

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 11 JUNE 2012

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 10-2012

1 PURPOSE OF REPORT

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

Follow-up Review

Internal Audit Report 2012/06 – Follow Up 2011/12

New Reports

Internal Audit Report 2012/02 – Procurement and Creditors/Purchasing

Internal Audit Report 2012/03 – IT Network Arrangements

Internal Audit Report 2012/04 – Risk Management and Business Continuity
Planning

Internal Audit Report 2012/05 – Non Domestic Rates

Annual Report

Internal Audit Report 2012/07 – Annual Report 2011/12

2 RECOMMENDATIONS

- 2.1 The Board is asked to note the contents of the six 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 have been appointed to provide an Internal Audit Service in respect of the financial years 2010/11 to 2012/13. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2010 to 2013 approved by the Board on 9 May 2011.

- 5.2 The Follow-up review, which is included as Appendix 1 to this report, considered twenty recommendations arising from audits carried out for the year 2010/11. It concludes that good progress had been made in implementing the recommendations and, as at March 2012, thirteen had been assessed as fully implemented. Only six recommendations were assessed as not implemented or partially implemented. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year. One recommendation has been noted as 'no project to trigger action', as it related to Project Management. Since the preparation of the review report, the Assessor has taken action to fully implement the outstanding actions.

- 5.3 The overall conclusion of Internal Audit Report 2012/02 – Procurement and Creditors/Purchasing, included as Appendix 2 to this report, is that procurement and purchasing procedures support best value purchasing and that the procedures are generally complied with throughout the organisation. On the whole, the risk of unauthorised and excessive expenditure is minimised and processes in place ensure that all liabilities are fully and accurately recorded. All payments are properly authorised, processed and recorded.
- 5.4 The report contains six recommendations in relation to procedures and documentation, all of which have now been addressed by the Assessor and fully implemented.
- 5.5 Internal Audit Report 2012/03 – IT Network Arrangements, included as Appendix 3 to this report, concludes that assurance has been obtained that internal controls in place ensure the security of the IT network. It identifies areas where improvements can be made, mainly in relation to policies and procedures, to ensure that controls are in line with industry recommended best practice. Six recommendations have been made and the Assessor will address these at an early date.
- 5.6 Internal Audit Report 2012/04 – Risk Management and Business Continuity Planning is included as Appendix 4 to this report. In relation to Risk Management, it concludes that, while there are corporate procedures in place to identify and assess risk, and controls have been identified to minimise the possibility of unexpected and unplanned situations developing, there is room to improve risk management processes. With regard to Business Continuity, it acknowledges that the plans in place will minimise disruption to operations following loss of life, buildings or equipment, including key IT systems. However it identifies that these need to be further tested and that further staff training in this area is required.
- 5.7 This has been the first major audit of the Risk Management and Business Continuity plans. The report provides twelve recommendations in relation to Risk Management and seven in relation to Business Continuity. These will be addressed at the earliest opportunity.
- 5.8 Internal Audit Report 2012/05 – Non Domestic Rates, included as Appendix 5 to this report, states that assurances have been obtained that the internal controls are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously; and appropriate controls are in place over entries and amendments made to the Valuation Roll. It identifies some areas where efficiency can be improved and makes five recommendations which the Assessor will address in early course.
- 5.9 Internal Audit Report 2012/07 – Annual Report on the Provision of Audit Services for 2011/12 is included as Appendix 6 to this report. It summarises the internal audit work carried out during the year and outlines the proposed allocation of audit work for 2012/13 in accordance with the previously agreed Strategic Plan.

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

- 7.1 None.

Appendix 1



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Follow Up
2011/12**

Internal Audit Report No: 2012/06

Draft Issued: 8 May 2012

Final Issued: 14 May 2012



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1. Management Summary

Introduction and Background

We have been appointed as Internal Auditors to Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. The Internal Audit Plan for 2011/2012 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2010/2011. These were:

2011/03 – General Ledger;
2011/04 – Payroll;
2011/05 – Corporate Governance;
2011/07 – Asset Management;
2011/08 – System Development.

Reports 2011/01, 2011/02, 2011/06 and 2011/09, did not contain an action plan and therefore no follow-up was required as part of this review. There were no outstanding actions from 2009/2010.

Audit Scope and Objectives

The objective of our follow-up review will be to assess whether recommendations made in our internal audit reports in 2010/11 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 Audit Committee.

Overall Conclusion

The Board has made good progress in implementing the 20 recommendations contained within internal audit reports listed above with 13 recommendations being assessed as fully implemented. Only six recommendations are assessed as not implemented / partially implemented. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year. One recommendation has been noted as 'no project to trigger action', as it related to Project Management.



1. Management Summary

<i>From Original Reports</i>			<i>From Follow-Up Work Performed</i>			
Area	Recommendation Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Project To Trigger Action
General Ledger	Critical	-	-	-	-	-
	Significant	-	-	-	-	-
	Routine	1	1	-	-	-
Payroll	Critical	-	-	-	-	-
	Significant	-	-	-	-	-
	Routine	2	2	-	-	-
Corporate Governance	Critical	-	-	-	-	-
	Significant	5	3	2	-	-
	Routine	1	1	-	-	-
Asset Management	Critical	-	-	-	-	-
	Significant	4	3	-	1	-
	Routine	4	2	1	1	-
System Development	Critical	-	-	-	-	-
	Significant	1	-	-	-	1
	Routine	2	1	1	-	-
Total		20	13	4	2	1

The two partially implemented actions in the Corporate Governance report will be implemented when the updated Service Plan is presented to the Board for approval in June 2012.

The Asset Management actions that have not been fully implemented were delayed due to the restructuring of the IT and Administration sections which was not completed until February 2012. It is expected these will be completed in May 2012.

The partially implemented Systems Development action relates to a review to identify lessons learned following the operation of the new Electoral Registration and Management System for a full year.

Acknowledgements

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



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>General Ledger 2011~03</p> <p>Trial Balance and Control Account Reconciliations</p> <p>R1 Regular control account reconciliations, prepared by the Council, should be submitted to the Assessor and reviewed to ensure any variances are investigated timeously.</p>	C	Purchase Ledger Control Account, Sales Ledger Control Account and Payroll Control Account Reconciliations will be submitted to the Assessor on a monthly basis.	Yes	Treasurer	31 August 2011	<p>Purchase Ledger Control Account reconciliations are now submitted to the Board on a weekly basis.</p> <p>Sales Ledger Control Account and Payroll Control Account Reconciliations are now submitted to the Assessor on a monthly basis.</p> <p>Fully Implemented</p>
<p>Payroll 2011~04</p> <p>Standing data</p> <p>R1 A formal documented process should be established for the updating of employee standing data to ensure that information is updated correctly and in a timely fashion. The Assessor should then review any payroll changes, such as changes to bank details.</p>	C		Yes	Assessor	31 December 2011	<p>Completed</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p><i>Payroll 2011~04 (continued)</i></p> <p><i>Authorisation of the Payroll Runs</i></p> <p>R2 The Assessor should review the draft payroll run after the Administration Manager and Administrative Assistant complete their checking of the payment details and the Assessor should authorise the final payroll run.</p>	C	Following the recent retiral of the Administration Manager, a review of the staff structure is currently underway. While it is agreed that this recommendation should be actioned, a date of December 2011 has been input for final completion of this matter in order to allow time to consider which postholders will be involved in the process once the new staff structure is established.	Yes	Assessor	31 December 2011	<p>Completed.</p> <p>The Assessor reviews and authorises the final payroll run.</p> <p><i>Fully Implemented</i></p>
<p><i>Corporate Governance 2011~05</i></p> <p>R1 The Board should establish a clear mission and vision and include statements within the Service Plan.</p>	B		Yes	Assessor	December 2011	<p>These are to be included in an updated Service Plan which is to be presented to the Board for approval in June 2012.</p> <p><i>Partially Implemented</i></p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Corporate Governance 2011~05 (continued)</p> <p>R2 The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Boards strategic aims.</p>	B		Yes	Assessor	On-going	<p>An updated Service Plan is to be presented to the Board in June 2012 and reviewed annually.</p> <p>Partially Implemented</p>
<p>R3 The code of corporate governance should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board.</p>	B		Yes	Assessor	October 2011	<p>Completed.</p> <p>Fully Implemented</p>
<p>R5 The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.</p>	B		Yes	Depute Assessor	December 2011	<p>The Risk Register has been updated to include reference to the Service Plan.</p> <p>The Business Continuity Plan and Risk Register are reviewed and monitored at regular meetings of the Assessor's Governance Group.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Corporate Governance 2011~05 (continued)</p> <p>R6 The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan.</p>	B		Yes	Depute Assessor	December 2011	Completed. Fully Implemented
<p>R7 In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation's website.</p>	C	The plan is available on the website through the Minutes of the Board meetings. However, it is agreed that it should be made more easily accessible.	Yes	Depute Assessor	Immediate	Completed. Fully Implemented
<p>Asset Management 2011~07</p> <p>General</p> <p>R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.</p>	C		Yes	Assessor	December 2011	Administration restructure was not completed until February 2012. Review of most procedures has been completed. Review and updating of all procedures will be completed by May 2012. Partially Implemented



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Recording of assets</p> <p>R2 A copy of the reconciliation of the Board's Asset Register and the FAR prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.</p>	B		Yes	Treasurer	December 2011	<p>The registers prepared by the Council and the Board are now reconciled.</p> <p>Fully Implemented</p>
<p>R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.</p>	B		Yes	Administration Manager	December 2011	<p>Delayed due to administration restructure.</p> <p>The Administration Manager is to carry out a check in April 2012 and annually thereafter.</p> <p>Fully Implemented</p>
<p>R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.</p>	C		Yes	Administration Manager	December 2011	<p>Completed.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Maintenance of Assets</p> <p>R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.</p>	B		Yes	Depute Assessor	December 2011	<p>This has been delayed due to the restructuring of the IT and Administration Sections. Will be completed by May 2012.</p> <p><i>Little or No Progress Made</i></p>
<p>Asset Disposal</p> <p>R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.</p>	C		Yes	Depute Assessor	December 2011	<p>This has been delayed due to the restructuring of the IT and Administration Sections. Will be completed by May 2012.</p> <p><i>Little or No Progress Made</i></p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>R7 The Fixed Asset Register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.</p>	B		Yes	Treasurer	December 2011	<p>The Fixed Asset Register maintained by the Council now mirrors asset references in the Board's asset register and is fully populated.</p> <p>A reconciliation of all movements, including disposals has been prepared and entries made in the Board and the Council asset registers to ensure registers reconcile.</p> <p>Entries to remove assets that are fully depreciated will now only be processed if the asset is no longer in use at the Board. Otherwise the asset will remain on the register at nil value.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Capital approved process</p> <p>R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.</p>	C		Yes	Treasurer	December 2011	<p>Budget to actual spend is monitored on a monthly basis (as part of the Revenue Monitoring process). This monitoring information is prepared by the Council and reviewed by the Board.</p> <p>Fully Implemented</p>
<p>System Development 2011~08</p> <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	On-going	<p>No large scale projects have been undertaken since the last audit.</p> <p>The recommendations will be implemented as required in any future projects.</p> <p>No Project To Trigger Action</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<i>System Development 2011~08 (cont'd)</i> R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.	C		Yes	Assessor	December 2011	Group remits have been reviewed and updated. <i>Fully Implemented</i>
<i>Post Implementation Review</i> R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.	C		Yes	Depute Assessor	March 2012	Discussed at meeting of Electoral Registration Working Group on 8 February 2012 and to be followed up at future meetings. <i>Partially Implemented</i>

Appendix 2



HENDERSON LOGGIE
Chartered Accountants

Tayside Joint Valuation Board

**Procurement and Creditors / Purchasing
2011/12**

Internal Audit Report No: 2012~02

Draft Issued: 28 February 2012

Final Issued: 21 March 2012



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1. Management Summary

Introduction

As part of our Internal Audit Programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the procurement strategy and purchasing and payment arrangements in place within the Board. The Audit Needs Assessment, issued in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and Assessor that the control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

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 (other operating expenses plus equipment and fixed asset additions).

Objectives of the Audit

The specific objectives of the audit were to ensure that:

- Procurement procedures support best value purchasing in relation to non-pay spend;
- Procurement procedures are appropriate for all levels of expenditure and are complied with throughout the organisation;
- The risk of unauthorised and excessive expenditure is minimised;
- All liabilities are fully and accurately recorded; and
- All payments are properly authorised, processed and recorded.

Audit Approach

From discussions with relevant staff, we established the procurement strategies, procedures and monitoring arrangements that are currently in place. These were evaluated to establish if they follow recognised good practice. We established whether the expected key controls are in place and operating effectively by reference to CIPFA (the Chartered Institute of Public Finance and Accountancy) standard control risk assessment templates for a creditors system.

Specifically, we established whether the procurement procedures ensure that areas of high spend are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements are utilised where appropriate.

A sample of items of expenditure was selected from the financial ledger and tested to ensure compliance with the Board's Financial Regulations and Procedures.



1. Management Summary

Action Plan

This report sets out six improvement actions, which are considered necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for the implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

- A Fundamental issues which require the consideration of the Board
- B Significant matters which the Assessor and Senior Management can resolve
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

On the basis of the work done, we obtained reasonable assurance that:

- Although the Board does not have a formal procurement strategy, the Procurement and Purchasing procedures support best value purchasing in relation to non-pay spend.
- Overall procurement procedures in place are appropriate for all levels of expenditure and are generally complied with throughout the organisation.
- On the whole the risk of unauthorised and excessive expenditure is minimised, however, there were instances noted whereby strict adherence to the Procurement and Purchasing procedures and Financial Regulations did not occur.
- The processes in place ensure that all liabilities are fully and accurately recorded.
- All payments are being properly authorised, processed and recorded.

Summary of Main Findings and Recommendations

The Board has recently undergone a period of restructuring. This involved a number of posts being made redundant and some new posts created. The Board's Procurement and Purchasing procedures have not been reviewed or updated since March 2008 and consequently do not reflect the Board's new structure and authorisation levels. A recommendation has been made that these procedures are reviewed and updated where appropriate every two years or following a major change. They should also be reviewed to ensure that details in regard to the Divisional Offices are still relevant.

To ensure best value, purchase orders between £1,000 and £10,000 require three quotes from different suppliers to be obtained. Purchases exceeding £10,000 must follow the tendering process. The Financial Regulations state that when these conditions are not complied with, the reasons should be documented. Testing revealed that this is not being adhered to and a recommendation to ensure that this is undertaken in the future has been made.



1. Management Summary

Summary of Main Findings and Recommendations (continued)

The Board follows Dundee City Council's (DCC) tendering process and Tendering Procedures have been adapted from those used by DCC. These were last revised in 2005. The Assessor advised that these thresholds are still valid. We reviewed the thresholds to ensure that they were reasonable and still valid and reasonable and concluded that they are. The thresholds are as follows; where orders for goods and services exceed £10,000 tenders shall be invited unless the Clerk to the Board decides it would not be justified; tenders up to £25,000 do not require Board approval and tenders in excess of £25,000 do.

