

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 26 JUNE 2017

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 15-2017

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 2017/05 – Non Domestic Rates

Internal Audit Report 2017/06 – Follow-Up

Internal Audit Report 2017/07 – 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 in respect of the financial years 2013/14 to 2015/16 and have subsequently been re-appointed 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 2017/05 – Non Domestic Rates - 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 preparations for revaluation of non-domestic properties in April 2017. The overall conclusion of the review is that the level of assurance is good and that the system meets the control objectives. The review did not identify any significant weaknesses and no recommended actions were proposed.

5.3 Internal Audit Report 2017/06 – 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 five of the nine recommendations followed up as part of this review. Of the remaining four recommendations three have been assessed as 'no project to trigger action' in relation to project management as no projects of a significant size managed by the Board have been undertaken in recent years.

However, projects being considered for 2017/18 may provide a suitable opportunity for management to apply a project management methodology. One recommendation has been assessed as partially implemented.

- 5.4 Internal Audit Report 2017/07 – 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 2016/17 and the results and conclusions of those reviews, together with the operational plan for 2017/18. 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 2017

Tayside Valuation Joint Board

Non Domestic Rates

Internal Audit Report No: 2017/05

Draft Issued: 31 May 2017

Final Issued: 6 June 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 2016/17, 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).

Rateable values are established periodically at Revaluation, with the latest Revaluation occurring on 1 April 2017 based on the valuations 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 Board's preparations for revaluation of non-domestic properties in April 2017.

A further review of 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 will be undertaken in 2017/18.

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		
	1	2	3
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:	No. of Agreed Actions		
1. Property records held on the Board's systems record details of the rent payable in respect of each property at 1 April 2015.	Good	0	0
2. Sufficient evidence, including authorisation, is on file to support the rateable value assigned to properties on the Valuation Roll at 1 April 2015.	Good	0	0
Overall Level of Assurance	Good	0	0
		System meets control objectives.	

5. Audit Approach

From discussion with relevant staff, and review of procedural documentation, we identified the key internal controls in place within non-domestic rates valuation systems and compared these with expected controls. A sample of non-domestic property files were then reviewed to ensure that records had been appropriately updated ahead of the revaluation effective from 1 April 2017.

6. Summary of Main Findings

Strengths

- Detailed planning was undertaken for the 2017 Revaluation including development of timetables and identification of key stages and milestones to be met in advance of 1 April 2017;
- Detailed guidance based on the Practice Notes issued by the Scottish Assessors Association and updated to reflect local information was made available to the Board's staff involved in the revaluation process;
- Appropriate governance structures were established to oversee the revaluation process;
- Key controls were established to ensure that all properties were included on the Valuation Roll and that rateable values were accurate; and

6. Summary of Main Findings (continued)

Strengths (Continued)

- For a sample of properties tested we confirmed that sufficient data was held on the Board's systems to determine the relevant rent payable in accordance with the Board's guidance, and that sufficient evidence was held on the Board's systems to demonstrate that the revalued rateable value as at 1 April 2017 was accurately calculated and that this was appropriately authorised.

Weaknesses

- We did not identify any significant weaknesses during our review.

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

Objective 1: Property records held on the Board's systems record details of the rent payable in respect of each property at 1 April 2015.

The Board's preparations for the 2017 NDR revaluation began in 2014 with the establishment of a Revaluation 2017 timetable, which outlined the key stages in the revaluation process, including developing practice notes for staff which outlined the methodology to be followed for the revaluation of the different classes of non-domestic properties. This was supported by an IT timetable, which was developed in early 2015, which identified the key systems development work required to enable and support key controls regarding data gathering and reporting for the revaluation of NDR properties. From discussion with staff and review of minutes of the Boards' Non Domestic Rating Working Group (NDRWG) we noted that the key stages of the Board's preparations were largely completed in accordance with the timetables.

Although each one of the Assessors across Scotland is an independent statutory official, they work through the SAA to ensure consistency of approach and practice in calculating rateable values for non-domestic properties. One way of ensuring this consistency is by working together to produce valuation guidance in the form of Practice Notes. Practice Notes for the 2017 rating revaluation were prepared and approved by the SAA in advance of the revaluation date. The Practice Notes deal with the valuation of Commercial, Industrial, Miscellaneous and Public Buildings subjects as well as providing guidance on Basic Principles of valuation.

The Board's preparations for the 2017 Revaluation were overseen by the NDRWG which is chaired by the Assistant Assessor (Perth & Kinross) and comprises Assistant Assessors and Senior Valuers from each of the Board's area offices. Sub-groups were also established for each different classification of property included in the revaluation, including: industrial units; retail units; office; and licensed / entertainment premises.

