> <li>• Whistleblowing Policy is available to the public, employees, partners and contractors through the Board's website.</li> <li>• Complaints procedure in place and compliant with the Scottish Public Service Ombudsman requirements.</li> </ul>
1.2	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• Code of conduct in place for Joint Board members.</li> <li>• Standing Orders relating to the Conduct of Meetings and Scheme of Delegation in place. Standing Orders have recently been updated but Scheme of Delegation was last updated in 1996 (<b>R1</b>).</li> <li>• Code of conduct in place for all employees with compliance managed through HR policies and procedures including grievance and disciplinary procedures.</li> <li>• Policies and procedures in place which place emphasis on ethical values which are regularly reviewed, approved by the Joint Board and subject to periodic review by Internal Audit.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (continued).</b>		
1.3	Respecting the rule of the law	<ul style="list-style-type: none"> <li>• Financial Regulations and Tenders Procedures underpin the Board’s ethical values the awarding of contracts to third party organisations.</li> <li>• Board’s Scheme of Delegation sets out the authority delegated to the Officers and supports compliance with statutory and legislative obligations.</li> <li>• Financial Regulations are reviewed annually to ensure compliance with statutory and legislative obligations.</li> <li>• HR policies and procedures in place to deal with grievance and disciplinary matters relating to employees.</li> <li>• Professional advice for legal and financial matters is provided by the Treasurer and the Clerk to the Joint Board.</li> <li>• The Clerk to the Joint Board is the Monitoring Officer to the Joint Board with delegated authority agreed. The Clerk to the Board is the head of Democratic and Legal Services, Dundee City Council.</li> <li>• The Treasurer to the Joint Board is the responsible Section 95 Officer with delegated authority agreed. The Treasurer to the Board is the Executive Director of Corporate Services, Dundee City Council.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>2. Ensuring openness and comprehensive stakeholder engagement.</b>		
2.1	Openness	<ul style="list-style-type: none"> <li>• Standing Orders for conducting Joint Board business promote openness and transparency with all decisions made in public (unless exemptions apply) and all agendas and papers are published on the Board’s website.</li> <li>• Service Plan, annual report including performance report and statement of audited accounts reported to the joint Board annually which are made available to the public on the Board’s website.</li> <li>• Freedom of Information policy and Publication Scheme in place and regularly reviewed.</li> </ul>
2.2	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Customer Satisfaction Survey conducted annually, and results fed back to the management team to inform the design of service delivery.</li> <li>• The Board makes stakeholders aware of opportunities to consult on service issues which are provided by the Scottish Assessors Association (SAA), the Scottish Government or UK Government.</li> <li>• Service Level Agreements in place with each of the constituent local authorities.</li> <li>• Regular meetings held between the Board and the SAA and the SAA and the Scottish Government.</li> </ul>
2.3	Engaging with stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> <li>• A formal public engagement strategy is prepared annually to encourage eligible electors to participate in the electoral process.</li> <li>• Public are offered the opportunity to complete a survey on their overall experience of the Board’s services.</li> <li>• Consultation with rate payer groups is coordinated by the SAA and feedback used to inform national approach to service delivery.</li> <li>• Service delivery is largely controlled by statute. The Electoral Commission has a role in monitoring performance in respect of Electoral Registration.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>3. Defining outcomes in terms of sustainable economic, social and environmental benefits.</b>		
3.1	Defining outcomes	<ul style="list-style-type: none"> <li>• Corporate &amp; Service Plan 2018-2019 sets out the Board’s mission and vision, defines the scope of the service and identifies the key objectives and performance measures used to evaluate outcomes.</li> <li>• Corporate and Service Plans are regularly reviewed by the Management Team and the Joint Board.</li> <li>• Annual Performance Report presented to the Joint Board to monitor delivery of outcomes and priorities.</li> </ul>
3.2	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Budget management is the responsibility of the Assessor and monitoring reports are presented to the Joint Board quarterly.</li> <li>• Risk Management is undertaken to ensure that the Board identifies and mitigates its key risks, to deliver its priorities and outcomes, and reported to the Joint Board regularly.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>4. Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>		
4.1	Determining interventions	<ul style="list-style-type: none"> <li>• Service delivery is largely controlled by statute and the resources of the Board are directed by the need to meet the statutory timetables associated with each of its functions. As outlined in the Board's Service Plan 2016-2019, the overall objectives of the Board are to meet all its statutory requirements, achieve the highest possible quality services for stakeholders and achieve such quality in the most cost-effective manner.</li> <li>• Information is obtained from a variety of sources, including the SAA, the constituent local authorities and the Scottish Government, and considered in developing the Corporate and Service Plans.</li> </ul>
4.2	Planning interventions	<ul style="list-style-type: none"> <li>• Internal Audit Plan agreed annually, and all audits are reported to the Joint Board.</li> <li>• Key Performance Indicators (KPIs) for each of the core functions are regularly reviewed by the Management Team and reported to the Joint Board, the Scottish Government and the Electoral Commission. KPIs are also reported in the Annual Report and Audited Accounts and are published on the Assessor's website.</li> </ul>
4.3	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Budget monitoring is reported to the Joint Board quarterly with the Annual Accounts reported to the Joint Board annually.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>5. Developing the Board’s capacity including the capability of its leadership and the individuals within it.</b>		
5.1	Developing capacity	<ul style="list-style-type: none"> <li>• Budget monitoring is reported to the Joint Board quarterly with the Annual Accounts reported to the Joint Board annually.</li> <li>• Partnership and collaboration across Assessors offices facilitated by the SAA.</li> <li>• The Board has developed a workforce plan to manage the strategic allocation of staff resources.</li> </ul>
5.2	Developing the capability of the leadership and other individuals	<ul style="list-style-type: none"> <li>• Role descriptions for the Assessor &amp; Electoral Role Officer (ERO) approved by the Joint Board. Role descriptions for Assistant Assessors approved by the Assessor &amp; ERO.</li> <li>• Scheme of Delegation in place however this has not been updated since 1996 (R1).</li> <li>• Induction programme delivered for new Joint Board members and an on-going member development programme in place to support individual and collective capacity and capability.</li> <li>• An employee review and development process ensures that all employees have an annual review of their objectives, performance and support for their training and development needs.</li> <li>• Financial Regulations and Standing Orders reviewed annually to ensure compliance with statutory and legislative obligations.</li> <li>• HR policies and procedures are in place regarding grievance and disciplinary matters relating to employees.</li> </ul>