A Service Level Agreement (SLA) is in place between DCC and the Board to maintain their purchase and general ledgers and process purchase ledger payments. The Administration Manager at the Board maintains an excel cashbook to track committed and actual expenditure for budgetary purposes. Budget Holders are required to contact the Administration Manager to confirm that there is sufficient money remaining within a particular budget area prior to placing an order. There is no documented evidence of this occurring and it is recommended that staff email or follow up verbal confirmations with an email. This should be printed and attached to the purchase order.

It was also noted that the cashbook maintained at the Board is not verified against the general ledger maintained by DCC. Management explained that due to timing differences and posting of items directly from bank statements to the cashbook that it would be too time consuming and would not add any value. However DCC provide the Board with Revenue Monitoring spreadsheets and detailed Civica Financials Management Reports on a monthly basis. Through this process all expenditure codes are reviewed by both DCC and the Board to confirm that invoices have been coded accurately for budgeting purposes.

From our review of the processes in place at the Board and the detailed testing carried out on a sample of orders, delivery notes and invoices to ensure that all liabilities are fully and accurately recorded we are satisfied that the processes are robust. No issues were noted and therefore no recommendations have been made in this area.

Administrative employees at the Board authorise and post invoices into a creditors' interface of the Council's financial system. The Council perform weekly payment runs and provide a 'pre' and 'post' payment report to the Board. From a sample of payments selected for detailed testing we are satisfied that payments are properly authorised, processed and recorded. No issues were noted and therefore no recommendations have been made in this area.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
1.2	<p>1. Achieving Best Value</p> <p>R1 Good practice suggests that the Purchasing and Procurement procedures should be reviewed and updated on at least an annual basis, however given the size of the Board every two years or when a major change, such as the recent restructure, takes place would be sufficient.</p>	B		Y	Administration Manager	March 2012
1.5	<p>R2 Consideration should be given to try to focus on the consistently lower priced suppliers and perhaps one other to ensure that best value is being obtained for IT purchases.</p>	C		Y	IT Administrator	March 2012 and ongoing
1.7	<p>R3 Reference should be made within the Procurement and Purchasing procedures where orders exceed £10,000 to refer to the Tendering Procedures.</p>	C		Y	Administration Manager	March 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.2	2. Compliance with Procedures R4 In accordance with the Financial Regulations staff should be reminded to document decisions as to why three quotes for goods/services are not being obtained or why the tendering process is not being followed.	C		Y	Administration Manager	March 2012
3.3	3. Risk of Unauthorised and Excessive Expenditure R5 Given the new Divisional structures the Purchasing and Procurement procedures should be reviewed to ensure that they are still relevant.	B		Y	Administration Manager	March 2012
3.5	R6 Budget Holders should evidence that they have contacted the Administration Manager to obtain and confirm budgetary information and substantiate that approval has been given. This could be by annotating the order or by following up with an email which could be printed and attached to the purchase order.	B		Y	Administration Manager Budget Holders	March 2012

3. Main Report

1. Achieving Best Value

- 1.1. The Board does not have a formal Procurement Strategy however it has Purchasing and Procurement procedures. These procedures have not been reviewed or updated since March 2008.

1.2. *Observation*

The Board has recently undergone a period of restructuring and from this a number of posts have been made redundant and some new posts created. The Purchasing and Procurement procedures have not been updated to reflect the new posts and their authorisation levels.

Risk

As procedures are not up to date, approval levels for each post is unclear.

Recommendation

R1 Good practice suggests that the Purchasing and Procurement procedures should be reviewed and updated on at least an annual basis, however given the size of the Board every two years or when a major change, such as the recent restructure, takes place would be sufficient.

Benefit

All employees are aware of their approval levels.

- 1.3. The procedures state that orders between £1,000 and £10,000 require three quotations to be obtained from different suppliers. The decision as to which supplier to use is based on best value. It was noted from discussions with staff that as the goods/services are the same from each supplier, best value is deemed to be the cheapest option.

- 1.4. A sample of 15 purchase invoices was selected and agreed to their respective purchase orders, ensuring that for those between £1,000 and £10,000 three quotations were obtained. Testing revealed that this process is not always being adhered to. Various examples of where three quotes were not obtained include where there are limited suppliers or where a supplier was selected due to their location. Explanations obtained from staff for these exceptions were accepted as reasonable. However we found one case where far more quotes were obtained than the procedures required.

1.5. *Observation*

It was noted during testing that the IT department obtained ten quotations for one purchase order. Discussions with IT noted that there are generally two or three suppliers who quote consistently cheaper.

Risk

Inefficiencies could arise within the procurement process

Recommendation

R2 Consideration should be given to try to focus on the consistently lower priced suppliers and perhaps one other to ensure that best value is being obtained for IT purchases.

Benefit

The procurement process is more efficient.

3. Main Report

1. Achieving Best Value (continued)

1.6. Tendering procedures require to be undertaken for orders exceeding £10,000. The Procurement and Purchasing procedures do not make any reference to this.

1.7. *Observation*

The Procurement and Purchasing procedures do not detail the process to be followed in the event an order exceeds £10,000.

Risk

Board procedures are not being adhered to as employees are unaware of tender thresholds.

Recommendation

R3 Reference should be made within the Procurement and Purchasing procedures where orders exceed £10,000 to refer to the Tendering Procedures.

Benefit

All employees are aware of the Board's tendering thresholds and procedures.

1.8. The Board follows the DCC tendering process and has adapted Tendering Procedures covering the process used by DCC. These were last updated in 2005. The Assessor advised that the thresholds within the Tendering Procedures were still valid.

1.9. We reviewed the thresholds within the Tendering Procedures to ensure that these were still reasonable and valid and concluded that they were. The thresholds are as follows; where orders for goods and services exceed £10,000 tenders shall be invited unless the Clerk to the Board decides it would not be justified; tenders up to £25,000 do not require Board approval and tenders in excess of £25,000 do.

1.10. The Board is a member of the Tayside Procurement Consortium however we were advised that given the minimal level of purchases being made this resource is not being used.

3. Main Report

2. *Compliance with Procedures*

- 2.1. During the financial year 2011/12, the Board has not been required to follow the tendering process for any purchases. A report detailing all payments exceeding £10,000 was obtained from the financial system. These were reviewed to verify that there had been no requirement to undertake the tendering procedures. The amounts tested related to utilities (insurance, rent and rates), the SLA with DCC, strain on the fund pension payments and Board's surplus payments to the Councils. The latter amounts were agreed to various supporting documents to verify that appropriate senior Board approval had been obtained given that there are no purchase orders in place for these types of expenditure.
- 2.2. The Financial Regulations state that "...where procedure and tendering procedures are not complied with reasons for the departure should be clearly stated thereon".

Observation

The reasons for non-conformance with the procedures for those tested within the sample were found to be reasonable; however they had not been documented in accordance with the Financial Regulations.

Risk

Best value for money may not always be achieved.

Recommendation

R5 In accordance with the Financial Regulations staff should be reminded to document decisions as to why three quotes for goods/services are not being obtained or why the tendering process is not being followed.

Benefit

This would ensure that there is documented evidence to demonstrate that best value is being considered as part of the procurement process.

3. Main Report

3. *Risk of Unauthorised and Excessive Expenditure*

3.1. The Procurement and Purchasing procedures specify the posts which have the authority to raise purchase orders and their respective limits. As noted per point 1.2 of this report, these have not been updated since March 2008 and consequently do not reflect the current Board structure and authorisation levels. Should the recommendation from this point be implemented this would resolve this issue.

3.2. A sample of 15 purchase invoices was selected and agreed to their purchase orders. It was found that all but one followed procedures.

3.3. *Observation*

The Procurement and Purchasing procedures state that purchase orders can be raised at the Divisional Offices. It details that only purchase orders relating to "...routine items such as stationery...may be raised". The sample tested revealed that non-routine electrical testing was approved by a Principal Valuer within the Perth & Kinross Division.

Risk

Procedures are not being adhered to and unauthorised expenditure could be occurring.

Recommendation

R6 Given the new Divisional structures the Purchasing and Procurement procedures should be reviewed to ensure that they are still relevant.

Benefit

The risk of unauthorised expenditure is minimised.

3.4. Prior to placing an order, the member of staff must consult the Administration Manager to ensure that there is enough money remaining with the appropriate budget area. There is no evidence to verify that this process is occurring.

3.5. *Observation*

There is no documented evidence that Budget Holders are contacting the Administration Manager prior to ordering goods/services, to ensure that there is sufficient money remaining within the appropriate budget area.

Risk

Budget Holders order goods/services for which there is no budget remaining.

Recommendation

R7 Budget Holders should evidence that they have contacted the Administration Manager to obtain and confirm budgetary information and substantiate that approval has been given. This could be by annotating the order or by following up with an email which could be printed and attached to the purchase order.

Benefit

The risk of overspending is reduced.



3. Main Report

3. *Risk of Unauthorised and Excessive Expenditure (continued)*

- 3.6. Divisional Offices copy their purchase orders and forward them to the Administration Manager. All orders are input into an excel spreadsheet cashbook. To demonstrate that they are committed expenditure not actual, they are input in blue text. This ensures that for budgeting purposes, both committed and actual expenditure is known. It also ensures that liabilities relating to goods ordered not yet invoiced are recorded.
- 3.7. DCC are responsible for managing the Board's ledger, however no reconciliation is performed between the cashbook and the general ledger information provided to the Board, as due to timing differences and the posting of items directly from the bank statements onto the spreadsheet it is considered by management that it is too time consuming and would not add value. However DCC provide the Board with Revenue Monitoring spreadsheets and detailed Civica Financials Management Reports on a monthly basis. Through this process all expenditure codes are reviewed by both DCC and the Board to confirm that invoices have been coded accurately for budgeting purposes.

Appendix 3



Tayside Valuation Joint Board

**IT Network Arrangements
2011/12**

Internal Audit Report No: 2012/03

Draft Issued: 11 May 2012

Final Issued: 18 May 2012



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1. Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the Board's information technology (IT) network arrangements and its compliance with user licence requirements. The Audit Needs Assessment identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Responsibility for ensuring an efficient and effective Information and Communications Technology (ICT) service delivery to all staff within Board lies with the Board's IT Team. This includes first level support over some of the main application systems used in the provision and maintenance of user access to the network. The IT Team is also responsible for purchasing and maintaining the servers upon which the applications are housed, the personal computers (PCs) and laptops used by staff and the network which connects them.

Scope of the Audit

The scope of the audit was to carry out a high-level review of certain key aspects of the IT systems in place within the Board to identify any control weaknesses.

Objectives of the Audit

The objective of this audit was to obtain reasonable assurance that internal controls in place ensure the security of the IT network operated by the Board.

Audit Approach

Our approach was based upon the Internal Control Questionnaires ('ICQs') provided by the Chartered Institute of Public Finance and Accountancy ('CIPFA'); guidance provided by the Control Objectives for Information and related Technology ('COBIT') standard issued by the IT Governance Institute ('ITGI'); discussion with staff; review of relevant documentation; and observation, covering the following areas:

- File Controls;
- PC Controls;
- Network Controls;
- Internet Controls;
- Physical and Environmental Controls; and
- Compliance with user licence requirements.

1. Management Summary

Action Plan

This report sets out detailed improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

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

Overall Conclusion

In relation to our specific objectives, assurance has been obtained that internal controls in place ensure the security of the IT network operated by the Board, however we have identified a number of areas, mainly in relation to the Board's IT policies and procedures, where further improvements can be made to ensure that controls are in line with industry recommended best practice. From feedback received from IT staff, we recognise that there is an overall awareness of the position and a will to address this.

Summary of Main Findings and Recommendations

Some weaknesses were identified during our audit in relation to the physical and environmental controls over the Board's server rooms. It is recognised that budget constraints mean that it is not feasible for the Board to consider installing an automatic fire suppression system at this time however we have made a small number of recommendations to enhance access controls and in relation to the positioning and effectiveness of air-conditioning units.

Through discussion with IT staff we found the network to be in good health, well designed and well managed by an experienced IT Team who have worked with and developed the Board's systems over many years. However we could not determine if the servers appear to be well configured and kept up-to-date or if a well-designed and consistent approach has been applied to backup policies, email scanning and flow and virus protection due to a lack of available documentation. Although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is no office manual or in-house guidance notes covering how the IT Team operates.

Our review noted that the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic does not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware.

System audit logs are performed on an ad hoc basis and this should be made more formal to ensure regular review for unusual activity.

An Acceptable Use Policy is in place however this should be revised to fully represent the Board's present ICT environment particularly the recent issuing of tablet devices to Board staff.



1. Management Summary

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.1	Physical and Environmental Controls R1 The servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit.	B	Servers will be repositioned to ensure that there is no possibility of equipment being damaged	Y	IT Manager	31 May 2012
1.2	R2 As a minimum the Board should ensure that server rooms at each of the offices remain locked at all times. Further consideration should also be given to installing a suitable entry system for gaining access to the server rooms at Perth and Forfar which can be easily controlled. Options include code locks and electronic access cards. Whichever system is put into place, controls over access need to be implemented to handle staff changes and the monitoring of access.	B		Y	IT Manager Assistant Assessors, Angus and Perth & Kinross	31 July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.3	<p>Network Infrastructure</p> <p>R3 Draw up and disseminate an IT office manual which includes clear and concise policies and procedures on key areas covered by IT such as:</p> <ul style="list-style-type: none">• a file management policy or procedure;• an IT security policy that covers file controls;• an access control policy;• a password management policy;• change control procedures including reviewing, approving, testing and implementing network upgrades and patches;• a firewall policy including configuration and settings; and• an up-to-date network map. <p>Note that this list is not exhaustive and that the IT Team should ensure that a comprehensive list of procedures is drawn up which reflects its activities.</p>	B		Y	IT Manager	31 October 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.4	<p>R4 The network schematic should be updated to include the:</p> <ul style="list-style-type: none">• location of network routers and switches;• details of the number of workstations and their locations;• firewall server; and• communication links between servers and other hardware.	B		Y	IT Manager	30 June 2012
3.1	<p>Logical Access</p> <p>R5 A log file record should be established to record events such as:</p> <ul style="list-style-type: none">• Failed log-on attempts;• Failed file access attempts;• Account additions, changes and deletions;• Changes to system security configurations; and• Access to critical data files. <p>The IT Team should ensure that this record is regularly reviewed and appropriate action is taken.</p>	B		Y	IT Manager	31 July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
4.1	<p>Acceptable Use Policy</p> <p>R6 The <i>Security of Information Technology Systems</i> guidance should be reviewed to ensure it properly reflects the Board's current IT operation, in particular its use of tablet devices. This should cover:</p> <ul style="list-style-type: none">• Security of the devices;• Updating of any protection software in place;• Connection to third party networks; and• Data encryption.	B		Y	IT Manager	31 May 2012

3. Main Report

1. *Physical and Environmental Controls*

1.1 *Observation*

Within the Dundee server room several servers and other hardware are situated directly below an air conditioning unit. Discussions with the IT Team noted that there have been reported incidents in the past where water has leaked from the air conditioning unit.