The amount of rates paid is based on the Net Annual Value and Rateable Value of a property. This is defined as being equivalent to the amount of rent that the property might reasonably be expected to achieve on the open market (subject to a set of assumptions). Information was gathered on rents, costs of construction and, for some types of property, accounts or turnover. The information was then analysed to establish the level of value for each class of property in each locality. It is not the actual rent of the property but the typical rent or average rent for the class of property in the locality.

Information on rents for NDR properties was obtained in a number of ways. The initial starting point was the issuing of Return of Rental Information and Return of Building Cost Information questionnaires to rate payers based on the information held in the Board's rent system. Data captured on the questionnaires included details of: the property; rent leases; improvements or alterations made to the property; outgoings in relation to repairs and maintenance; and where relevant the costs relating to construction of the property. Other sources of data used to update the rents system included: Lands Valuation Returns, which are issued annually to rate payers; change of names applied to the Valuation Roll to identify where new lease agreements may exist; and information on building warrants obtained from the local authorities. Where no rental information could be obtained directly for a property rental values were based on an analysis of rents of similar properties in the local area.

Tayside Valuation Joint Board – Non Domestic Rates

Objective 1: Property records held on the Board's systems record details of the rent payable in respect of each property at 1 April 2015 (continued).

Analyses of rents for different classification of properties were undertaken by Senior Valuers in each area office, in line with the Board's approved methodology detailed in the practice notes. Rental analyses were then independently reviewed and approved by the Assistant Assessor in each area office before basic rates were input into the Valuation system.

Objective 2: Sufficient evidence, including authorisation, is on file to support the rateable value assigned to properties on the Valuation Roll at 1 April 2015.

To ensure that all properties required to be revalued had been revalued and that the valuation of properties was accurate several key system reports were reviewed by the Assistant Assessors throughout the revaluation process, including: reports showing the factor change in rateable value between the previous rateable value and the rateable value at 1 April 2017 were reviewed for reasonableness; second independent reviews of property classifications to ensure that the correct valuation basis had been applied; and to ensure completeness of the Valuation Roll data checking reports were run by the IT team to identify any properties that had still to be revalued.

Our testing included selecting a random sample of 15 properties from the Valuation Roll at 1 April 2017 and ensuring that sufficient documentation existed on the subject files to support the valuations arrived at. In all cases we were able to confirm that appropriate evidence existed to ensure that the valuation noted on each property file agreed to the valuation per the updated Valuation Roll, including: accurate classification of the property type which then determines the most appropriate practice note to be applied; copies of returned data request forms such as Return of Rental Information and Return of Building Cost Information questionnaires; and details of local rental analysis. Furthermore, for the same sample we confirmed that sufficient evidence was held on the Board's systems to demonstrate that the revalued rateable value as at 1 April 2017 was appropriately authorised.

Although we are not qualified to conclude on whether the Board has calculated the rateable value correctly in accordance with valuation Royal Institute of Chartered Surveyors (RICS) measurement principles we were able to confirm that for our sample of 15 properties selected the correct classification had been assigned to each property and therefore the Board had applied the appropriate Practice Note in calculating the rateable value.



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

2016/17

Internal Audit Report No: 2017/06

Draft Issued: 31 May 2017

Final Issued: 6 June 2017



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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 2016/17 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2015/16. These were:

2016/03 – Council Tax;
2016/07 – Follow-Up Reviews; and
2016/09 – Data Protection / Fol.

Reports 2016/01, 2016/02, 2016/04, 2016/05 and 2016/08 did not contain an action plan and therefore no follow-up was required as part of this review.

Report 2016/07 included five outstanding actions from 2014/15, one from 2013/14 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 2015/16 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 reasonable progress in fully implementing five of the nine recommendations followed up as part of this review, including:

- both of the recommendations contained within the internal audit reports issued in 2015/16, and
- three of the seven outstanding actions from internal audit reports issued between 2010/11 and 2014/15.

Of the remaining four recommendations:

- three have been assessed as 'no project to trigger action' in relation to project management as no projects of a significant size managed by the Board have been undertaken in recent years. However, projects being considered for 2017/18 may provide a suitable opportunity for management to apply a project management methodology.

Overall Conclusion (continued)

- one recommendation has been assessed as ‘partially implemented’:
 - one recommendation (grade C) from the 2014/15 report on Procurement and Creditors / Purchasing Arrangements has been made to update procurement procedures, which have now been updated and passed to Dundee City Council for review, although a response had still to be received at the time of our review.