Tayside Valuation Joint Board – Corporate Governance

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>6. Managing the risks and performance through robust internal control and strong public financial management.</b>		
6.1	Managing risk	<ul style="list-style-type: none"> <li>• Risk management is undertaken to ensure that the Joint Board identifies and mitigates its key risks, in order to deliver its priorities and outcomes, reported to the Joint Board regularly.</li> <li>• The Board has a well-developed Risk Management Strategy which includes a Risk Register which is regularly reviewed by the Management Team and reported annually to the Joint Board. Given the relatively static nature of the Board’s core functions and the framework in which they operate this is considered reasonable.</li> </ul>
6.2	Managing performance	<ul style="list-style-type: none"> <li>• Budget monitoring, and KPIs are reported to the Joint Board quarterly with the Annual Accounts reported to the Joint Board annually.</li> <li>• Publication of agendas and minutes of Joint Board meetings are available through the Tayside Valuation Joint Board website.</li> <li>• KPIs are reported to institutional stakeholders annually, including the Scottish Government and the Electoral Commission.</li> </ul>
6.3	Robust internal controls	<ul style="list-style-type: none"> <li>• All Internal and External Audit reports, including the Statement of Internal Control and the External Auditor’s Annual Audit report are presented to the Joint Board to ensure required actions are implemented.</li> <li>• Annual Governance Statement published as part of Annual Accounts and reported to the Board.</li> <li>• The Risk Register includes clear linkages to the Board’s Service Plan.</li> <li>• Policies and procedures are in place as part of the Board’s counter fraud and anti-corruption measures, including the Anti-Fraud Guidelines which refer to the Bribery Act.</li> </ul>
6.4	Managing data	<ul style="list-style-type: none"> <li>• UK Government Public Services Network (PSN) Accreditation achieved which provides assurance about network and infrastructure security in relation to personal and other sensitive data the Joint Board uses the Scottish Wide Area Network (SWAN), which is a secure public-sector network, to provide its Wide Area Network.</li> <li>• Data Sharing Agreements in place with key partners to enable safe and secure sharing of data across other bodies.</li> <li>• Data Protection Policy in place and kept under review.</li> </ul>
6.5	Strong public financial management	<ul style="list-style-type: none"> <li>• Budget monitoring is reported by the Treasurer to the Joint Board quarterly with the Annual Accounts reported to the Joint Board annually.</li> </ul>