Risk

Air-conditioning units are prone to water leaks. Should this happen in the current setup the Board may experience damage to its equipment and power infrastructure as well as data loss.

Recommendation

R1 The servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit.

Benefit

Reducing the risk of water leaking onto the servers and power cabling will help protect the Board's equipment and data from damage or loss in the event of an incident.

1.2 *Observation*

The server room located in the Dundee office is accessed by a key pad and key lock entry systems. The server rooms in both the Perth and Forfar offices are accessed by simple key locks only. At the time of our audit visit to the Perth office we noted that the server room was unlocked. On further discussion with staff it was also noted that staff at the Perth office stated that they had been instructed by the IT department to keep the server room unlocked.

Risk

There could be unauthorised access to the server rooms.

Recommendation

R2 As a minimum the Board should ensure that server rooms at each of the offices remain locked at all times. Further consideration should also be given to installing a suitable entry system for gaining access to the server rooms at Perth and Forfar which can be easily controlled. Options include code locks and electronic access cards. Whichever system is put into place, controls over access need to be implemented to handle staff changes and the monitoring of access.

Benefit

By ensuring that access to the server room is suitably controlled, the risk of unauthorised access will be reduced.

- 1.3 The server rooms in each of the offices contain a fire alarm linked to the Board's fire detection system which is monitored centrally. However, with the exception of fire extinguishers located inside or near the server rooms, no fire suppression equipment is located within the server room itself. The lack of an automated fire suppression system increases the risk of fire spreading from the server room to other parts of the building, particularly during non-working hours. Fire damage may lead to injury to Board personnel, data loss and equipment damage. We recognise that due to a lack of funding available at the present time it may not be feasible for the Board to consider installing a suitable fire suppression system within the server rooms. However, the Board may wish to consider this requirement when developing capital plans in the future.

3. Main Report

2. Network Infrastructure

2.1 Our review found that although appropriate network infrastructure appears to be in place there is a general lack of documented policies and procedures with the Board currently relying on the knowledge of IT staff and this is an area which could be improved.

2.2 Through discussion with IT staff we found the network to be in good health, well designed and well managed by an experienced IT Team who have worked with and developed the Board's systems over many years. However we could not determine if the servers appear to be well configured and kept up-to-date or if a well-designed and consistent approach has been applied to backup policies, email scanning and flow, virus protection, firewalls and general network maintenance due to a lack of available documentation.

2.3 *Observation*

Although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is a lack of office manual or in-house guidance notes covering how the IT Team operates. In particular, there is the need for clear and concise policies and procedures to be drawn up which would include for example:

- a file management policy or procedure;
- an IT security policy that covers file controls;
- an access control policy;
- a password management policy;
- change control procedures including reviewing, approving, testing and implementing network upgrades and patches;
- a firewall policy including configuration and settings; and
- an up-to-date network map.

Risk

Without an overview of the main roles, responsibilities and processes of the different parts of the IT Team there may be a lack of understanding by staff of what others in the team do and leading to gaps in responsibility.

Recommendation

R3 Draw up and disseminate an IT office manual which includes clear and concise policies and procedures on key areas covered by IT such as:

- a file management policy or procedure;
- an IT security policy that covers file controls;
- an access control policy;
- a password management policy;
- change control procedures including reviewing, approving, testing and implementing network upgrades and patches;
- a firewall policy including configuration and settings; and
- an up-to-date network map.

Note that this list is not exhaustive and that the IT Team should ensure that a comprehensive list of procedures is drawn up which reflects its activities.

Benefit

A clear understanding of Board policy and procedures, and the roles and responsibilities of the IT Team will be developed.

3. Main Report

2. Network Infrastructure (continued)

2.4 Observation

Our review noted that the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic does not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware.

Risk

The network schematic does not accurately represent the Board's IT network structure.

In the event of a major disaster affecting the Board's IT services the IT Team may find it difficult to rebuild the network structure and therefore fully restore IT capabilities.

Recommendation

R4 The network schematic should be updated to include the:

- location of network routers and switches;
- details of the number of workstations and their locations;
- firewall server; and
- communication links between servers and other hardware.

Benefit

The network schematic is up to date and accurate.

- 2.5 Our review noted that under the previous IT Manager, key IT tasks and operations of the Board were not always documented and recorded and where they were these appear to be minimal. The current IT Team have identified this as an area of weakness and during our interviews demonstrated a willingness to make improvements with the team planning to undertake a full review of the existing IT processes, when resources allow, which would include streamlining and documenting processes where required.

3. Logical Access

3.1 Observation

The IT Team has not established set procedures and standards for configuring the system audit log facilities. Any audit logs are performed on an ad hoc basis. As a result there is no regular review for any attempted breaches of network security. Although the Board mitigates this risk through password controls it is accepted good practice to ensure that audit logs are maintained and regularly reviewed. It is recognised that the ad hoc reviews carried out to date have not highlighted any issues.

Risk

Without regular reviews the security of the Board network may be undermined by unauthorised users.

3. Main Report

3. Logical Access (continued)

Recommendation

R5 A log file record should be established to record events such as:

- Failed log-on attempts;
- Failed file access attempts;
- Account additions, changes and deletions;
- Changes to system security configurations; and
- Access to critical data files.

The IT Team should ensure that this record is regularly reviewed and appropriate action is taken.

Benefit

The Board network security will be improved.

4. Acceptable Use Policy

4.1 *Observation*

The Board's *Security of Information Technology Systems* guidance to staff, whilst covering a wide variety of areas, does not currently reflect the Board's investment in mobile computing particularly the recent issuing of tablet devices to Board staff.

Risk

Mobile computing, whilst beneficial to the Board, brings with it a unique set of security risks which need to be addressed by the existing IT security policy.

Recommendation

R6 The *Security of Information Technology Systems* guidance should be reviewed to ensure it properly reflects the Board's current IT operation, in particular its use of tablet devices. This should cover:

- Security of the devices;
- Updating of any protection software in place;
- Connection to third party networks; and
- Data encryption.

Benefit

Adopting a continuing review approach will ensure that the policy stays current and help manage the Board's information and IT risks.

5. Compliance with User Licence Requirements

- 5.1 Each of the Board's PCs or laptops is installed with Microsoft Office software packages with each package having been bought separately for each workstation. The IT Team also operate and manage a number of bespoke systems which have been developed in-house. No other specialist software is installed on the Board's IT equipment.

3. Main Report

5. *Compliance with User Licence Requirements (continued)*

- 5.2 The IT Team maintains a hardcopy database of licences for all software installed on Board computer equipment which is updated manually by IT staff.
- 5.3 Periodic checks on individual computers and servers to identify any unauthorised software are not performed as it is felt that sufficient password and user access rights controls are in place to ensure that software can only be installed on Board equipment by staff with Administrator access rights. Only IT staff have these rights.
- 5.4 Network logs are maintained by the IT Team which includes changes to security settings, failed file access attempts and access to critical data files. However, as noted at 3.1 above, these are reviewed on an ad hoc basis only and we have recommended that reviews of logs are improved with any breaches immediately followed up with appropriate action taken.
- 5.5 We were advised that there have been no recorded incidents of staff installing unauthorised software on Board IT equipment or any breaches in software user licences in recent years.



Tayside Valuation Joint Board

**Risk Management and Business Continuity Planning
2011/12**

Internal Audit Report No: 2012/04

Draft Issued: 7 May 2012

Final Issued: 24 May 2012



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1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board'), for 2011/12, we carried out a review of the arrangements for risk management and business continuity planning. 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.

HM Treasury, in its publication 'The Orange Book: Management of Risk – Principles and Concepts', defines risk management as 'All the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress'.

The Business Continuity Institute defines business continuity management as 'A holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.'

An effective risk management process and Business Continuity Plan (BCP) is essential to ensure that the Board can effectively react to risks and, in response to a disaster or threat, continue to operate key activities and ensure that the interests of key stakeholders continue to be met.

Audit Scope and Objectives

Scope

Risk Management

The scope of this audit was to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing.

Business Continuity

We also considered whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

Objectives

Risk Management

To obtain reasonable assurance the systems in place are sufficient to ensure that:

- A formal risk management process is in place which includes: assessing the organisation's propensity for risk; risk identification and assessment; risk mitigation and reporting and monitoring of key risks;
- Risk management policies and processes are formally documented;
- Responsibility for managing risks are clearly assigned;
- Staff are trained in risk management; and
- There is an ongoing review of risk management procedures for continual improvement.

Business Continuity

To obtain reasonable assurance that:

- Business Continuity Plans (BCPs) are in place covering all of the Board's activities;
- the BCPs are workable, properly communicated to members of staff, and have been adequately tested; and
- the processes and procedures in place follow recommended good practice as defined by BS 25999 'Business continuity management'.

1. Management Summary

Audit Approach

Risk Management

We discussed the risk management process with managers and staff and reviewed relevant policies and procedures. Risk management documents and reports, such as the risk register and Board papers, were then reviewed. For a sample of managers and staff we discussed the risk management process they use in order to determine how embedded risk management is within the organisation. We also considered whether all relevant key risks have been identified and included on the current Risk Register and how often the register is revisited and updated. Good practice in this area was measured against best practice in risk management for government organisations set out in *'The Orange Book: Management of Risk – Principles and Concepts'* (the 'Orange Book') issued by HM Treasury in October 2004.

Business Continuity

We obtained a copy of the BCP in place and considered whether they cover all of the organisation's activities. The Board's approach to business continuity was discussed with relevant officers, including understanding how plans have been communicated to staff and the extent to which plans have been tested. An assessment of the key processes and internal controls was performed with reference to the guidance contained within BS 25999.

Action Plan Grading

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of the recommendations can be found at Section 2 of this report.

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

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

Overall Conclusion

Risk Management

We found there are corporate procedures in place to identify and assess risk, and controls have been identified to minimise the possibility of unexpected and unplanned situations developing. However there is room to improve and embed risk management processes and to provide a greater level of assurance that risk management is effective.

Business Continuity

There are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems, however these need to be further tested, with training also provided to increase staff awareness of these.

1. Management Summary

Summary of Main Findings and Recommendations

We found that:

Risk Management

- A formal risk management process is in place which includes: assessing the organisation's propensity for risk; risk identification and assessment; risk mitigation and reporting and monitoring of key risks, however there is room to improve processes and risk registers to ensure that scoring, mitigating action and staff responsibilities are made clearer and reporting is regularly made to the Board about key risks;
- Risk management policies and processes are formally documented, however these could be strengthened with more information and guidance;
- Responsibility for managing risks are assigned to staff or groups of staff, however where multiple staff are assigned responsibility for a risk there is a possibility that nobody takes ownership;
- Staff are not adequately trained in risk management; and
- There is not an ongoing formal review of risk management procedures for continual improvement and further embedding risk management within the organisation, although the Governance Working Group may make improvements where identified.

Business Continuity

- A Board-wide Business Continuity Plan (BCP) is in place covering all of the Board's activities;
- the Board's BCP is considered workable and based on discussions with a number of Board staff, we noted that staff are aware of the general aspects of the BCP but consider that their knowledge could be improved through increased training. The BCP was last tested in 2010, with the IT Disaster Recovery Plan not having been tested at all. We recommend that there is a training plan put in place and the IT Disaster Recovery Plan is tested; and
- the processes and procedures in place follow recommended good practice as defined by BS 25999 'Business continuity management', except for the points raised above.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.3.2	Risk Management R1 Revise the Risk Management Strategy with a view updating and strengthening this.	B		Yes	Chair of Governance Working Group	September 2012
1.3.3	R2 Consider whether the risk register should be separate from the Business Continuity Plan.	C		Yes	Chair of Governance Working Group	September 2012
1.3.5	R3 Create detailed risk registers for council tax and business rates as well as any major project the Board is undertaking.	C		Yes	Chair of Governance Working Group	September 2012
1.3.6	R4 Ensure that all risks are assigned to one person, or one person in each office.	C		Yes	Chair of Governance Working Group	September 2012
1.3.7	R5 Review the Board's risk scoring with a view to reducing the range of scores and ensure there are definitions for each likelihood and impact score.	B		Yes	Chair of Governance Working Group	September 2012



2. Action Plan

1.4.6	R6 Present the highest priority risks to the Board at each of their meetings for discussion as well as setting out how management have gained assurance that adequate mitigating controls are in place and highlighting any concerns.	B	It is felt that, after initial presentation of the highest priority risks to the Board, reporting be carried out annually unless there are any specific issues. <i>Auditor's comment- given the size of the organisation and the limited number and nature of the identified risks the above proposal is deemed reasonable.</i>	No	Chair of Governance Working Group	November 2012
1.5.2	R7 Ensure that the 'control measures' and 'further action' columns in the risk register clearly set out controls in place and actions being undertaken to mitigate risks, including giving evidence of controls at each Board office when there are office-specific risks.	C	The Governance Working Group will give further consideration to identifying office specific risks.	Yes	Chair of Governance Working Group	September 2012
1.6.3	R8 As part of the annual reporting process management should outline how they have gained assurance that key risks are being mitigated adequately. This may include their key internal management checks, findings from internal audit or external audit reviews, as well as reviews of key exception reports and complaints logs.	C		Yes	Assessor	Annual Report 2013
1.7.2	R9 Provide risk management training to staff and management.	B	Training courses will be identified or provided in house to be implemented by December 2012	Yes	Chair of Governance Working Group	September - December 2012



2. Action Plan

1.8.4	R10 Work with partner bodies to understand what their risks are and determine whether any may affect the Board. If so, work with partner bodies to mitigate these risks.	C		Yes	Chair of Governance Working Group	September 2012
1.10.1	R11 Consider what project management and risk management processes should be put in place over projects.	C		Yes	Chair of Governance Working Group	September 2012
1.10.2	R12 Ensure that all staff have up-to-date workstation assessments and ensure that someone centrally checks that these have been received and any issues noted adequately followed up on a timely basis.	C	Workstation assessments are up to date in Dundee and Forfar and will be brought up to date in Perth following completion of training of members of staff. Procedures for recording and checking will be formalised and consideration given to review periods.	Yes	Chair of Governance Working Group	September 2012
2.1.5	<i>Business Continuity Planning</i> R13 Either amend the Board's risk appetite for electoral registration or ensure that sufficient computers and a fully configured electoral registration server and generator are set up in Dundee.	A	Detailed consideration will be given to the options available and to the practicalities of their implementation. This will include reconsideration of the risk appetite for electoral registration and the introduction of a range of improved mitigation measures, which may include changes to procedures and enhanced system back-up provision.	Yes	Depute Assessor	September 2012
2.1.7	R14 Fully test the DRP to ensure it is robust	B		Yes	Depute Assessor	September 2012



2. Action Plan

2.1.7	R15 Put in place controls in the event of Board IT staff not being available in the event of a disaster, such as having Dundee City Council IT staff implement the DRP.	C		Yes	Depute Assessor	September 2012
2.1.8	R16 Consider whether contingency boxes should be prepared and stored at each office.	C		Yes	Chair of Governance Working Group	September 2012
2.2.5	R17 Ensure that there is action undertaken to increase the awareness of the BCP to staff.	C		Yes	Chair of Governance Working Group	September 2012
2.2.7	R18 Devise a testing programme for the BCP, with all findings from tests followed up and used to fine tune the processes.	C		Yes	Chair of Governance Working Group	September 2012
2.3.6	R19 Consider approving working from home, with enabling IT services, for electoral registration staff during key electoral periods in the event of widespread sickness or a pandemic.	C	Detailed consideration will be given to the practicalities and benefits of implementing this recommendation.	Yes	Chair of Governance Working Group	September 2012

3. Main Report

1. Risk Management

1.1 TVJB Risk Management Requirements

1.1.1 Tayside Valuation Joint Board's Financial Regulations state that 'The Assessor, in conjunction with the Treasurer, will ensure that the risks faced by the Board are identified and quantified and that effective measures are taken to reduce, eliminate or insure against them' and 'The Risk Management Strategy, Risk Register and Business Continuity Plan should be reviewed and updated annually by the Assessor and presented to the Board'.