2015/16

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
Council Tax	1	-	-	-	-	-
	2	-	-	-	-	-
	3	1	1	-	-	-
Total		1	1	-	-	-
Data Protection / Fol	1	-	-	-	-	-
	2	-	-	-	-	-
	3	1	1	-	-	-
Total		1	1	-	-	-
Grand Total		2	2	-	-	-

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
Total		1	-	-	-	1
Procurement and Creditors / Purchasing	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	-	1	-	-
Total		1	-	1	-	-
IT Network Arrangements	A	-	-	-	-	-
	B	2	1	-	-	1
	C	1	1	-	-	-
Total		3	2	-	-	1
Grand Total		5	2	1	-	2

Overall Conclusion (continued)

2013/14

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
Corporate Governance and Control Environment	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	1	-	-	-
Total		1	1	-	-	-

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	-	-	-	-	-
Total		1	-	-	-	1
Overall Grand Total		9	5	1	-	3
1 / A		-	-	-	-	-
2 / B		3	1	-	-	2
3 / C		6	4	1	-	1
Total		9	5	1	-	3

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

Reports issued in 2015/16:

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

Overall Conclusion (continued)

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 - Internal Audit Report 2016/03 – Council Tax

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2017
R1 Staff should be reminded of the importance of ensuring that CT1 forms are completed in accordance with the Board's procedures, including recording that the Valuation List has been altered and that the banding notice has been checked.		Agreed.	Yes	D Allan	30/11/16	Further reminders on the importance of fully and accurately completing CT1 forms issued to staff during the year. Fully Implemented

Appendix II - Internal Audit Report 2016/07 – Follow-Up Reviews 2015/16

2011/08 - Systems Development							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
<p>Project Management</p> <p>R1 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	Original On-going	<p>The only major project – the Introduction of Individual Electoral Registration is being project managed jointly by the UK Cabinet Office and the Electoral Commission.</p> <p>No Project To Trigger Action</p>	<p>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>No Project To Trigger Action</p>

2014/08 – Corporate Governance and Control Environment							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
R2 To ensure bribery prevention policies and procedures are embedded and understood throughout the organisation the related key policies and documents as referred to in the Tayside Valuation Joint Board Fraud Guidelines should be updated at the time of their next review to also include a reference to the requirement to comply with the UK Bribery Act 2010 and cross referred to the Fraud Guidelines.	C	Consideration will be given as key policies and documents are updated as to whether there is a requirement to refer to the UK Bribery Act 2010.	Y	Management Team	30/9/14	<p>December 2014: The related key policies and Fraud Guidelines will be updated in line with advice from Dundee City Council.</p> <p><i>Little or No Progress</i></p> <p>May 2016: Once the revised Fraud Guidelines are approved by the Board the key policies will be updated at the time of their next review.</p> <p>Revised completion date: 31 March 2017</p> <p><i>Partially Implemented</i></p>	<p>Updated Fraud Guidelines approved by the Joint Board in August 2016 and available on the Board's website.</p> <p>Fully Implemented</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 2017
R11 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>April 2013: Appropriate project management and risk management processes will be put in place for all future projects. There have been no projects to trigger specific action. No Project to Trigger Action</p> <p>December 2013: No projects in progress at this time No Project to Trigger Action</p> <p>December 2014: Although no projects of a significant size have been undertaken in recent years the Assessor is investigating suitable training opportunities for senior management. No Project to Trigger Action</p> <p>May 2016: No Project to Trigger Action</p>	<p>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>No Project To Trigger Action</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 2017
<p>Procedures Appropriate For all Levels of Expenditure</p> <p>R1 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>The Purchasing and Procurement Procedures are aligned to the Board's Tender Procedures. It has been determined that both these documents require to be updated. Arrangements have been made in conjunction with the Treasurer to update both documents to reflect current practices. The amended documents will be presented to the Board for approval in due course.</p> <p>Revised completion date: 30 November 2016</p> <p>Partially Implemented</p>	<p>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>Partially Implemented</p>

2015/06 – IT Network Arrangements							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
<p>PSN Implementation</p> <p>R1 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>May 2016: No Project to Trigger Action</p>	<p>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>No Project To Trigger Action</p>

2015/06 – IT Network Arrangements (continued)							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
<p>Network Infrastructure</p> <p>R2 Obtain and document details of the configuration settings of all network equipment managed by the third part maintenance company.</p>	B	This documentation will be requested.	Yes	IT Manager	30/9/15	<p>May 2016: Details of login credentials for all of devices on the network have been obtained and documented. These details will be updated when the network supplier makes any further changes to the network.</p> <p>Copies of configuration files and settings from these devices are in the process of being obtained from the network supplier and are being stored in a dedicated IT area on the network (with backup).</p> <p>Partially Implemented</p> <p>Revised completion date: 30 November 2016</p>	<p>Details of configuration settings have now been shared by the third party maintenance company.</p> <p>Fully Implemented</p>