Principle	CIPFA / SOLACE	Demonstrated by the Tayside Valuation Joint Board
<b>7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.</b>		
7.1	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• All Agendas and accompanying reports are published on the Boards website.</li> <li>• Annual report including performance report and statement of audited accounts reported to the Joint Board annually.</li> </ul>
7.2	Implementing good practice in reporting	<ul style="list-style-type: none"> <li>• Budget monitoring is reported to the Joint Board quarterly with the Annual Accounts reported to the Joint Board annually.</li> <li>• Annual Governance Statement published as part of Annual Accounts and reported to the Joint Board.</li> <li>• Code of Corporate Governance reviewed annually and reported to the Joint Board.</li> </ul>
7.3	Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Internal Audit Plan agreed annually, and all audits are reported to the Joint Board. Internal audit reports are prepared in line with Public Sector Internal Audit Standards.</li> <li>• Recommendations made by External Audit are reported directly to the Joint Board.</li> </ul>



**Tayside Valuation Joint Board  
Follow-Up Reviews**

**2017/18**

**Internal Audit Report No: 2018/05**

**Draft Issued: 06 June 2018**

**Final Issued: 07 June 2018**

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# 1. Management Summary

## Introduction and Background

We have been appointed as Internal Auditors to the Tayside Valuation Joint Board ('the Board') for the period 1 April 2016 to 31 March 2019. The Internal Audit Plan for 2017/18 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2016/17. These were:

2017/03 – Asset Management; and  
2017/06 – Follow-Up Reviews.

Reports 2017/01, 2017/02, 2017/04, 2017/05 and 2016/07 did not contain an action plan and therefore no follow-up was required as part of this review.

Report 2017/06 included three outstanding actions from 2014/15 and one from 2010/11 that required to be followed up again this year.

## Audit Scope and Objectives

The objective of our follow-up review is to assess whether recommendations made in internal audit reports from 2016/17, and previous years, have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

## Audit Approach

The audit approach taken was as follows:

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- preparation of a summary of the current status of the recommendations for the Board.

## Overall Conclusion

The Board has made some progress in fully implementing two of the five recommendations followed up as part of this review, including:

- the single recommendation contained within the internal audit report issued in 2016/17; and
- one of the four outstanding actions from internal audit reports issued between 2010/11 and 2014/15.

Of the remaining three recommendations:

- these have been assessed as 'partially implemented'. All three of the recommendations are project management related but no Board-managed projects of a significant size have been undertaken in recent years. Projects being considered for 2018/19 may provide a suitable opportunity for management to apply a project management methodology and with this in mind the Board has provided project management training to senior managers during 2017, hence the categorisation of 'partially implemented'.

## Overall Conclusion (continued)

2016/17

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Project to Trigger Action
Asset Management	1	-	-	-	-	-
	2	-	-	-	-	-
	3	1	1	-	-	-
<b>Total</b>		<b>1</b>	<b>1</b>	-	-	-

2014/15

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Project to Trigger Action
Risk Management and Business Continuity	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	-	1	-	-
<b>Total</b>		<b>1</b>	-	<b>1</b>	-	-
Procurement and Creditors / Purchasing	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	1	-	-	-
<b>Total</b>		<b>1</b>	<b>1</b>	-	-	-
IT Network Arrangements	A	-	-	-	-	-
	B	1	-	1	-	-
	C	-	-	-	-	-
<b>Total</b>		<b>1</b>	-	<b>1</b>	-	-
<b>Grand Total</b>		<b>3</b>	<b>1</b>	<b>2</b>	-	-