1.2 Risk Management Good Practice

1.2.1 There is a wide range of guidance on what constitutes good practice on risk management. This includes:

- Institute of Risk Management/AIRMIC/Alarm - A Risk Management Standard;
- Managing risk in government – National Audit Office 2011;
- HM Treasury Guidance including (2004) Orange Book: Management of Risk – Principles and Concepts;
- HSE - Principles of Sensible Risk Management;
- ISO/FDIS 31000 Risk Management – Principles and guidelines;
- BS31100:2008 Risk Management – code of practice; and
- AS/NZS ISO 31000: 2009 Risk Management.

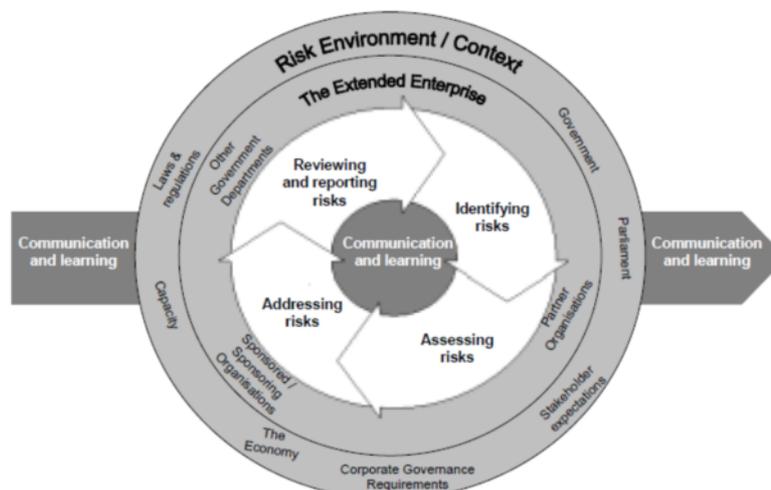
1.1.2 Each standard or framework provides a way of categorising risk to assist identification, assessment and evaluation. The different 'types' of risk that are recognised can be used to tailor an approach to suit any organisation and have the same key principles.

1.1.3 For this review we have chosen best practice in risk management for government organisations set out in 'The Orange Book: Management of Risk – Principles and Concepts' (the 'Orange Book') issued by HM Treasury in October 2004.

1.2.2 The Orange Book provides a broad based general guidance on the principles of risk management using a risk management model consisting of the following elements:

1. Identifying risks;
2. Assessing risks;
3. Addressing risks;
4. Reviewing and reporting risks;
5. Communication and learning;
6. The Extended Enterprise; and
7. Risk Environment and Context.

This can be graphically depicted as:



Source: The Orange Book

3. Main Report

1. Risk Management (Continued)

1.3 Identifying Risks

1.3.1 The Governance Working Group (GWG) is responsible for all governance matters, including preparing, monitoring, maintaining and updating the Board's Risk Register and ensuring there is an adequate Risk Management Policy and Business Continuity Plan (BCP). The GWG has drawn up a risk strategy, a risk register and a BCP. The GWG is comprised of the Depute Assessor, Assistant Assessors and Principal Valuer and is considered an appropriate group to take ownership for risk management.

1.3.2 Observation

We reviewed the Risk Management Strategy (which is referred to in the GWG's remit as the Risk Management Policy) and noted that this does not refer to the GWG. It was also noted that there is room to improve the Risk Management Strategy by giving more guidance, including the Board's risk appetite which is currently set out in the BCP. The Risk Management Strategy was approved by the Board in 2009.

Risk

The Risk Management Strategy does not set out the organisation's approach to risk management as robustly as possible.

Recommendation

R1 Revise the Risk Management Strategy with a view to updating and strengthening this.

Benefit

Staff will have a greater understanding of the purpose of risk management and be better able to apply this.

1.3.3 Observation

In order to manage risk, an organisation needs to know what risks it faces, and to evaluate them. Identifying risks is the first step in building the organisation's risk profile. There are two distinct phases: initial risk identification (which has been undertaken through the formation of the Board's risk register); and continuous risk identification, which is necessary to identify new risks that did not previously arise, changes in existing risks, or risks that did exist ceasing to be relevant to the organisation. We note that at the 1 February 2012 meeting of the GWG it was agreed that the risk register should be made a standing item on their agenda, which would include considering if there were any new risks that needed to be added to the risk register. The 10 November 2011 meeting of the GWG agreed that civil unrest and vandalism would be added to the risk register however we noted that this had not been done at the time of our fieldwork in March 2012. However we sighted a draft updated version of the risk register which included this change. It was also noted that the risk register is part of the BCP and it may be more effective for the risk register to be a separate document which the BCP refers to.

Risk

The risk register may not be updated as easily as possible if it is within the BCP.

Recommendation

R2 Consider whether the risk register should be separate from the Business Continuity Plan.

Benefit

The risk register will be updated on a more timely basis without having to update the BCP at the same time.

1.3.4 Risks should be assessed and prioritised in relation to the Board's objectives as set out in its Service Plan. We note that the risks on the risk register are linked to the Service Plan objectives.

3. Main Report

1. Risk Management (Continued)

1.3.5 Observation

The individual risks that an organisation identifies are not independent of each other. The Board's risk register has been divided into appropriate grouping of premises, IT, finance, and service. In addition, for electoral register services there is an Integrity Plan and Risk Register and 2012 Rolling Registration Risk Register which were required by the Electoral Commission. We note that there are no detailed risk registers for council tax or business rates risks, although there are detailed procedures in those areas which should cover off the specific risks related to those areas. Furthermore, there are no risk registers within projects and IT in-house software developments.

Risk

Risk registers are not in place at all operational levels or within projects.

Recommendation

R3 Create detailed risk registers for council tax and business rates as well as any major project the Board is undertaking.

Benefit

It will be clear that adequate mitigating controls have been put in place over council tax, business rates and major projects.

- 1.3.6 All risks should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time. We note that the risk register includes details of responsible individuals. However where there is more than one person assigned to a risk this may lead to nobody owning the risk as they think one of the other assigned staff members will take on this role.

Risk

With more than one person assigned as the risk owner, nobody may adequately take ownership of managing the risk.

Recommendation

R4 Ensure that all risks are assigned to one person, or one person in each office.

Benefit

It will be clear who is responsible for risks across the organisation or in individual offices.

- 1.3.7 Appropriate tools for the identification of risk include commissioning a risk review or undertaking a risk self-assessment. We note that the original risk register was drawn up by senior management with reference to known risks and the Board's 2008-2013 Service Plan. We note that no risk self-assessments were undertaken, and if the Board wishes to strengthen its approach it could undertake these. This would require sections of the Board to review their activities and to contribute their diagnosis of the risks it faces. This could be done through the use of a questionnaire or a facilitated workshop.

1.4 Assessing Risks

1.4.1 Observation

An assessment of risks has been undertaken on the risk register evaluating both the 'likelihood' of the identified risks being realised and of the 'impact' if the risk is realised. This is based on a level of 1 to 10 for both likelihood and impact, with the overall risk score the product of the likelihood and impact scores. We note that the 1 to 10 scoring is judgemental, with no guidance given to assist users to understand what each score means. Use of such a wide banding (covering 10 possible rankings) could lead to significant differences of interpretation, particularly within rankings of likelihood. A one to five scoring with definitions may be more appropriate.

Risk

There may not be a common understanding of risk rankings leading to incorrect prioritisation.

3. Main Report

1. Risk Management (Continued)

1.4.1 Continued

Recommendation

R5 Review the Board's risk scoring with a view to reducing the range of scores and ensure there are definitions for each likelihood and impact score.

Benefit

It will be easier for staff to score the likelihood and impact of risks and this will make the ranking of risks more accurate.

1.4.2 Information on the risk register is captured showing the 'inherent risk' to the Board i.e. *'the exposure arising from a specific risk before any action has been taken to manage it'* (Source: The Orange Book) in order that the Board knows what its exposure will be if control should fail.

1.4.3 Furthermore, 'residual risk', defined as *'the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective'*, (Source: The Orange Book) has also been included in the risk register.

1.4.4 At the level of a specific risk it is likely that a level of exposure that is acceptable can be defined in terms of both a tolerable impact if a risk is realised, and tolerable frequency of that impact. It is against this that the 'residual risk' has to be compared to decide whether or not further action is required. Tolerability may be informed by, for example, the value of assets lost or wasted in the event of an adverse impact or stakeholder perception of an impact.

1.4.5 When the assessment is then compared to the 'risk appetite' the extent of action required becomes clear. It is not the absolute value of an assessed risk that is important; rather it is whether or not the risk is regarded as 'tolerable', or how far the exposure is away from tolerability, that is important. 'Risk appetite' is defined as *'the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time'* (Source: 'The Orange Book: Management of Risk – Principles and Concepts'). We note that the Board's risk appetite, as set out in the BCP has been assessed as *'moderate in most cases. This means that the Board is willing to accept risks that may affect delivery of core services in the short term which is defined for the purposes of this plan as a period of up to fourteen days. In certain cases, such as time critical periods associated with electoral registration, the risk appetite has been assessed as zero. This means that the Board is not willing to accept risks that may affect the delivery of a time critical ER service'*.

1.4.6 *Observation*

Based on the risk scores risk priorities for the Board can be identified. The less acceptable exposure is in respect of a risk, the higher the priority that should be given to addressing it. The Board receive the risk register but do not receive on a regular basis a list of the highest priority risks (usually the top ten) for discussion and obtaining assurance on mitigation measures. This should also highlight whether there are any concerns over any area, which might be achieved through a traffic light system (for example, green – no concern over risk, amber – some concern over risk, red – significant concern over risk)

Risk

The Board may not be obtaining from management sufficient information and assurance over the Board's top risks.

Recommendation

R6 Present the top ten risks to the Board at each of their meetings for discussion as well as setting out how management have gained assurance that adequate mitigating controls are in place and highlighting any concerns.

Benefit

Board members will have greater assurance that the Board's top risks are being adequately managed.

3. Main Report

1. Risk Management (Continued)

1.5 Addressing Risks

1.5.1 There are five key aspects of addressing risk:

1. Tolerate – the exposure may be tolerable without any further action being taken or the ability to do anything may be limited or the cost of action is greater than the benefits;
2. Treat – action (control) is taken to constrain the risk to an acceptable level. Controls may be sub-divided into the following categories according to their purpose: preventive; corrective; directive and detective. Such controls have been put in place in key areas such as electoral registration, council tax and business rates;
3. Transfer – this may be by insurance or paying a third party to take the risk in another way. A Service Level Agreement is in place with Dundee City Council for Insurance and Risk Management Services. In relation to ‘General Risk Management’ services to be provided under the agreement are:
 - Identify areas of client operations in which unacceptable and preventable losses are occurring;
 - Quantify such losses and advise on means of avoidance and control;
 - Undertake property and liability survey visits. Produce survey reports with appropriate recommendations and instigate system of follow-up to ensure implementation;
 - Undertake scrutiny of lease documents, contract terms and conditions with a view to eliminating unnecessary risk exposures; and
 - Advise and participate in the implementation of safety and loss reduction initiatives (e.g. driver training, property security, legislative requirements).
4. Terminate – some risks will only be treatable, or containable to acceptable levels, by terminating the activity; and
5. Take the opportunity – this is not an alternative to the above but should be considered whenever tolerating, transferring or treating a risk. Such opportunities may include taking up the use of new technologies or closer partnership working.

1.5.2 Observation

Control put in place should be proportional to the risk. It is normally sufficient to design control to give a reasonable assurance of confining likely loss within the ‘risk appetite’ of the organisation. Control actions should offer value for money in relation to the risk it is controlling. We reviewed the mitigating actions in the Board’s risk register ‘control measures’ column and noted that for many of the control measures given these were not adequate to explain to readers how the risks were being adequately mitigated. In addition, there is a ‘further action’ column which should highlight specific actions being undertaken. We found that this column is not used consistently and that often this refers to what might happen (‘consider...’) rather than what is planned. Controls are also not split between different offices so it is not possible to tell from the risk register whether certain site-specific risks, such as flooding risk, have been adequately covered.

Risk

Mitigating actions for risks may be inadequate or may not be undertaken.

Recommendation

R7 Ensure that the ‘control measures’ and ‘further action’ columns in the risk register clearly set out controls in place and actions being undertaken to mitigate risks, including giving evidence of controls at each Board office when there are office-specific risks.

Benefit

Board members will receive greater assurance that adequate mitigating controls are in place.

3. Main Report

1. Risk Management (Continued)

1.6 Reviewing and Reporting Risks

1.6.1 Management of risk has to be reviewed and reported on for two main reasons:

- To monitor whether or not the risk profile is changing; and
- To gain assurance that risk management is effective, and to identify when further action is necessary.

1.6.2 Processes should be put in place to review whether risks still exist, whether new risks have arisen, whether the likelihood and impact of risks has changed, report significant changes that adjust risk priorities, and deliver assurance that it remains appropriate and effective. In addition, the overall risk management process should be subjected to regular review to deliver assurance that it remains appropriate and effective. The review processes should:

- Ensure that all aspects of the risk management process are reviewed at least once a year;
- Ensure that risks themselves are subjected to review with appropriate frequency; and
- Make provision for alerting the appropriate level of management to new risks or to changes in already identified risks so that the change can be appropriately addressed.

1.6.3 Observation

The GWG is the main group where risks are reviewed and this is now a standing item on their meeting agendas. They present a report to the Board annually setting out the processes in place over risk management, however this does not provide any assurance that risk management and mitigating controls are working effectively.

Risk

Mitigating controls may not be effective.

Recommendation

R8 As part of the annual reporting process management should outline how they have gained assurance that key risks are being mitigated adequately. This may include their key internal management checks, findings from internal audit or external audit reviews, as well as reviews of key exception reports and complaints logs.

Benefit

There will be greater assurance for the Board that the mitigating controls as set out in the risk register are effective.