2015/06 – IT Network Arrangements (continued)							
Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at Previous Follow-Up	Progress at May 2017
<p>Compliance With User Licence Requirements</p> <p>R4 A software licence database should be developed to record all licence and contract details and provides adequate information to ensure that licences are renewed prior to expiry dates. This should include:</p> <ul style="list-style-type: none"> • member of the Board’s staff responsible for managing the licence contract; • details of the nature of the licence and supplier details; • the network devices covered by the licence; • the number of authorised users; and • licence commencement and renewal dates. 	C	A licensed database will be developed.	Yes	IT Administrator	30/12/15	<p>May 2016: All license and contract details are currently managed and stored by IT, albeit in several different locations.</p> <p>A software license database is in the process of being established.</p> <p>Partially Implemented</p> <p>Revised completion date: 30 November 2016</p>	<p>Software register now in place which is maintained manually by IT staff. Management are considering the suitability of software tools which would automatically identify, record and monitor software installed across the IT network.</p> <p>Fully Implemented</p>

Appendix III - Internal Audit Report 2016/09 – Data Protection / FoI

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at May 2017
<p>R1 An awareness and training programme should be developed for all relevant staff and the level of training provided should be commensurate with their responsibilities and must ensure that staff are able to recognise an information request and immediately pass it on appropriately for action.</p>		<p>“Refresher” training will be provided to all staff in conjunction with the roll out of the Board’s updated guidance.</p>	Yes	Depute Assessor	31/3/17	<p>Data Protection and FoI procedures were updated in December 2016 and refresher training which highlighted the updated procedures was provided to staff in May 2017.</p> <p>A further programme of training for staff will be developed later in 2017 which will consider the impact of the new EU GDPR which becomes effective from May 2018.</p> <p>Revised completion date: 31 July 2017</p> <p>Fully Implemented</p>

Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2016/17**

Internal Audit Report No: 2017/07

Draft Issued: 31 May 2017

Final Issued: 7 June 2017

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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 2016/17.
- 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 2016/17 is as set out in the Annual Plan for 2016/17. 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 Council Tax review took one day less than planned and the three days allocated as a contingency were not required. These savings were not needed for any other work, and therefore the total time allocated to the 2015/16 audit has been 26 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 2016/17 we are pleased to report that work has been undertaken to implement a number of older recommendations that had been outstanding from 2013/14 and 2014/15.
- 1.10 In 2016/17 only one minor recommendation was raised in the Asset Management report relating to the asset disposal authorisation process. An action point was agreed to address this issue.
- 1.11 There were no instances of fraud identified during the course of the audit work carried out during the year.

Opinion

- 1.12 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.
- 1.13 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 2016/17 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
2017/01	ANA & Strategic Plan	N/A	N/A	-	-	-
2017/02	Annual Plan	Good	N/A	-	-	-
2017/03	Asset Management	Good	1	-	-	1
2017/04	Performance Reporting	Good	-	-	-	-
2017/05	Non Domestic Rates	Good	-	-	-	-
2017/06	Follow-Up Reviews	N/A	5 implemented, 1 required further action, and for 3 there has been no project to trigger action.	-	2	2
2017/07	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:

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.

3. Summary of Results and Conclusions

2017/01 – ANA & Strategic Plan

Final Issued July 2016

A comprehensive ANA based on the areas of risk that the Board is exposed to was undertaken in July 2016. A Strategic Plan to cover the three-year internal audit cycle was then formulated (refer to paragraph 1.2 above).

2017/02 – Annual Plan

Final Issued August 2016

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2017. The plan was based on the proposed allocation of audit days for 2016/17 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.

2017/03 – Asset Management

Final Issued January 2017

This audit reviewed the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

Overall, we found that:

- Detailed asset registers are in place which allows identification and tracking of assets at each of the Board's offices;
- An asset verification system for checking the physical existence of higher value, portable and desirable assets is in place for the purposes of the financial statements;
- Maintenance plans are in place for the Board's critical assets and an IT working group is in place which monitors the condition of IT assets and reviews the use of IT assets to ensure that they contribute towards the achievement of the Board's objectives;
- There is an appropriate capital approval process in place; and
- One minor weakness was reported in 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. This increases the risk of unauthorised disposal of IT assets and we therefore recommended that a detailed breakdown of the IT assets being disposed of is presented to the Assessor for review as part of the disposal authorisation process.