2010/11

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Project to Trigger Action
Systems Development	A	-	-	-	-	-
	B	1	-	1	-	-
	C	-	-	-	-	-
<b>Total</b>		<b>1</b>	-	<b>1</b>	-	-
<b>Overall Grand Total</b>		<b>5</b>	<b>2</b>	<b>3</b>	-	-
<b>Summary by Grade</b>						
1 / A		-	-	-	-	-
2 / B		2	-	2	-	-
3 / C		3	2	1	-	-
<b>Total</b>		<b>5</b>	<b>2</b>	<b>3</b>	-	-

## Overall Conclusion (continued)

The grades, as detailed below, denote the level of importance that should have been given to each recommendation:

Reports issued in 2016/17:

<b>Priority 1</b>	Issues which require the consideration of the Joint Board.
<b>Priority 2</b>	Significant matters which the Assessor can resolve.
<b>Priority 3</b>	Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Reports issued prior to 2015/16:

- A Issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Assessor.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

## Acknowledgements

We would like to take this opportunity to thank the staff at the Board who assisted us during our review.

## Appendix I – 2016/17 Update Action Plan - Internal Audit Report 2017/03 – Asset Management

Observation	Risk	Recommendation	Management Response	Progress at May 2018
<p>The majority of the Board’s asset disposals relate to IT assets. The IT Administrator is responsible for determining when IT assets are to be disposed, based on age and condition.</p> <p>Our review found that although the Assessor approves all asset disposals a detailed breakdown of the IT equipment being disposed of is not presented to the Assessor for review as part of the authorisation process.</p> <p>The Board uses a recycling disposal company to pick up and dispose of IT equipment and a certificate of disposal is obtained, where appropriate. Our review found that appropriate certificates of secure disposal have been received for IT asset disposals.</p>	<p>Assets are disposed / scrapped without proper authorisation.</p>	<p><b>R1</b> A detailed breakdown of the IT assets being disposed of should be presented to the Assessor for review as part of the disposal authorisation process.</p>	<p><b>To be actioned by:</b> IT Administrator</p> <p><b>No later than:</b> 31 January 2017</p>	<p>A recent IT assets disposal form was reviewed and confirmed that contained a breakdown of assets and that it had been authorised by the Assessor.</p> <p><b>Fully Implemented</b></p>
			<p><b>Grade</b></p>	<p><b>3</b></p>

## Appendix II - Internal Audit Report 2017/06 – Follow-Up Reviews 2016/17

### 2011/08 - Systems Development

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
<p><b>Project Management</b></p> <p><b>R1</b> If large-scale projects are undertaken in future, consideration should be given to the training needs of the project manager and the project management tools to be employed for the project. This should cover all aspects of the implementation, including setting criteria for testing, user acceptance, training and criteria for assessing the post implementation stage.</p>	B		Yes	Assessor	<p><b>Original</b> On-going</p>	<p><b>May 2017:</b> No projects of sufficient scale have recently been undertaken. Projects are currently being considered for 2017/18 which may provide a suitable opportunity to apply a project management methodology.</p> <p>Revised completion date: 31 March 2018</p> <p><b>No Project To Trigger Action</b></p>	<p>No projects of sufficient scale have recently been undertaken, however projects are currently being considered for 2018/19 which may provide a suitable opportunity to apply a project management methodology. With this in mind senior managers received project management training during 2017.</p> <p>Revised completion date: 31 March 2019</p> <p><b>Partially Implemented</b></p>

2015/03 – Risk Management and Business Continuity							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2018
<b>R11</b> Consider what project management and risk management processes should be put in place over projects.	C		Y	Chair of Governance Working Group September 2012	September 2012	<p><b>May 2017:</b> No projects of sufficient scale have recently been undertaken. Projects are currently being considered for 2017/18 which may provide a suitable opportunity to apply a project management methodology.</p> <p>Revised completion date: 31 March 2018</p> <p><b>No Project To Trigger Action</b></p>	<p>No projects of sufficient scale have recently been undertaken, however projects are currently being considered for 2018/19 which may provide a suitable opportunity to apply a project management methodology. With this in mind senior managers received project management training during 2017.</p> <p>Revised completion date: 31 March 2019</p> <p><b>Partially Implemented</b></p>