1.7 Communication and Learning

1.7.1 It is important to ensure that all employees understand, in a way appropriate to their role, what the Board's risk strategy is, what the risk priorities are, and how their particular responsibilities fit into that framework. If this is not achieved, appropriate and consistent embedding of risk management will not be achieved and risk priorities may not be consistently addressed.

1.7.2 Observation

From our discussion with a number of staff throughout the organisation we note there are varying levels of awareness of risk management, with some staff not fully aware of the individual risks on the risk register they were responsible for, although on a day to day basis they were aware of their key operational controls. For new staff we note they must sign an induction checklist within their first two weeks to say they have read the Risk Management Policy.

3. Main Report

1. Risk Management (Continued)

1.7.2 Continued

Risk

The Board's risk management system will not be robust if staff are not aware of risk management principles, how to apply them and their risk management responsibilities.

Recommendation

R9 Provide risk management training to staff and management.

Benefits

Staff will understand the importance and benefits of risk management.

1.8 Extended Enterprise / Risk Environment and Context

1.8.1 Communication with partner organisations about risk issues is important. The Board has inter-dependencies with its constituent authorities – the delivery of the Board's objectives depends upon / impacts upon the delivery of the constituent authorities objectives. Effective liaison is essential to facilitate an agreed risk management approach that will allow all parties to achieve their objectives. The Board also has certain dependencies on contractors or other third parties, such as for the supply of the Electoral Registration computer package, and these relationships require to be considered to ensure that appropriate communication and understanding about respective risk priorities is achieved.

1.8.2 It is also important to communicate with stakeholders about the way in which the Board is managing risk to give them assurance that the Board will deliver in the way in which they expect, and to manage stakeholder expectation of what the Board can actually deliver.

1.8.3 Other factors contributing to the environment in which risk has to be managed include laws and regulations and changes in Government policy.

1.8.4 *Observation*

Review of the Board's Service Plan provides assurance that the importance of building partnerships / relationships with the above parties has been recognised and appropriate lines of communication put in place. However there has not been any formal communication with partners / other bodies to understand their risks and how these might affect the Board.

Risk

Risks of partner organisations which may have an impact on the operations of the Board may not be understood or mitigated adequately.

Recommendation

R10 Work with partner bodies to understand what their risks are and determine whether any may affect the Board. If so, work with partner bodies to mitigate these risks.

Benefit

Risks to the Board and partner organisations will be better managed.

1.9 The Risk Management Continuum and Risk Maturity

1.9.1 Each organisation has a different level of risk maturity, the level by which employees understand risk principles and apply these effectively. An organisation should be aiming to continually improve its risk management effectiveness and move further along the risk management continuum. We have provided a system of ranking risk maturity below at 1.9.3 for your information.

1.9.2 HM Treasury have also produced a useful framework for assessing risk maturity, the 'Risk Management Assessment Framework: A tool for departments' which you may wish to view at http://www.hm-treasury.gov.uk/d/riskmanagement_assessment_framework220709.pdf

3. Main Report

1. Risk Management (Continued)

1.9.3 The Chartered Institute of Internal Auditors risk maturity framework.

	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled	Sample audit test
Process						
Risks are regularly reviewed by the organisation	No	Some risks are reviewed, but infrequently	Regular reviews, probably annually	Regular reviews, probably quarterly	Regular reviews, Probably quarterly	Check for evidence that a thorough review process is regularly carried out
Management report risks to directors where responses have not managed the risks to a level acceptable to the board.	No	No	Yes, but may be no formal process	Yes	Yes	For risks above the risk appetite, check that the board has been formally informed of their existence
All significant new projects are routinely assessed for risk	No	No	Most projects	All projects	All projects	Examine project proposals for an analysis of the risks which might threaten them
Responsibility for the determination, assessment, and management of risks is included in job descriptions	No	No	Limited	Most job descriptions	Yes	Examine job descriptions. Check the instructions for setting up job descriptions
Managers provide assurance on the effectiveness of their risk management	No	No	No	Some managers	Yes	Examine the assurance provided. For key risks, check that controls and the management system of monitoring, are operating
Managers are assessed on their risk management performance	No	No	No	Some managers	Yes	Examine a sample of appraisals for evidence that risks management was properly assessed for performance
Internal Audit approach	Promote risk management and rely on alternative audit planning method	Promote enterprise-wide approach to risk management and rely on alternative audit planning method	Facilitate risk management/liaise with risk management and use management assessment of risk where appropriate	Audit risk management processes and use management assessment of risk as appropriate	Audit risk management processes and use management assessment of risk as appropriate	

Source: Chartered Institute of Internal Auditors 'An approach to implementing risk based internal auditing'

1.10 Other Risk Management Matters

1.10.1 Observation

The Board is dependent on key software and electronic communication tools for its operation. Furthermore, there is on-going in-house development of software. We note that there is no formal project management methodology, or risk management, within software development projects or other major projects.

Risk

Projects may not run according to budget, timeframe or meet required quality standards without a formal project structure and appropriate risk management.

Recommendation

R11 Consider what project management and risk management processes should be put in place over projects.

Benefit

There will be greater control and assurance that projects run according to plans.

1.10.2 Observation

From discussion with the Assistant Assessor, Perth, it was noted that, while all of the Perth office's workstation assessments had been performed in 2005, there are now a number of assessments that are due to be carried out. The person who carried out assessments has left and a new staff member has been appointed to do them but has yet to be trained.

Risk

Staff may suffer from poor workstation set-up.

Recommendation

R12 Ensure that all staff have up-to-date workstation assessments and ensure that someone centrally checks that these have been received and any issues noted adequately followed up on a timely basis.

3. Main Report

2. Business Continuity

2.1 Arrangements in Place

2.1.1 A Board Business Continuity Plan (BCP) was developed in 2009. This included drawing up a framework for the effective management to respond to a major incident affecting the Board, which is generic to cover all of the Board's activities. The objective of the BCP is to assist the Board define an incident response structure that will enable an effective response and recovery from disruptions.

2.1.2 The framework sets out that in the event of an incident there will be an Incident Management Team who is responsible for invoking the plan, co-ordinating action. It also covers providing communications to the general public, other managers and employees who are involved in carrying out specific actions assigned to them or undertaking responsibilities as outlined in the BCP.

2.1.3 Responsibility for declaring an 'emergency' and invoking the BCP lies with the two of seven postholders (Assessor, Depute Assessor, three Assistant Assessors, and two Administration Managers). The BCP has not been updated for changes in posts but we sighted a draft version which had these changes which will be taken to the May 2012 Management Team meeting for approval.

2.1.4 In the event of invoking the BCP an operational base would be set up in the Board's Dundee office, or if this was not possible then in the Perth office, or if that also was not available, then in the Forfar office. The plan also sets out details of management, communications, logging, recovery action, reporting and closing of an incident.

2.1.5 Observation

Within the BCP is a IT Disaster Recovery Plan (DRP) and this outlines the Board's three critical ICT applications: the electoral registration system, the non-domestic rates valuation system and the council tax banding system. In the event of a disaster the electoral registration system functionality is estimated to be returned within three days. This does not meet the Board's risk appetite which has been assessed as zero for electoral registration in critical periods of election.

Risk

The BCP does not support the Board's stated risk appetite for electoral registration services.

Recommendation

R13 Either amend the Board's risk appetite for electoral registration and / or ensure that sufficient computers and a fully configured electoral registration server are set up in Dundee.

Benefit

There will be assurance that the Board's risk appetite can be met.

2.1.6 We note that the DRP is a helpful guide in the event of a disaster. The keystone of this is that in every office each week a system data backup tape is sent to another Board office, so if one office was destroyed, then the maximum amount of data lost would be four working days. Furthermore, tapes are kept in locked fire-proof safes which we sighted in Perth and Dundee.

2.1.7 However we found there has not been adequate consideration of what would happen if the Board's IT staff were unavailable or injured in a disaster, who would implement the DRP in that case, and whether the DRP would be adequate for an external consultant to effectively implement. We also noted that Board staff have not tested the DRP to determine whether it is robust.

Risk

The DRP may contain flaws which make this unworkable and could lead to delays in the event of invoking the DRP in a disaster situation.

3. Main Report

2. Business Continuity (Continued)

2.1.7 Continued

Recommendations

R14 Fully test the DRP to ensure it is robust

R15 Put in place controls in the event of Board IT staff not being available in the event of a disaster, such as having Dundee City Council IT staff implement the DRP.

Benefit

There will be greater assurance that in the event of a disaster key computer systems will be functional within an adequate timeframe.

2.1.8 We note there are no contingency boxes kept for use in an emergency. Such boxes are often kept to contain torches, safety vests and any other suitable item in case of an incident.

Risk

In the event of an emergency at certain times, such as when it is dark, it is useful to have items to assist staff in safely exiting the Board's offices.

Recommendation

R16 Consider whether contingency boxes should be prepared and stored at each office.

Benefit

In the event of an emergency staff will be better prepared and health and safety matters will be better taken account of.

2.1.9 The Assistant Assessor, Angus, is responsible for keeping the BCP framework up-to-date and a record of all changes is made. He is also responsible for updating the lists of staff contact numbers in the BCP.

2.2 BS 25999 'Business continuity management'

2.2.1 British Standard (BS) 25999 '*Business continuity management*' outlines recommended practice to be followed in order to develop a good business continuity management system. BS 25999 defines business continuity management as '*managing the recovery or continuation of business activities in the event of a business disruption, and management of the overall programme through training, exercises and reviews, to ensure the business continuity plan(s) stays current and up-to-date*'. BS 25999 is published in two parts – Part 1: *Code of practice*; and Part 2: *Specification*.

2.2.2 BS 25999 defines requirements for a management systems approach to business continuity management based on good practice for use in large, medium and small organisations operating in industrial, commercial, public and voluntary sectors.

Part 2 of BS 2599 sets out a specification for:

- Planning the business continuity management system (BCMS);
- Implementing the BCMS;
- Monitoring and reviewing the BCMS; and
- Maintaining and improving the BCMS.

2.2.3 Planning the BCMS includes establishing the BCMS and embedding BCM at the Board. Implementing the BCMS includes understanding the organisation needs; determining the strategy; developing a response; and exercising, maintaining and reviewing BCM arrangements. Monitoring and reviewing includes internal audit and management review of the BCMS. Maintaining and improving the BCMS includes preventative actions and continual improvement.

3. Main Report

2. Business Continuity (Continued)

2.2.4 As part of this audit we reviewed the Board's BCP against BS 25999 and noted a number of areas for improvement or highlighting which are outlined in the following paragraphs.

2.2.5 *Observation*

From discussion with staff interviewed, some were not aware of the finer details of the BCP or where it could be located on the intranet.

Risk

Staff may not be aware of actions to be undertaken if the BCP is invoked.

Recommendation

R17 Ensure that there is action undertaken to increase the awareness of the BCP to staff.

Benefit

In the event of an incident staff will be able to react quickly and in line with the BCP.

2.2.6 In the event of an incident currently staff are informed by contact through mobile phones, however if communication links were down managers also have staff home addresses in the BCP so they could personally contact staff if necessary.

2.2.7 *Observation*

From discussions with staff we noted that the BCP was tested through a desktop scenario in November 2010 and then put into practice during severe weather in December 2010. These tests allowed a number of refinements to be made to the plan. We were advised there will be a further test done in 2012. From discussion with staff it was noted that a more realistic scenario using a role play at one of the Board's premises may provide more benefit for staff.

Furthermore we suggest that the Board should have a programme to ensure: exercises are carried out at planned intervals and when significant changes occur; carrying out a range of different exercises that taken together validate the whole of the business continuity arrangements; carrying out a post-exercise review; and producing a written report of the exercise, outcome and feedback, including required actions.

Risk

BCP arrangements may not work in practice and staff readiness for incidents may not be as good as it could be.

Recommendation

R18 Devise a testing programme for the BCP, with all findings from tests followed up and used to fine tune the processes.

Benefit

In the event of an incident, staff will be able to react more quickly and there is greater assurance that the BCPs are robust.

2.3 Specific Risks Highlighted in Our Audit Needs Assessment

2.3.1 As part of our Audit Needs Assessment issued in March 2011, we advised we would undertake a review of certain BCP-related risks. These are discussed in more detail below.

Disruption to operations following loss or breakdown of key items of equipment

2.3.2 From discussion with staff key equipment is IT equipment (hardware, servers and software), with some tools which are used in valuations, such as laser measures. Loss of IT hardware and servers is covered by the IT DRP, and from discussion with IT staff we were advised that delivery times for servers and hardware was short, and possible within two days of order. The Board also has a store of equipment at its Pitkerro store; however we note that some of this equipment may not be of adequate technical specification to be used. There are also some workstations and a spare server in the Dundee office which may be able to be used. Valuers' equipment is not costly and easily replaced from local suppliers.

3. Main Report

2. Business Continuity (Continued)

Major Disaster, such as Fire

- 2.3.3 In the event of a major disaster affecting an office the BCP would be invoked. If it was of a relatively short term, electoral staff would be moved to Dundee or another non-affected office (Perth/Angus) and other council tax and business rates staff may stay at home. Accommodation would be sought from local councils in the short term.
- 2.3.4 If the disaster was deemed to have a long-term impact on operations then the same action would be taken, although more permanent accommodation may be sought.

IT Failure (Loss of Hardware, Data, or Failure of a Third Party System Provider)

- 2.3.5 Loss of hardware and data has been covered in the BCP section above. The only key third party system that is used is EROS for electoral registration work. The Board currently receives a supported service from EROS and has no current concerns over software not being robust or inadequate levels of service support. In the event of the owners of EROS ceasing to exist, the Board has received an escrow agreement dated November 2011 which gives the Board the right to use the software, and which would if used allow the Board a window of opportunity to find an alternative software supplier and migrate data to the new system.

Widespread Sickness or Pandemic

- 2.3.6 The Board does not have any effective strategy in place to deal with a pandemic or widespread sickness, although it has been noted that certain hygiene measures would be put in place. A more effective strategy would be to enable working from home, although we understand that IT staff would have to visit staff members' houses to set up such functionality. This would be more important for electoral registration staff, but if necessary could be used for other staff.

Risk

In the event of a pandemic or widespread sickness staff may have an increased risk of sickness if they work in Board offices.

Recommendation

R19 Consider approving working from home, with enabling IT services, for electoral registration staff during key electoral periods in the event of widespread sickness or a pandemic.

Benefit

The risk of staff getting sick during a period of pandemic or widespread sickness is reduced, allowing the Board to continue to operate effectively.



Tayside Valuation Joint Board

**Non Domestic Rates
2011/12**

Internal Audit Report No: 2012/05

Draft Issued: 21 May 2012

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1. Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the Board's Non Domestic Rating arrangements. The Audit Needs Assessment identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the 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. Each entry in the Roll includes the names of the proprietor, tenant and occupier as appropriate, the Net Annual Value that has been set by the Assessor and the Rateable Value. The Rateable Value is derived from the Net Annual Value and as legislation currently stands, for the majority of properties, Rateable Value and Net Annual Value are the same.

