

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 23 JANUARY 2017

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 4-2017

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 2017/03 - Asset Management
Internal Audit Report 2017/04 – Performance Reporting

2 RECOMMENDATIONS

- 2.1 The Board is asked to note the contents of the two 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 2017/03 - Asset Management is attached as Appendix 1 to this report. It has been prepared by Internal Audit following discussion with the Assessor and the Treasurer. The overall conclusion of the report is that the level of assurance is good and that the system meets the control objectives. One minor recommended action has been identified which is that although the Assessor approves all asset disposals, a detailed breakdown of the IT equipment being disposed of should be presented to the Assessor for review as part of the authorisation process. This recommendation has been agreed and will be implemented in future disposals.

- 5.3 Internal Audit Report 2017/04 – Performance Reporting is attached as Appendix 2 to this report. It has been prepared by Internal Audit following discussion with the Assessor. The overall conclusion of the report is that the level of assurance is good and that the system meets the control objectives. No recommended actions are identified.

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

23 January 2017

Tayside Valuation Joint Board

Asset Management

Internal Audit Report No: 2017/03

Draft Issued: 9 January 2017

Final Issued: 9 January 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 a number of asset related risks included on the Board's risk register.

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 asset management. 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's asset investment requirements for the forthcoming year are identified during the development and review of the five-year capital programme. This process is largely informed by the results of on-going asset inspections and condition surveys. The Board's Financial Regulations stipulate that capital expenditure proposals must be discussed with the Treasurer prior to submission to the Board.

The Board's financial statements for the year ended 31 March 2016 included fixed assets with a total net book value of £0.140 million, comprising property, plant and equipment.

4. Scope, Objectives and Overall Findings

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

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:	No. of Agreed Actions		
1. There is a system for recording assets and checking the physical existence of these on a regular basis.	Good	0	0
2. A maintenance plan is in place over the Board's assets which is appropriately monitored.	Good	0	0
3. Existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board.	Good	0	0
4. Asset disposals are properly authorised and recorded and such assets are disposed of securely.	Good	0	0
5. There is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.	Good	0	0
Overall Level of Assurance	Good	0	0
		System meets control objectives.	

5. Audit Approach

Board staff were interviewed to gain an understanding of asset management systems, procedures and controls in place. The controls were then compared against good practice.

A sample of items was also tested to ensure asset maintenance and disposal controls are working effectively.

6. Summary of Main Findings

Strengths

- 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.

Weaknesses

- 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. This increases the risk of unauthorised disposal of IT assets and we have 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.

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: There is a system for recording assets and checking the physical existence of these on a regular basis.

Inventory lists, or asset registers, are maintained by each of the Board's offices which include furniture, office and catering equipment and items such as laser measuring devices and digital cameras held in each office. In addition, the Board's IT section maintains a separate register of IT equipment such as servers, desktops, laptops and periphery devices.

The asset registers record each item's ID number, the location of the item, the date the item was acquired (if known), cost, maintenance details, safety checks and disposal information.

Asset additions and disposals are processed by the IT Administrator and copy invoices are kept in addition to those maintained as part of the Purchase Ledger System. All invoices relating to capital purchases are coded to the capital account within the Board's ledger.

The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The service provided includes maintenance of the Board's General Ledger and the preparation of annual statutory accounts. As part of the year-end accounts process the Council reconciles the Board's Asset Register, for items which exceed £500, to the Fixed Asset Register (FAR) maintained by the Council. The fixed asset reconciliation and FAR is then submitted to the Board's Administration Manager (Finance / Personnel) who investigates any variances and ensures adjustments are made, where necessary. In accordance with the Board's Financial Regulations a sample of higher value, portable and desirable assets are physically checked on an annual basis by the Administration Manager for year-end accounts purposes.

Tayside Valuation Joint Board – Asset Management

Objective 2: A maintenance plan is in place over the Board's assets which is appropriately monitored.