2015/05 – Procurement and Creditors / Purchasing							
Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2018
<p><b>Procedures Appropriate For all Levels of Expenditure</b></p> <p><b>R1</b> Update the Purchasing and Procurement Procedures to include the process for signing off purchase orders over £10,000 when a tender exercise has not been required to be followed.</p>	C	Purchasing and Procurement Procedures will be updated.	Yes	Assessor / Administration Manager (Finance / Personnel)	31/12/15	<p><b>May 2017:</b> Procedures have been updated and passed to Dundee City Council for review and a response had still to be received at the time of our review.</p> <p>Revised completion date: 30 September 2017</p> <p><b>Partially Implemented</b></p>	<p>Procedures have now been approved by Dundee City Council and by the Joint Board in August 2017.</p> <p><b>Fully Implemented</b></p>

2015/06 – IT Network Arrangements							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2018
<p><b>PSN Implementation</b></p> <p><b>R1</b> Ensure that for future IT projects suitable governance arrangements are put in place which clearly define aims, objectives, roles, responsibilities and timescales in relation to project management, monitoring and accountability.</p>	B	Future IT projects which are of significant size will have suitable governance arrangements.	Yes	Assessor / IT Manager	As required.	<p><b>May 2017:</b> No projects of sufficient scale have recently been undertaken. Projects are currently being considered for 2017/18 which may provide a suitable opportunity to apply a suitable governance and project management arrangements.</p> <p>Revised completion date: 31 March 2018</p> <p><b>No Project To Trigger Action</b></p>	<p>No projects of sufficient scale have recently been undertaken, however projects are currently being considered for 2018/19 which may provide a suitable opportunity to apply a project management methodology. With this in mind senior managers received project management training during 2017.</p> <p>Revised completion date: 31 March 2019</p> <p><b>Partially Implemented</b></p>

**Tayside Valuation Joint Board****Annual Report to the Joint Board and the Assessor  
on the Provision of Internal Audit Services for  
2017/18****Internal Audit Report No: 2018/06****Draft Issued: 06 June 2018****Final Issued: 07 June 2018**

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## 1. Annual Report and Opinion

- 1.1 We were formally re-appointed in April 2016 as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2016 to 31 March 2019. This report summarises the internal audit work performed during 2017/18.
- 1.2 An Audit Needs Assessment (ANA), based on the areas of risk that the Board is exposed to, was prepared as part of our internal audit programme for 2016/17 (internal audit report 2017/01, issued July 2016). The ANA was prepared following discussion with the Assessor, several senior Board personnel, the external auditors, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The ANA was prepared on the basis of the normal three-year internal audit cycle, covering the period 2016/17 to 2018/19. Work in the previous three-year cycle has been used to update the key control environment. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.
- 1.3 The work undertaken in 2017/18 was as set out in the Annual Plan for 2017/18. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3.
- 1.4 An analysis of time spent against budget is at Section 4. The Compliance with Legislation - Procurement review took one day less than planned. These savings were not needed for any other work, and therefore the total time allocated to the 2017/18 audit has been 14 days.

### Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.5 The Board has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
- Confirm our independence;
  - Provide information about the year's activity and the work planned for next year in this report; and
  - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.6 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
  - Ensuring compliance with best professional practice, in particular the PSIAS;
  - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
  - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
  - Annual completion of a checklist to confirm PSIAS compliance. This is undertaken in April each year. Our internal audit manual was updated to include references to the PSIAS after the 2014 review.

### Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (Continued)

- 1.7 The results of our self-assessment are that we are able to confirm that our service is independent of the Board and complies with the PSIAS.
- 1.8 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a good level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The latest MHA review in April 2014 included our internal audit service. Overall the review found the firm's policies and procedures relating to internal audit to be compliant with the PSIAS in all material respects.