Values are established every five years at Revaluation. 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. New properties are added to the Roll as they become occupied and entries for demolished buildings are deleted.

Scope of the Audit

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.

Objectives of the Audit

The specific objectives of the review were to seek reasonable assurance that:

- there are appropriate procedures in place to ensure that: all non domestic properties are on the Valuation Roll and the entries are accurate and agree with the Lands Valuation Returns; any alterations to properties reported on these returns are brought to the attention of the Technical Section; and all revaluations are appropriately recorded in the Valuation Roll;
- all property valuations are carried out by suitably qualified valuers and are evidenced as checked and authorised by a Valuer or Senior Valuer;
- all valuations are input into the Valuation Roll and the weekly 'Roll of Change' is evidenced as checked by a Assistant Assessor or Principal Valuer;
- controls are in place to ensure that late amendments to the current roll are picked up and reflected in the new roll;
- all appeal applications are logged on the appeals system as soon as they are received and are accepted and checked by a Valuer or Senior Valuer. An Appeal Header Sheet is produced recording all of the relevant details;
- the Valuation Roll is accurately and timeously amended to record the outcome of an appeal;
- only authorised staff can input amendments and all new entries are checked independently and evidenced;
- authorised staff change their passwords in line with pre-determined passwords and where staff leave their access is suspended;

1. Management Summary

Objectives of the Audit (continued)

- all deletions are properly authorised by a Valuer or Senior Valuer and there are procedures in place to ensure that staff do not make alterations to any properties on the Roll in which they have an interest; and
- a Valuation Notice is produced and sent out to the responsible party in line with legal requirements and any subsequent appeals are lodged within six months of the Valuation Notice being issued.

Audit Approach

From discussion with relevant staff, and review of procedural documentation, we identified the key internal controls in place within the non domestic rates valuation and appeals systems and compared these with expected controls. Audit testing was then carried out to ensure that the controls in place were operating effectively.

Action Plan

This report sets out detailed improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

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

Overall Conclusion

In relation to our specific objectives, assurance has been obtained that the internal controls in place are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation Roll. However we have identified some areas, mainly in relation to the efficient use of the Board's systems, where further improvements can be made.

Although we did not identify any control weaknesses during our testing we did note that there are variances in the way in which the Board's internal controls are applied across the offices with some being more robust than others. We have therefore recommended that the system of checking the Rolls of Change in place at the Perth office be implemented across all three offices to reduce the risk of self review of changes being applied.

Reasonable assurance was obtained that the Valuation Roll is an accurate, comprehensive and up-to-date record of all non domestic properties in Tayside. Additions, deletions and alterations to the Valuation Roll are appropriately controlled and verified.

1. Management Summary

Overall Conclusion (continued)

Appeal cases are logged on receipt and, from our sample testing, they have all been dealt with timeously.

Generally there is an adequate level of segregation of duties between identification of changes in value to the Valuation Roll and the input of amendments on the Valuation Roll.

Summary of Main Findings and Recommendations

There does not appear to be a standard layout for Valuation reports completed by the Valuers. These appear to vary in style and layout depending on which valuer completed the report and it is not always easy to correlate the rateable value figure on the valuer's report to information held in other parts of the file or valuation system. Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.

Our testing at the Forfar office noted that information on the monetary movement resulting from appeals was not recorded on several of the VC1 cards tested in our sample. Staff should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures in this area.

The system of checking the Rolls of Change in the Perth office is more robust than that favoured by the Dundee and Forfar offices and consideration should be given to implementing these procedures across all of the offices.

Discussions with staff and review of documentation noted that there is no formal requirement for staff to complete a return listing any properties in which members of staff may have a personal interest in. However staff have been advised by management not to make alterations to any non domestic properties in which they have a personal interest. Recommendations in this area have been raised in previous internal audit reviews but to date have not been implemented. We recognise the difficulties that exist in establishing a complete database of properties that members of staff, or their families, have an interest in, however management may again wish to consider establishing procedures whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.1	Valuations R1 Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.	C		Y	Assistant Assessor Perth & Kinross	September 2012
1.2	R2 Staff in the Forfar office should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures, including recording the extent of any monetary difference between the original value and the proposed amended valuations.	B		Y	Assistant Assessor Angus	May 2012
2.2	Roll of Change R3 To reduce the risk of self-review of changes being applied to the Roll of Change (RoC), and to strengthen controls already in place, consideration should be given to implementing the system of checking of the RoC which is in place at the Perth office across all offices.	B		Y	Depute Assessor	July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3.2	Appeals R4 Discussions should be held with the IT Team to determine the feasibility of setting up hyperlinks from the information on the appeals and valuations systems which takes the user directly to the related supporting evidence held within the document library or other screens.	C	The appeals system does already include a facility to link to appeal letters held in the document library. Further review of all systems will be undertaken to consider the feasibility of the recommendation.	Y	Depute Assessor	December 2012
4.1	Deletions / Amendments R5 Consideration should be given to establishing a procedure whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest. Reports should be extracted from the system periodically and checks performed to ensure that the staff members are not carrying out valuations or processing amendments on these properties.	B		Y	Depute Assessor	July 2012

3. Main Report

1. Valuations

1.1 Observation

Our testing included selecting a random sample of 93 VC1 cards, from across each of the three offices, 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 however we noted that there does not appear to be a standard layout for Valuation reports completed by the Valuers. These appear to vary in style and layout depending on which valuer completed the report and it is not always easy to correlate the rateable value figure on the valuer's report to information held in other parts of the file or valuation system.

Risk

Audit trail is incomplete as no formal conclusion on the valuer's report stating the final rateable value, which correlates to evidence in other parts of the subject file, may make it difficult for a reviewer to verify the accuracy of findings.

Recommendation

R1 Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.

Benefit

Audit trail will be improved at all offices and consistency will be applied throughout.

1.2 Observation

The Non Domestic Rating *General Outline of Procedures* state that once a Valuer has amended a valuation on screen or by way of spreadsheets or manually a VC1 card must be completed by the Valuer. The procedures indicate the required details which must be recorded on the VC1 cards which include showing the extent of the monetary difference between the original value and the proposed amended valuation. This assists in reconciling the weekly additions and deductions of value to the valuation roll. Our testing noted that at both Dundee and Perth offices this information was recorded on all of the VC1 cards in our sample; however we identified in Forfar four VC1 cards completed in relation to appeals resulting in changes in the rateable value where the monetary movement was not shown.

Risk

VC1 cards are not being completed in line with the Board's procedures.

Recommendation

R2 Staff should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures, including recording the extent of any monetary difference between the original value and the proposed amended valuations.

Benefit

VC1 cards are completed in line with the Board's procedures.

2. Roll of Change

2.1 The Non Domestic Rating *General Outline of Procedures* recommends that the weekly checking of VC1 cards against the Roll of Change is carried out by both Senior Valuers and Clerical staff with any differences that are highlighted in the checking process identified to the Admin Assistants who will ensure that any necessary corrections are applied to the property database. From the testing that we carried out we are satisfied that this checking is being carried out at all three offices and that the control is operating as expected. However, we did note variations in the checking procedures across the three offices.

3. Main Report

2. *Roll of Change (continued)*

2.2 *Observations*

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

In Perth, one Senior Valuer is assigned each week along with a member of clerical to check all properties on the Roll of Change. There is a team of six Senior Valuers which are rotated every six weeks. Although this isn't a 100% independent review it does reduce the risk of self-review which occurs in the Dundee and Forfar offices. This risk is mitigated slightly through the system of 10% checks of the Roll of Change undertaken by the Assistant Assessor in each office.

Risk

Without adequate independent checking of entries on the weekly Roll of Change errors may arise and go undetected.

Recommendation

R3 To reduce the risk of self-review of changes being applied to the Roll of Change (RoC), and to strengthen controls already in place, consideration should be given to implementing the system of checking of the RoC which is in place at the Perth office across all offices.

Benefit

Good practice will be adopted at all divisions and consistency will be applied throughout.

3. *Appeals*

3.1 We selected a random sample of 33 appeals from across all three offices and ensured that: the appeal was lodged and recorded within the statutory timeframe; the Board had issued an acknowledgment letter to the appellant; an appeals header sheet had been produced; sufficient documents were available to support the appeals and any amended valuation; and that the final header sheet agreed with the final valuation. No exceptions were noted from our testing.

3.2 *Observation*

From our review of the appeals system we noted although the appeals header is automatically generated by the system there is no direct link that takes the user from the appeals screen to the associated appeals letter received from the appellant held in the document library. Where a property had been subject to a number of appeals it was found to be confusing and time consuming attempting to identify the appropriate appeals letter.

Risk

Inefficient use of staff time when matching details on the appeals and valuation system.

Recommendation

R4 Discussions should be held with the IT Team to determine the feasibility of setting up hyperlinks from the information on the appeals and valuations systems which takes the user directly to the related supporting evidence held within the document library or other screens.

Benefit

More efficient use of the Board's systems, saving on staff time.

3. Main Report

4. *Deletions / Amendments*

4.1 *Observation*

Discussions with staff and review of documentation noted that there is no formal requirement for staff to complete a return listing any properties in which members of staff may have a personal interest in. However staff have been advised by management not to make alterations to any non domestic properties in which they have a personal interest. The risk of this occurring is reduced slightly through the checking of the RoC and could be enhanced further by implementing **R1** at 1.2 above.

Recommendations in this area have been raised in previous internal audit reviews but to date have not been implemented. We recognise the difficulties that exist in establishing a complete database of properties that members of staff, or their families, have an interest in, however management may again wish to consider the recommendation below.

Risk

Properties in which members of staff have a personal interest may be inappropriately valued.

Recommendation

R5 Consideration should be given to establishing a procedure whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest. Reports should be extracted from the system periodically and checks performed to ensure that the staff members are not carrying out valuations or processing amendments on these properties.

Benefit

Further assurance will be obtained that property valuations are appropriate for properties in which members of staff have a personal interest.



Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2011/12**

Internal Audit Report No: 2012/07

Draft Issued: 21 May 2012

Final Issued: 21 May 2012



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1. Annual Report and Opinion

- 1.1 We were formally appointed in April 2011 as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. This report summarises the internal audit work performed during 2011/12.
- 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 2010/11 (internal audit report 2011/01, issued April 2011). The ANA was prepared following discussion with the Assessor, several senior Board personnel, the external auditors, Audit Scotland, 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 2010/11 to 2012/13. The ANA was based on the previous internal audit risk assessment updated to reflect changes in the internal and external environment in the intervening period, and our own assessment of the risks faced by the Board. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.
- 1.3 The work undertaken in 2011/12 is set out in the Strategic Plan for 2011/12. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.4 An analysis of time spent against budget is at Section 4. The actual time spent was one day less than budgeted resulting in a small saving of £455 against the agreed fee.

Significant Issues

- 1.5 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, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.6 In our opinion the Board operates adequate and effective internal control systems as defined in the ANA. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current year and an examination of the reports of the previous internal audit service provider, Dundee City Council.



2. Reports Submitted

2012/01	Annual Plan 2011/12
2012/02	Procurement and Creditors / Purchasing
2012/03	IT Network Arrangements
2012/04	Risk Management and Business Continuity Planning
2012/05	Non Domestic Rates (Draft)
2012/06	Follow-up Reviews

3. Summary of Results and Conclusions

2012/01 – Annual Plan 2011/12

Final Issued January 2012

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2012. The plan was based on the proposed allocation of audit days for 2011/12 set out in the ANA and Strategic Plan 2010 to 2013.

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.

2012/02 – Procurement and Creditors / Purchasing

Final Issued March 2012

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 (other operating expenses plus equipment and fixed asset additions).

On the basis of the work done, we obtained reasonable assurance that:

- Although the Board does not have a formal procurement strategy, the Procurement and Purchasing procedures support best value purchasing in relation to non-pay spend;
- Overall procurement procedures in place are appropriate for all levels of expenditure and are generally complied with throughout the organisation;
- On the whole the risk of unauthorised and excessive expenditure is minimised, however, there were instances noted whereby strict adherence to the Procurement and Purchasing procedures and Financial Regulations did not occur;
- The processes in place ensure that all liabilities are fully and accurately recorded; and
- All payments are being properly authorised, processed and recorded.

2012/03 – IT Network Arrangements

Final Issued May 2012

The scope of the audit was to carry out a high-level review of certain key aspects of the IT systems in place within the Board to identify any control weaknesses.

In relation to our specific objectives, assurance has been obtained that internal controls in place ensure the security of the IT network operated by the Board, however we have identified a number of areas, mainly in relation to the Board's IT policies and procedures, where further improvements can be made to ensure that controls are in line with industry recommended best practice, including:

- the servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit;
- access controls to the server room could be further enhanced;
- the Board should develop policies which reflect the Board's current IT environment including a Remote Access IT Policy and the use of mobile computing devices;
- although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is no office manual or in-house guidance notes covering how the IT Team operates; and

3. Summary of Results and Conclusions

2012/03 – IT Network Arrangements (continued)

- the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic did not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware. We therefore recommended that the network diagram be updated.

2012/04 – Risk Management / Business Continuity

Final Issued May 2012

Risk Management

The scope of this audit was to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing.

We found there are corporate procedures in place to identify and assess risk, and controls have been identified to minimise the possibility of unexpected and unplanned situations developing. However there is room to improve and embed risk management processes and to provide a greater level of assurance that risk management is effective.

Business Continuity

We also considered whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

There are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems, however these need to be further tested, with training also provided to increase staff awareness of these.

2012/05 – Non Domestic Rates

Draft issued May 2012

As part of this audit we 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.

In relation to our specific objectives, assurance has been obtained that the internal controls in place are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation Roll. However we have identified some areas, mainly in relation to the efficient use of the Board's systems, where further improvements can be made.

Although we did not identify any control weaknesses during our testing we did note that there are variances in the way in which the Board's internal controls are applied across the offices with some being more robust than others. We have therefore recommended that the system of checking the Rolls of Change in place in the Perth office be implemented across all three offices to reduce the risk of self review of changes being applied.

3. Summary of Results and Conclusions

2012/05 – Non Domestic Rates (continued)

Reasonable assurance was obtained that the Valuation Roll is an accurate, comprehensive and up-to-date record of all non domestic properties in Tayside. Additions, deletions and alterations to the Valuation Roll are appropriately controlled and verified.

Appeal cases are logged on receipt and, from our sample testing, they have all been dealt with timeously.

Generally there is an adequate level of segregation of duties between identification of changes in value to the Valuation Roll and the input of amendments on the Valuation Roll.

2012/06 – Follow-Up Reviews

Final Issued May 2012

We carried out a follow-up review of recommendations made in the following internal audit reports issued during 2010/11:

- Internal Audit Report 2011/03 – General Ledger;
- Internal Audit Report 2011/04 – Payroll;
- Internal Audit Report 2011/05 – Corporate Governance;
- Internal Audit Report 2011/07 – Asset Management; and
- Internal Audit Report 2011/08 – Systems Development.