Management have acknowledged in the Board's Service Plan 2016-2019 that the continuing effective delivery of the department's services is dependent on its IT section and that the major task of the IT Development Manager and his staff is to continue to maintain existing systems and to develop and provide new and altered systems to meet the needs of the department. Associated risks, which recognise the dependence on IT systems to successfully deliver services, are included within the Board's existing risk register.

The Board's asset maintenance arrangements include formal maintenance plan for its assets, together with monitoring arrangements. This is supported by a rolling programme for the replacement of IT equipment with repairs carried out as and when required. Certain IT equipment, such as network printers, have in-built monitoring systems which alert users to the fact that routine maintenance is required. An overview of the Board's IT equipment and its maintenance requirements is performed by IT staff in conjunction with the IT working group.

Objective 3: Existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board.

Staff at the Board perform annual electrical equipment testing and visual inspections of assets. In line with current legislation, Portable Appliance Testing (PAT) is carried out every three years by an outside contractor, having last been performed in 2016.

The Board's Financial Regulations state that the Assessor, in conjunction with the Treasurer, shall annually or as necessary review all insurances. All insurances are maintained through the Board's SLA with Dundee City Council; and a General Risk Management Insurance Policy was noted to be in place for the year to 31 March 2017.

The Board does not own any of its offices and these are leased from a mix of private landlords and local authorities. The lease on the Board's Forfar office, which is leased from Angus Council, is due for renewal in April 2017. The Dundee office lease is also due for renewal in 2018 and the Perth office in 2022. The Board, in conjunction with Dundee City Council, is currently undertaking an options appraisal in order to inform management's decision to renew leases or to explore alternative accommodation. At the time of our review this work was still ongoing and a final decision had yet to be taken.

Tayside Valuation Joint Board – Asset Management

Objective 4: Asset disposals are properly authorised and recorded and such assets are disposed of securely.
 Asset disposal guidelines are in place which highlight when it is reasonable to dispose of assets, who must authorise disposals and the ways in which assets can be disposed.

Observation	Risk	Recommendation	Management Response	
<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. 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>R1 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>To be actioned by: IT Administrator</p> <p>No later than: 31 January 2017</p>	
			<p>Grade</p>	<p>3</p>

Objective 5: There is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Three-year capital expenditure budgets are prepared by the Assessor, in conjunction with the Treasurer, and reported to the Board annually.

In order to determine the capital budget that will be required each year, the Board's IT section prepare a list of the items to be purchased, such as PCs, scanners and printers, and the costs attributed to each item. This detailed breakdown is not supplied to the Council; however, under the terms of the SLA the Council monitors the overall level of capital spend to ensure that spend does not exceed budget. All expenditure coded to the capital account is reviewed by the Departmental Accountant at the Council and reallocated if necessary.

The Council issues three-monthly capital monitoring reports to the management team and Administration Manager (Finance / Personnel) at the Board, which highlight the budget for the year, total spend to date and projected outturn.

Tayside Valuation Joint Board

Performance Reporting

Internal Audit Report No: 2017/04

Draft Issued: 9 January 2017

Final Issued: 9 January 2017

LEVEL OF ASSURANCE

Good

Content

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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:

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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 services related risks included on the Board's risk register.

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 controls and procedures surrounding performance reporting. 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.

Management information is used to plan, direct, monitor and control the resources of an organisation's business to enable the organisation's strategic and operational goals to be achieved.

The Board provides a range of financial and non-financial performance reporting information, including a Best Value Key Performance Indicators (KPIs) Report, an annual Performance Report, a customer feedback report and information in the annual Statement of Accounts.

4. Scope, Objectives and Overall Findings

The 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.

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:	No. of Agreed Actions		
1. the performance information needs of users have been identified and the information provided meets those needs.	Good	0	0
2. performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users.	Good	0	0
3. management information is available which: <ul style="list-style-type: none"> ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts; ◆ enables the impacts of key strategic and operational decisions to be measured; ◆ allows income and costs and to be analysed at a more detailed level. 	Good	0	0
4. processes in place to provide and disseminate management information are efficient.	Good	0	0
Overall Level of Assurance	Good	0	0
			System meets control objectives.