### Significant Issues

- 1.9 There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating adequately in the areas selected. A small number of actions have been agreed to further strengthen controls. During 2017/18 we are pleased to report that some work has been undertaken to implement recommendations from previous internal audits conducted in 2014/15 and 2016/17.
- 1.10 There were no instances of fraud identified during the course of the audit work carried out during the year.

### Opinion

- 1.11 As required by standard 2450 of PSIAS, the chief internal audit executive, is required to provide an annual report on the audit work carried out during the year and an opinion on the operation of controls within the Board. This opinion is used to inform the Board's annual governance statement. Within the Board this role currently resides with Henderson Loggie based on the work that Henderson Loggie have undertaken.
- 1.12 In our opinion, overall, the Board operates adequate internal control systems as defined in the Audit Needs Assessment. The audit and assurance work has not identified any significant gaps in the Board's control environment that would increase the risk of financial loss. This opinion has been arrived at taking into consideration the internal audit, risk management and other assurance work that has been undertaken during 2017/18 and in previous years since our original appointment in 2010.

## 2. Reports Submitted

Report Number	Title	Grade	Action Points	Priority 1	Priority 2	Priority 3
2018/01	Annual Plan	N/A	N/A	-	-	-
2018/02	Compliance with Legislation - Procurement	Satisfactory	2	-	-	2
2018/03	Non Domestic Rates	Good	-	-	-	-
2018/04	Corporate Governance	Good	1	-	-	1
2018/05	Follow-Up Reviews	N/A	3 of 5 recommendations required further action.	-	2	1
2018/06	Annual Report	N/A	N/A	-	-	-

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. The gradings are as follows:

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

## 3. Summary of Results and Conclusions

### 2018/01 – Annual Plan

#### Final Issued - July 2017

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2018. The plan was based on the proposed allocation of audit days for 2017/18 set out in the ANA and Strategic Plan 2016 to 2019.

The detailed scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Assessor, were set out in the report.

### 2018/02 – Compliance with Legislation – Procurement

#### Final Issued - November 2017

This audit focussed on the systems of internal control in place for the ordering of goods and services and the payment of invoices.

We also considered whether the procurement strategy followed and procedures in place support best value purchasing in relation to non-pay spend.

Overall, we found that:

- Purchasing / Procurement Procedures (and separate Tender Procedures) were in place which provided guidance for staff on the selection of approved suppliers, and procedures for varying procurement levels based on the anticipated value of goods or services;
- The Board's procurement guidance on quotes and tenders, together with those aspects Procurement Reform (Scotland) Act 2014 and The Procurement (Scotland) Regulations 2016 which are relevant to the Board, were being complied with;
- Where relevant opportunities existed, the Board made use of Tayside Procurement Consortium contracts and Dundee City Council approved suppliers;
- Overall, we concluded that although the Board did not have a formal procurement strategy; given the type and volume of spending involved the Board's procedures supported best value purchasing in relation to non-pay spend and the evidence from our testing supported this view;
- For a sample of 15 items of expenditure tested we found that in each instance the procurement process that had been followed was appropriate and in line with the Board's procedures; and
- Within our sample of 15 purchases tested, we identified minor weaknesses which could increase the risk of unauthorised expenditure occurring, including: one order had not been authorised in accordance with the Board's procedures, with a Purchase Order having been approved where the value exceeded the member of staff's authorisation limit; three Purchase Orders did not record the value of the purchase requested; and in all cases the details of the staff member who had raised the Purchase Order were not recorded on the Purchase Order.



## 2018/03 – Non Domestic Rates

### Final Issued - December 2017

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.

Overall, we found that:

- The internal controls in place were operating effectively which ensured that: the records relating to current property values were up to date and accurate; valuations and appeals are dealt with appropriately and timeously; and appropriate controls were 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 was an accurate, comprehensive and was an up-to-date record of non-domestic properties in Tayside. Our sample testing confirmed that additions, deletions and alterations to the Valuation Roll were appropriately controlled and verified;
- Appeal cases were logged on receipt and, from our sample testing, they had all been dealt with timeously;
- There was 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; and
- Although we identified that there were 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 existing processes were not as efficient as they could have been due to a) the number of checks in place and b) the number of staff involved in those checks. This issue had 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 2022, the management team had been tasked with investigating how the Board's processes could be streamlined in this area.