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

The Board had made good progress in implementing the 20 recommendations contained within internal audit reports listed above with 13 recommendations being assessed as fully implemented. Only six recommendations are assessed as not implemented / partially implemented. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year. One recommendation has been noted as 'no project to trigger action', as it related to Project Management.

The two partially implemented actions in the Corporate Governance report will be implemented when the updated Service Plan is presented to the Board for approval in June 2012.

The Asset Management actions that have not been fully implemented were delayed due to the restructuring of the IT and Administration sections which was not completed until February 2012. It is expected these will be completed in late May 2012.

The partially implemented Systems Development action relates to a review to identify lessons learned following the operation of the new Electoral Registration and Management System for a full year.

4. Time Spent – Budget v Actual

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at May 2012	Days to spend / WIP	Variance
Non Domestic Rates	2012/05	8	-	8	-	-
Financial Issues						
<i>Procurement and creditors / purchasing</i>	2012/02	5	-	5	-	-
Organisational Issues						
<i>Risk management / Business continuity</i>	2012/04	5	-	5	-	-
Information and IT						
<i>IT network arrangements</i>	2012/03	6	-	5	-	(1)
Other Audit Activities						
Liaison with External Audit)	N/A					
Management and Planning)	2012/01	4	-	3	1	-
Attendance at Joint Board)	N/A					
Follow-up Reviews	2012/06	2	-	2	-	-
Total		30	-	28	1	(1)
		=====	=====	=====	=====	=====



5. Operational Plan for 2012/13

- 5.1 Following our appointment as internal auditors for the period from 1 April 2010 to 31 March 2013 we prepared an Audit Needs Assessment and Strategic Plan for 2010 to 2013 (internal audit report 2011/01, issued March 2011).
- 5.2 An extract from the Strategic Plan, in relation to 2012/13 is below, which will be discussed with management, and updated if appropriate before being finalised for next year.

Tayside Valuation Joint Board Strategic Plan 2010/11 to 2012/13

Proposed Allocation of Audit Days

	Planned 12/13 Days
Reputation	
<i>Publicity</i>	
<i>Health and Safety</i>	3
Council Tax	8
Non Domestic Rates	
Electoral Register	4
Staffing Issues	
<i>Recruitment and retention / HR policies</i>	
<i>Payroll</i>	
Estates and Facilities	
<i>Asset management</i>	
Financial Issues	
<i>Budget setting / budgetary control</i>	
<i>General ledger</i>	4
<i>Procurement and creditors / purchasing</i>	
<i>Debtors / income</i>	
<i>Cash & bank / Treasury management</i>	
Organisational Issues	
<i>Risk management / Business continuity</i>	
<i>Corporate governance and control environment</i>	
<i>Corporate planning</i>	5
Other Audit Activities	
Management and Planning)	4
External audit)	
Attendance at audit committees)	
Follow-up reviews	2
ANA	
Total	30
	=====

Appendix 1



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Follow Up
2011/12**

Internal Audit Report No: 2012/06

Draft Issued: 8 May 2012

Final Issued: 14 May 2012



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1. Management Summary

Introduction and Background

We have been appointed as Internal Auditors to Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. The Internal Audit Plan for 2011/2012 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2010/2011. These were:

2011/03 – General Ledger;
2011/04 – Payroll;
2011/05 – Corporate Governance;
2011/07 – Asset Management;
2011/08 – System Development.

Reports 2011/01, 2011/02, 2011/06 and 2011/09, did not contain an action plan and therefore no follow-up was required as part of this review. There were no outstanding actions from 2009/2010.

Audit Scope and Objectives

The objective of our follow-up review will be to assess whether recommendations made in our internal audit reports in 2010/11 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 Audit Committee.

Overall Conclusion

The Board has made good progress in implementing the 20 recommendations contained within internal audit reports listed above with 13 recommendations being assessed as fully implemented. Only six recommendations are assessed as not implemented / partially implemented. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year. One recommendation has been noted as 'no project to trigger action', as it related to Project Management.



1. Management Summary

<i>From Original Reports</i>			<i>From Follow-Up Work Performed</i>			
Area	Recommendation Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Project To Trigger Action
General Ledger	Critical	-	-	-	-	-
	Significant	-	-	-	-	-
	Routine	1	1	-	-	-
Payroll	Critical	-	-	-	-	-
	Significant	-	-	-	-	-
	Routine	2	2	-	-	-
Corporate Governance	Critical	-	-	-	-	-
	Significant	5	3	2	-	-
	Routine	1	1	-	-	-
Asset Management	Critical	-	-	-	-	-
	Significant	4	3	-	1	-
	Routine	4	2	1	1	-
System Development	Critical	-	-	-	-	-
	Significant	1	-	-	-	1
	Routine	2	1	1	-	-
Total		20	13	4	2	1

The two partially implemented actions in the Corporate Governance report will be implemented when the updated Service Plan is presented to the Board for approval in June 2012.

The Asset Management actions that have not been fully implemented were delayed due to the restructuring of the IT and Administration sections which was not completed until February 2012. It is expected these will be completed in May 2012.

The partially implemented Systems Development action relates to a review to identify lessons learned following the operation of the new Electoral Registration and Management System for a full year.

Acknowledgements

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



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>General Ledger 2011~03</p> <p>Trial Balance and Control Account Reconciliations</p> <p>R1 Regular control account reconciliations, prepared by the Council, should be submitted to the Assessor and reviewed to ensure any variances are investigated timeously.</p>	C	Purchase Ledger Control Account, Sales Ledger Control Account and Payroll Control Account Reconciliations will be submitted to the Assessor on a monthly basis.	Yes	Treasurer	31 August 2011	<p>Purchase Ledger Control Account reconciliations are now submitted to the Board on a weekly basis.</p> <p>Sales Ledger Control Account and Payroll Control Account Reconciliations are now submitted to the Assessor on a monthly basis.</p> <p>Fully Implemented</p>
<p>Payroll 2011~04</p> <p>Standing data</p> <p>R1 A formal documented process should be established for the updating of employee standing data to ensure that information is updated correctly and in a timely fashion. The Assessor should then review any payroll changes, such as changes to bank details.</p>	C		Yes	Assessor	31 December 2011	<p>Completed</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p><i>Payroll 2011~04 (continued)</i></p> <p><i>Authorisation of the Payroll Runs</i></p> <p>R2 The Assessor should review the draft payroll run after the Administration Manager and Administrative Assistant complete their checking of the payment details and the Assessor should authorise the final payroll run.</p>	C	Following the recent retiral of the Administration Manager, a review of the staff structure is currently underway. While it is agreed that this recommendation should be actioned, a date of December 2011 has been input for final completion of this matter in order to allow time to consider which postholders will be involved in the process once the new staff structure is established.	Yes	Assessor	31 December 2011	<p>Completed.</p> <p>The Assessor reviews and authorises the final payroll run.</p> <p><i>Fully Implemented</i></p>
<p><i>Corporate Governance 2011~05</i></p> <p>R1 The Board should establish a clear mission and vision and include statements within the Service Plan.</p>	B		Yes	Assessor	December 2011	<p>These are to be included in an updated Service Plan which is to be presented to the Board for approval in June 2012.</p> <p><i>Partially Implemented</i></p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Corporate Governance 2011~05 (continued)</p> <p>R2 The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Boards strategic aims.</p>	B		Yes	Assessor	On-going	<p>An updated Service Plan is to be presented to the Board in June 2012 and reviewed annually.</p> <p>Partially Implemented</p>
<p>R3 The code of corporate governance should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board.</p>	B		Yes	Assessor	October 2011	<p>Completed.</p> <p>Fully Implemented</p>
<p>R5 The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.</p>	B		Yes	Depute Assessor	December 2011	<p>The Risk Register has been updated to include reference to the Service Plan.</p> <p>The Business Continuity Plan and Risk Register are reviewed and monitored at regular meetings of the Assessor's Governance Group.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Corporate Governance 2011~05 (continued)</p> <p>R6 The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan.</p>	B		Yes	Depute Assessor	December 2011	Completed. Fully Implemented
<p>R7 In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation's website.</p>	C	The plan is available on the website through the Minutes of the Board meetings. However, it is agreed that it should be made more easily accessible.	Yes	Depute Assessor	Immediate	Completed. Fully Implemented
<p>Asset Management 2011~07</p> <p>General</p> <p>R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.</p>	C		Yes	Assessor	December 2011	Administration restructure was not completed until February 2012. Review of most procedures has been completed. Review and updating of all procedures will be completed by May 2012. Partially Implemented



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Recording of assets</p> <p>R2 A copy of the reconciliation of the Board's Asset Register and the FAR prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.</p>	B		Yes	Treasurer	December 2011	<p>The registers prepared by the Council and the Board are now reconciled.</p> <p>Fully Implemented</p>
<p>R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.</p>	B		Yes	Administration Manager	December 2011	<p>Delayed due to administration restructure.</p> <p>The Administration Manager is to carry out a check in April 2012 and annually thereafter.</p> <p>Fully Implemented</p>
<p>R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.</p>	C		Yes	Administration Manager	December 2011	<p>Completed.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Maintenance of Assets</p> <p>R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.</p>	B		Yes	Depute Assessor	December 2011	<p>This has been delayed due to the restructuring of the IT and Administration Sections. Will be completed by May 2012.</p> <p><i>Little or No Progress Made</i></p>
<p>Asset Disposal</p> <p>R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.</p>	C		Yes	Depute Assessor	December 2011	<p>This has been delayed due to the restructuring of the IT and Administration Sections. Will be completed by May 2012.</p> <p><i>Little or No Progress Made</i></p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>R7 The Fixed Asset Register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.</p>	B		Yes	Treasurer	December 2011	<p>The Fixed Asset Register maintained by the Council now mirrors asset references in the Board's asset register and is fully populated.</p> <p>A reconciliation of all movements, including disposals has been prepared and entries made in the Board and the Council asset registers to ensure registers reconcile.</p> <p>Entries to remove assets that are fully depreciated will now only be processed if the asset is no longer in use at the Board. Otherwise the asset will remain on the register at nil value.</p> <p>Fully Implemented</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p>Asset Management 2011~07 (continued)</p> <p>Capital approved process</p> <p>R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.</p>	C		Yes	Treasurer	December 2011	<p>Budget to actual spend is monitored on a monthly basis (as part of the Revenue Monitoring process). This monitoring information is prepared by the Council and reviewed by the Board.</p> <p>Fully Implemented</p>
<p>System Development 2011~08</p> <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	On-going	<p>No large scale projects have been undertaken since the last audit.</p> <p>The recommendations will be implemented as required in any future projects.</p> <p>No Project To Trigger Action</p>



2. Updated Action Plan

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012
<p><i>System Development 2011~08 (cont'd)</i></p> <p>R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.</p>	C		Yes	Assessor	December 2011	Group remits have been reviewed and updated. <i>Fully Implemented</i>
<p><i>Post Implementation Review</i></p> <p>R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.</p>	C		Yes	Depute Assessor	March 2012	Discussed at meeting of Electoral Registration Working Group on 8 February 2012 and to be followed up at future meetings. <i>Partially Implemented</i>

Appendix 2



HENDERSON LOGGIE
Chartered Accountants

Tayside Joint Valuation Board

**Procurement and Creditors / Purchasing
2011/12**

Internal Audit Report No: 2012~02

Draft Issued: 28 February 2012

Final Issued: 21 March 2012



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1. Management Summary

Introduction

As part of our Internal Audit Programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the procurement strategy and purchasing and payment arrangements in place within the Board. The Audit Needs Assessment, issued in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and Assessor that the control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

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 (other operating expenses plus equipment and fixed asset additions).

Objectives of the Audit

The specific objectives of the audit were to ensure that:

- Procurement procedures support best value purchasing in relation to non-pay spend;
- Procurement procedures are appropriate for all levels of expenditure and are complied with throughout the organisation;
- The risk of unauthorised and excessive expenditure is minimised;
- All liabilities are fully and accurately recorded; and
- All payments are properly authorised, processed and recorded.

Audit Approach

From discussions with relevant staff, we established the procurement strategies, procedures and monitoring arrangements that are currently in place. These were evaluated to establish if they follow recognised good practice. We established whether the expected key controls are in place and operating effectively by reference to CIPFA (the Chartered Institute of Public Finance and Accountancy) standard control risk assessment templates for a creditors system.

Specifically, we established whether the procurement procedures ensure that areas of high spend are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements are utilised where appropriate.

A sample of items of expenditure was selected from the financial ledger and tested to ensure compliance with the Board's Financial Regulations and Procedures.



1. Management Summary

Action Plan

This report sets out six improvement actions, which are considered necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for the implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

- A Fundamental issues which require the consideration of the Board
- B Significant matters which the Assessor and Senior Management can resolve
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

On the basis of the work done, we obtained reasonable assurance that:

- Although the Board does not have a formal procurement strategy, the Procurement and Purchasing procedures support best value purchasing in relation to non-pay spend.
- Overall procurement procedures in place are appropriate for all levels of expenditure and are generally complied with throughout the organisation.
- On the whole the risk of unauthorised and excessive expenditure is minimised, however, there were instances noted whereby strict adherence to the Procurement and Purchasing procedures and Financial Regulations did not occur.
- The processes in place ensure that all liabilities are fully and accurately recorded.
- All payments are being properly authorised, processed and recorded.

Summary of Main Findings and Recommendations

The Board has recently undergone a period of restructuring. This involved a number of posts being made redundant and some new posts created. The Board's Procurement and Purchasing procedures have not been reviewed or updated since March 2008 and consequently do not reflect the Board's new structure and authorisation levels. A recommendation has been made that these procedures are reviewed and updated where appropriate every two years or following a major change. They should also be reviewed to ensure that details in regard to the Divisional Offices are still relevant.

To ensure best value, purchase orders between £1,000 and £10,000 require three quotes from different suppliers to be obtained. Purchases exceeding £10,000 must follow the tendering process. The Financial Regulations state that when these conditions are not complied with, the reasons should be documented. Testing revealed that this is not being adhered to and a recommendation to ensure that this is undertaken in the future has been made.



1. Management Summary

Summary of Main Findings and Recommendations (continued)

The Board follows Dundee City Council's (DCC) tendering process and Tendering Procedures have been adapted from those used by DCC. These were last revised in 2005. The Assessor advised that these thresholds are still valid. We reviewed the thresholds to ensure that they were reasonable and still valid and reasonable and concluded that they are. The thresholds are as follows; where orders for goods and services exceed £10,000 tenders shall be invited unless the Clerk to the Board decides it would not be justified; tenders up to £25,000 do not require Board approval and tenders in excess of £25,000 do.

A Service Level Agreement (SLA) is in place between DCC and the Board to maintain their purchase and general ledgers and process purchase ledger payments. The Administration Manager at the Board maintains an excel cashbook to track committed and actual expenditure for budgetary purposes. Budget Holders are required to contact the Administration Manager to confirm that there is sufficient money remaining within a particular budget area prior to placing an order. There is no documented evidence of this occurring and it is recommended that staff email or follow up verbal confirmations with an email. This should be printed and attached to the purchase order.