2017/04 – Performance Reporting

Final Issued January 2017

This audit considered the format, content and timeliness of management information, both financial and non-financial, provided to senior management and to the Joint Board, focussed on the performance data set out in the Annual Public Performance Report. We also considered whether the information reported to the Joint Board was appropriate, and whether such information was accurate and easy to understand for those who use it.

Overall, we found that:

- Although the performance information needs of users have not been formally identified, based on our review of data reported to the Joint Board and published on the Board’s website, we have concluded that the information provided is adequate to reasonably inform Board members and the public;
- Performance information is clearly set out, easily accessible, accurate and provided on a timely basis;
- Management information is available which: reports on appropriate key performance indicators; enables the impacts of key strategic objectives to be measured; allows income and costs to be analysed; and assists in forecasting; and
- Efficient processes are in place to provide and disseminate management information.

No significant weaknesses were noted during our review.

2017/05 – Non Domestic Rates

Final Issued May 2017

This audit reviewed the Board’s preparations for revaluation of non-domestic properties in April 2017.

A further review of 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 will be undertaken in 2017/18.

Overall, we found that:

- Detailed planning was undertaken for the 2017 Revaluation including development of timetables and identification of key stages and milestones to be met in advance of 1 April 2017;
- Detailed guidance based on the Practice Notes issued by the Scottish Assessors Association and updated to reflect local information was made available to the Board’s staff involved in the revaluation process;
- Appropriate governance structures were established to oversee the revaluation process;
- Key controls were established to ensure that all properties were included on the Valuation Roll and that rateable values were accurate; and

No significant weaknesses were noted during our review.

2017/06 – Follow-Up Report

Final issued May 2017

We carried out a follow up review of recommendations made in the following internal audit reports issued during 2015/16:

- Internal Audit Report 2016/03 – Council Tax:
- Internal Audit Report 2016/07 – Follow-up Reviews; and
- Internal Audit Report 2016/08 – Data Protection / Fol.

Reports 2016/01, 2016/02, 2016/04, 2016/05 and 2016/08 did not contain an action plan and therefore no follow-up was required as part of this review.

Report 2016/07 included five outstanding actions from 2014/15, one from 2013/14 and one from 2010/11 that required to be followed up again this year.

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

- both of the recommendations contained within the internal audit reports issued in 2015/16, and
- three of the seven outstanding actions from internal audit reports issued between 2010/11 and 2014/15.

Of the remaining four recommendations:

- three have been assessed as ‘no project to trigger action’ in relation to project management as no projects of a significant size managed by the Board have been undertaken in recent years. However, projects being considered for 2017/18 may provide a suitable opportunity for management to apply a project management methodology.
- one recommendation has been assessed as ‘partially implemented’:
 - one recommendation (grade C) from the 2014/15 report on Procurement and Creditors / Purchasing Arrangements has been made to update procurement procedures, which have now been updated and passed to Dundee City Council for review, although a response had still to be received at the time of our review.

4. Time Spent - Budget v Actual

	Report number	Planned days	Actual days fee'd	Days to fee at May 2017	Days to spend / WIP	Variance
Reputational						
<i>Performance Reporting</i>	2017/04	3	-	3	-	-
Non Domestic Rates	2017/05	3	-	3	-	-
Estates and Facilities						
<i>Asset Management</i>	2017/03	4	-	4	-	-
Other Audit Activities						
Management and Planning)		2	1	1	-	-
External audit)						
Attendance at Board meetings)						
Follow-up reviews	2016/06	1	-	1	-	-
ANA		2	2	-	-	-
Total		15	3	12	-	-
		=====	=====	=====	=====	=====

5. Operational Plan for 2017/18

- 5.1 Following our appointment as internal auditors for the period from 1 April 2016 to 31 March 2017 we prepared an Audit Needs Assessment and Strategic Plan for 2016 to 2019 (internal audit report 2017/01, issued July 2016).
- 5.2 An extract from the Strategic Plan, in relation to 2017/18 is shown below, which will be discussed with management, and updated if appropriate before being finalised for next year.

Tayside Valuation Joint Board Strategic Plan 2016/17 to 2018/19

Proposed Allocation of Audit Days

	Priority	Planned 17/18 Days
Reputation		
<i>Compliance with legislation</i>	Medium	3
Non Domestic Rates	Medium	4
Organisational Issues		
<i>Corporate governance and control environment</i>	Medium	4
Other Audit Activities		
Management and Planning)		2
External audit)		
Attendance at Board meetings)		
Follow-up reviews		2
ANA		
Total		<u>15</u> =====