5. Audit Approach

The Assessor and Depute Assessor were interviewed and the Board's performance reports, and performance reporting procedures, were reviewed to assess compliance with the above objectives.

6. Summary of Main Findings

Strengths

- 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.

Weaknesses

- No significant weaknesses were identified 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

Objective 1: The performance information needs of users have been identified and the information provided meets those needs.

As previously noted during our internal audit review of this area in 2013/14, the performance information needs of the Joint Board have not formally been identified and documented. However, from our review of the various papers, which include performance information provided to the Board throughout the year, we have concluded that the current arrangements and information reported appears adequate.

The primary source of financial performance information reported to the Joint Board is included in the annual budget and quarterly revenue monitoring reports. A number of key sources of non-financial performance information were also found to be in place, including:

- the Valuation Roll and Council Tax Key Performance Indicators (KPIs) as set by the Scottish Assessors Association in conjunction with the Scottish Government;
- the Electoral roll performance standards as set by the Electoral Commission. These are of a qualitative rather than quantitative nature and are subject to external review by the Electoral Commission; and
- performance information included within the annual Performance Report including staff costs, staff numbers, and various service related data such as numbers of council tax and valuation roll amendments and appeals settled / outstanding.

In order to gain feedback on service performance the Board issues an annual questionnaire to those service users who have contacted the Board during the preceding year. The results of this feedback are reported annually to the Joint Board and published separately on the Board's website.

Tayside Valuation Joint Board – Performance Reporting

Objective 2: Performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users; and

Objective 3: Management information is available which:

- ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
- ◆ enables the impacts of key strategic and operational decisions to be measured;
- ◆ allows income and costs and to be analysed at a more detailed level; and
- ◆ assists in forecasting.

Our recent previous internal audit reviews of 'Budget Setting and Budgetary Control' considered the adequacy of financial information for managing the Board's financial performance. We have previously found that information was adequate and found to be accessible to management and the Board in a format that appeared to be readily easily understood and issued timeously.

The key forecasts within the Board are the financial forecasts which are developed during the annual budget setting process. Key information used by the Board for monitoring financial performance is provided through the quarterly revenue monitoring reports, which include a forecast outturn and variance analysis. The management team receive financial management reports quarterly for their review which provide actual and budgeted expenditure. Income and costs can be analysed in more detail if Board or management request further information. Financial performance reporting is also included within the strategic report which forms part of the Board's annual accounts.

Statutory Valuation Roll and Council Tax KPIs are generated from the Board's IT systems and stored on the Board's network drive. From discussion with the Assessor and review of management reports we noted that this information is regularly reviewed by the management team to monitor performance. Where necessary, this information is utilised to initiate discussions with valuers to determine the reasons for valuations being undertaken outwith the three-month performance targets. These KPIs are compared against prior periods in order to identify trends, which are subsequently discussed at the monthly management team meetings and presented to the Board annually as part of the Best Value Public Performance Report. Current monitoring by individual Assistant Assessors and discussion about KPIs at management team meetings is considered to be sufficient by senior management to determine the underlying cause for emerging trends and to decide on any operational remedial actions required.

Key strategic initiatives are linked to actions set out in the Board's Service Plan. We note that this includes a review column and we noted that performance against each of the objectives is formally reviewed by management with Service Plan objectives evidenced as a standing agenda item for the management team meetings.

From review of these KPIs we concluded that these KPIs were clearly set out, easily accessible and provided on a timely basis. Additionally, they appear to be clear and easy to understand.

Tayside Valuation Joint Board – Performance Reporting

Objective 4: Processes in place to provide and disseminate management information are efficient.

Board reports are disseminated to the Joint Board in accordance with the timetable for Board reports which is set each year. Reports should be sent out one week prior to meetings which is considered sufficient time for Joint Board members to read and analyse these prior to meetings. Our review did not identify any instances where the distribution of papers was not carried out in line with the agreed timetable.

The management team receive management information through directly accessing the internal IT systems or receiving papers prior to their meetings.

Based on the information reviewed during our audit we have concluded that current processes are efficient and meet the needs of management, officers and Joint Board members.