## 2018/04 – Corporate Governance

### Final Issued - June 2018

This review covered the corporate governance arrangements within the Board and compared these against best practice included in the CIPFA Delivering Good Governance in Local Government: Guidance Note for Scottish Authorities (2016). This included reviewing such items as:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Governance self-assessments;
- Fraud and Corruption policies and procedures; and
- Complaints and Whistleblowing procedures.

## 2018/04 – Corporate Governance (continued)

Overall, we found that:

- The Board’s corporate governance arrangements were, where applicable, in accordance with the best practice as set out in the CIPFA / SOLACE Delivering Good Governance in Local Government guidance in nearly all respects.
- One minor weakness was identified where the Board had a Scheme of Delegation in place however this had not been updated since 1996. Whilst we acknowledged that the core functions of the Board, and therefore the authority delegated to the Joint Board and the Officers had remained relatively static for many years it was a matter of good practice to ensure that the Scheme of Delegation is reviewed and updated where applicable to reflect any changes in the Board’s governance arrangements.

## 2017/06 – Follow-Up Report

### Final issued - June 2018

We carried out a follow up review of recommendations made in the following internal audit reports issued during 2016/17:

- Internal Audit Report 2017/03 – Asset Management: and
- Internal Audit Report 2017/06 – Follow-up Reviews.

Reports 2017/01, 2017/02, 2017/04, 2016/05 and 2016/07 did not contain an action plan and therefore no follow-up was required as part of this review.

Report 2017/06 included one outstanding action from 2016/17, three outstanding actions from 2014/15 and one from 2010/11 that required to be followed up again this year.

The Board has made some progress in fully implementing two of the five recommendations followed up as part of this review, including:

- the single recommendation contained within the internal audit reports issued in 2016/17, and
- one of the four outstanding actions from internal audit reports issued between 2010/11 and 2014/15.

Of the remaining three recommendations:

- these have been assessed as ‘partially implemented’. All three of the recommendations are project management related but no Board-managed projects of a significant size have been undertaken in recent years. Projects being considered for 2018/19 may provide a suitable opportunity for management to apply a project management methodology and with this in mind the Board has provided project management training to senior managers during 2017, hence the categorisation of ‘partially implemented’.

## 4. Time Spent - Budget v Actual

	Report number	Planned days	Actual days fee'd	Days to fee at June 2018	Days to spend / WIP	Variance
<b>Reputational</b> <i>Compliance with Legislation - Procurement</i>	2018/02	3	2	-	-	1
<b>Non Domestic Rates</b>	2018/03	4	-	4	-	-
<b>Organisational Issues</b> <i>Corporate Governance</i>	2018/04	4	-	4	-	-
<b>Other Audit Activities</b> Management and Planning ) External audit ) Attendance at Board meetings) Follow-up reviews	2018/01 2018/05	2 2	1 -	1 2	- -	- -
<b>Total</b>		15	3	11	-	1
		=====	=====	=====	=====	=====

## 5. Operational Plan for 2018/19

- 5.1 Following our appointment as internal auditors for the period from 1 April 2016 to 31 March 2019, we prepared an Audit Needs Assessment and Strategic Plan for 2016 to 2019 (internal audit report 2017/01, which was issued in July 2016).
- 5.2 An extract from the Strategic Plan, in relation to 2018/19 is shown below, which will be discussed with management, and updated if appropriate before being finalised for next year.

### Extract from the Tayside Valuation Joint Board Strategic Plan 2016/17 to 2018/19

#### Proposed Allocation of Audit Days

	Priority	Planned 18/19 Days
<b>Council Tax</b>	Medium	5
<b>Electoral Register</b>	Medium	4
<b>Organisational Issues</b> <i>Risk Management / Business Continuity Planning</i>	Medium	2
<b>Other Audit Activities</b>		
Management and Planning )		2
External audit )		
Attendance at Board meetings )		
Follow-up reviews		2
<b>Total</b>		<u>15</u> =====