It was also noted that the cashbook maintained at the Board is not verified against the general ledger maintained by DCC. Management explained that due to timing differences and posting of items directly from bank statements to the cashbook that it would be too time consuming and would not add any value. However DCC provide the Board with Revenue Monitoring spreadsheets and detailed Civica Financials Management Reports on a monthly basis. Through this process all expenditure codes are reviewed by both DCC and the Board to confirm that invoices have been coded accurately for budgeting purposes.

From our review of the processes in place at the Board and the detailed testing carried out on a sample of orders, delivery notes and invoices to ensure that all liabilities are fully and accurately recorded we are satisfied that the processes are robust. No issues were noted and therefore no recommendations have been made in this area.

Administrative employees at the Board authorise and post invoices into a creditors' interface of the Council's financial system. The Council perform weekly payment runs and provide a 'pre' and 'post' payment report to the Board. From a sample of payments selected for detailed testing we are satisfied that payments are properly authorised, processed and recorded. No issues were noted and therefore no recommendations have been made in this area.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
1.2	<p>1. Achieving Best Value</p> <p>R1 Good practice suggests that the Purchasing and Procurement procedures should be reviewed and updated on at least an annual basis, however given the size of the Board every two years or when a major change, such as the recent restructure, takes place would be sufficient.</p>	B		Y	Administration Manager	March 2012
1.5	<p>R2 Consideration should be given to try to focus on the consistently lower priced suppliers and perhaps one other to ensure that best value is being obtained for IT purchases.</p>	C		Y	IT Administrator	March 2012 and ongoing
1.7	<p>R3 Reference should be made within the Procurement and Purchasing procedures where orders exceed £10,000 to refer to the Tendering Procedures.</p>	C		Y	Administration Manager	March 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.2	2. Compliance with Procedures R4 In accordance with the Financial Regulations staff should be reminded to document decisions as to why three quotes for goods/services are not being obtained or why the tendering process is not being followed.	C		Y	Administration Manager	March 2012
3.3	3. Risk of Unauthorised and Excessive Expenditure R5 Given the new Divisional structures the Purchasing and Procurement procedures should be reviewed to ensure that they are still relevant.	B		Y	Administration Manager	March 2012
3.5	R6 Budget Holders should evidence that they have contacted the Administration Manager to obtain and confirm budgetary information and substantiate that approval has been given. This could be by annotating the order or by following up with an email which could be printed and attached to the purchase order.	B		Y	Administration Manager Budget Holders	March 2012

3. Main Report

1. Achieving Best Value

1.1. The Board does not have a formal Procurement Strategy however it has Purchasing and Procurement procedures. These procedures have not been reviewed or updated since March 2008.

1.2. *Observation*

The Board has recently undergone a period of restructuring and from this a number of posts have been made redundant and some new posts created. The Purchasing and Procurement procedures have not been updated to reflect the new posts and their authorisation levels.

Risk

As procedures are not up to date, approval levels for each post is unclear.

Recommendation

R1 Good practice suggests that the Purchasing and Procurement procedures should be reviewed and updated on at least an annual basis, however given the size of the Board every two years or when a major change, such as the recent restructure, takes place would be sufficient.

Benefit

All employees are aware of their approval levels.

1.3. The procedures state that orders between £1,000 and £10,000 require three quotations to be obtained from different suppliers. The decision as to which supplier to use is based on best value. It was noted from discussions with staff that as the goods/services are the same from each supplier, best value is deemed to be the cheapest option.

1.4. A sample of 15 purchase invoices was selected and agreed to their respective purchase orders, ensuring that for those between £1,000 and £10,000 three quotations were obtained. Testing revealed that this process is not always being adhered to. Various examples of where three quotes were not obtained include where there are limited suppliers or where a supplier was selected due to their location. Explanations obtained from staff for these exceptions were accepted as reasonable. However we found one case where far more quotes were obtained than the procedures required.

1.5. *Observation*

It was noted during testing that the IT department obtained ten quotations for one purchase order. Discussions with IT noted that there are generally two or three suppliers who quote consistently cheaper.

Risk

Inefficiencies could arise within the procurement process

Recommendation

R2 Consideration should be given to try to focus on the consistently lower priced suppliers and perhaps one other to ensure that best value is being obtained for IT purchases.

Benefit

The procurement process is more efficient.

3. Main Report

1. Achieving Best Value (continued)

1.6. Tendering procedures require to be undertaken for orders exceeding £10,000. The Procurement and Purchasing procedures do not make any reference to this.

1.7. *Observation*

The Procurement and Purchasing procedures do not detail the process to be followed in the event an order exceeds £10,000.

Risk

Board procedures are not being adhered to as employees are unaware of tender thresholds.

Recommendation

R3 Reference should be made within the Procurement and Purchasing procedures where orders exceed £10,000 to refer to the Tendering Procedures.

Benefit

All employees are aware of the Board's tendering thresholds and procedures.

1.8. The Board follows the DCC tendering process and has adapted Tendering Procedures covering the process used by DCC. These were last updated in 2005. The Assessor advised that the thresholds within the Tendering Procedures were still valid.

1.9. We reviewed the thresholds within the Tendering Procedures to ensure that these were still reasonable and valid and concluded that they were. The thresholds are as follows; where orders for goods and services exceed £10,000 tenders shall be invited unless the Clerk to the Board decides it would not be justified; tenders up to £25,000 do not require Board approval and tenders in excess of £25,000 do.

1.10. The Board is a member of the Tayside Procurement Consortium however we were advised that given the minimal level of purchases being made this resource is not being used.

3. Main Report

2. *Compliance with Procedures*

- 2.1. During the financial year 2011/12, the Board has not been required to follow the tendering process for any purchases. A report detailing all payments exceeding £10,000 was obtained from the financial system. These were reviewed to verify that there had been no requirement to undertake the tendering procedures. The amounts tested related to utilities (insurance, rent and rates), the SLA with DCC, strain on the fund pension payments and Board's surplus payments to the Councils. The latter amounts were agreed to various supporting documents to verify that appropriate senior Board approval had been obtained given that there are no purchase orders in place for these types of expenditure.
- 2.2. The Financial Regulations state that “...where procedure and tendering procedures are not complied with reasons for the departure should be clearly stated thereon”.

Observation

The reasons for non-conformance with the procedures for those tested within the sample were found to be reasonable; however they had not been documented in accordance with the Financial Regulations.

Risk

Best value for money may not always be achieved.

Recommendation

R5 In accordance with the Financial Regulations staff should be reminded to document decisions as to why three quotes for goods/services are not being obtained or why the tendering process is not being followed.

Benefit

This would ensure that there is documented evidence to demonstrate that best value is being considered as part of the procurement process.

3. Main Report

3. *Risk of Unauthorised and Excessive Expenditure*

3.1. The Procurement and Purchasing procedures specify the posts which have the authority to raise purchase orders and their respective limits. As noted per point 1.2 of this report, these have not been updated since March 2008 and consequently do not reflect the current Board structure and authorisation levels. Should the recommendation from this point be implemented this would resolve this issue.

3.2. A sample of 15 purchase invoices was selected and agreed to their purchase orders. It was found that all but one followed procedures.

3.3. *Observation*

The Procurement and Purchasing procedures state that purchase orders can be raised at the Divisional Offices. It details that only purchase orders relating to "...routine items such as stationery...may be raised". The sample tested revealed that non-routine electrical testing was approved by a Principal Valuer within the Perth & Kinross Division.

Risk

Procedures are not being adhered to and unauthorised expenditure could be occurring.

Recommendation

R6 Given the new Divisional structures the Purchasing and Procurement procedures should be reviewed to ensure that they are still relevant.

Benefit

The risk of unauthorised expenditure is minimised.

3.4. Prior to placing an order, the member of staff must consult the Administration Manager to ensure that there is enough money remaining with the appropriate budget area. There is no evidence to verify that this process is occurring.

3.5. *Observation*

There is no documented evidence that Budget Holders are contacting the Administration Manager prior to ordering goods/services, to ensure that there is sufficient money remaining within the appropriate budget area.

Risk

Budget Holders order goods/services for which there is no budget remaining.

Recommendation

R7 Budget Holders should evidence that they have contacted the Administration Manager to obtain and confirm budgetary information and substantiate that approval has been given. This could be by annotating the order or by following up with an email which could be printed and attached to the purchase order.

Benefit

The risk of overspending is reduced.



3. Main Report

3. *Risk of Unauthorised and Excessive Expenditure (continued)*

- 3.6. Divisional Offices copy their purchase orders and forward them to the Administration Manager. All orders are input into an excel spreadsheet cashbook. To demonstrate that they are committed expenditure not actual, they are input in blue text. This ensures that for budgeting purposes, both committed and actual expenditure is known. It also ensures that liabilities relating to goods ordered not yet invoiced are recorded.
- 3.7. DCC are responsible for managing the Board's ledger, however no reconciliation is performed between the cashbook and the general ledger information provided to the Board, as due to timing differences and the posting of items directly from the bank statements onto the spreadsheet it is considered by management that it is too time consuming and would not add value. However DCC provide the Board with Revenue Monitoring spreadsheets and detailed Civica Financials Management Reports on a monthly basis. Through this process all expenditure codes are reviewed by both DCC and the Board to confirm that invoices have been coded accurately for budgeting purposes.

Appendix 3



Tayside Valuation Joint Board

**IT Network Arrangements
2011/12**

Internal Audit Report No: 2012/03

Draft Issued: 11 May 2012

Final Issued: 18 May 2012



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1. Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the Board's information technology (IT) network arrangements and its compliance with user licence requirements. The Audit Needs Assessment identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Responsibility for ensuring an efficient and effective Information and Communications Technology (ICT) service delivery to all staff within Board lies with the Board's IT Team. This includes first level support over some of the main application systems used in the provision and maintenance of user access to the network. The IT Team is also responsible for purchasing and maintaining the servers upon which the applications are housed, the personal computers (PCs) and laptops used by staff and the network which connects them.

Scope of the Audit

The scope of the audit was to carry out a high-level review of certain key aspects of the IT systems in place within the Board to identify any control weaknesses.

Objectives of the Audit

The objective of this audit was to obtain reasonable assurance that internal controls in place ensure the security of the IT network operated by the Board.

Audit Approach

Our approach was based upon the Internal Control Questionnaires ('ICQs') provided by the Chartered Institute of Public Finance and Accountancy ('CIPFA'); guidance provided by the Control Objectives for Information and related Technology ('COBIT') standard issued by the IT Governance Institute ('ITGI'); discussion with staff; review of relevant documentation; and observation, covering the following areas:

- File Controls;
- PC Controls;
- Network Controls;
- Internet Controls;
- Physical and Environmental Controls; and
- Compliance with user licence requirements.

1. Management Summary

Action Plan

This report sets out detailed improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

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

Overall Conclusion

In relation to our specific objectives, assurance has been obtained that internal controls in place ensure the security of the IT network operated by the Board, however we have identified a number of areas, mainly in relation to the Board's IT policies and procedures, where further improvements can be made to ensure that controls are in line with industry recommended best practice. From feedback received from IT staff, we recognise that there is an overall awareness of the position and a will to address this.

Summary of Main Findings and Recommendations

Some weaknesses were identified during our audit in relation to the physical and environmental controls over the Board's server rooms. It is recognised that budget constraints mean that it is not feasible for the Board to consider installing an automatic fire suppression system at this time however we have made a small number of recommendations to enhance access controls and in relation to the positioning and effectiveness of air-conditioning units.

Through discussion with IT staff we found the network to be in good health, well designed and well managed by an experienced IT Team who have worked with and developed the Board's systems over many years. However we could not determine if the servers appear to be well configured and kept up-to-date or if a well-designed and consistent approach has been applied to backup policies, email scanning and flow and virus protection due to a lack of available documentation. Although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is no office manual or in-house guidance notes covering how the IT Team operates.

Our review noted that the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic does not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware.

System audit logs are performed on an ad hoc basis and this should be made more formal to ensure regular review for unusual activity.

An Acceptable Use Policy is in place however this should be revised to fully represent the Board's present ICT environment particularly the recent issuing of tablet devices to Board staff.



1. Management Summary

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.1	Physical and Environmental Controls R1 The servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit.	B	Servers will be repositioned to ensure that there is no possibility of equipment being damaged	Y	IT Manager	31 May 2012
1.2	R2 As a minimum the Board should ensure that server rooms at each of the offices remain locked at all times. Further consideration should also be given to installing a suitable entry system for gaining access to the server rooms at Perth and Forfar which can be easily controlled. Options include code locks and electronic access cards. Whichever system is put into place, controls over access need to be implemented to handle staff changes and the monitoring of access.	B		Y	IT Manager Assistant Assessors, Angus and Perth & Kinross	31 July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.3	<p>Network Infrastructure</p> <p>R3 Draw up and disseminate an IT office manual which includes clear and concise policies and procedures on key areas covered by IT such as:</p> <ul style="list-style-type: none">• a file management policy or procedure;• an IT security policy that covers file controls;• an access control policy;• a password management policy;• change control procedures including reviewing, approving, testing and implementing network upgrades and patches;• a firewall policy including configuration and settings; and• an up-to-date network map. <p>Note that this list is not exhaustive and that the IT Team should ensure that a comprehensive list of procedures is drawn up which reflects its activities.</p>	B		Y	IT Manager	31 October 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.4	<p>R4 The network schematic should be updated to include the:</p> <ul style="list-style-type: none">• location of network routers and switches;• details of the number of workstations and their locations;• firewall server; and• communication links between servers and other hardware.	B		Y	IT Manager	30 June 2012
3.1	<p>Logical Access</p> <p>R5 A log file record should be established to record events such as:</p> <ul style="list-style-type: none">• Failed log-on attempts;• Failed file access attempts;• Account additions, changes and deletions;• Changes to system security configurations; and• Access to critical data files. <p>The IT Team should ensure that this record is regularly reviewed and appropriate action is taken.</p>	B		Y	IT Manager	31 July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
4.1	<p>Acceptable Use Policy</p> <p>R6 The <i>Security of Information Technology Systems</i> guidance should be reviewed to ensure it properly reflects the Board's current IT operation, in particular its use of tablet devices. This should cover:</p> <ul style="list-style-type: none">• Security of the devices;• Updating of any protection software in place;• Connection to third party networks; and• Data encryption.	B		Y	IT Manager	31 May 2012

3. Main Report

1. *Physical and Environmental Controls*

1.1 *Observation*

Within the Dundee server room several servers and other hardware are situated directly below an air conditioning unit. Discussions with the IT Team noted that there have been reported incidents in the past where water has leaked from the air conditioning unit.

Risk

Air-conditioning units are prone to water leaks. Should this happen in the current setup the Board may experience damage to its equipment and power infrastructure as well as data loss.

Recommendation

R1 The servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit.

Benefit

Reducing the risk of water leaking onto the servers and power cabling will help protect the Board's equipment and data from damage or loss in the event of an incident.

1.2 *Observation*

The server room located in the Dundee office is accessed by a key pad and key lock entry systems. The server rooms in both the Perth and Forfar offices are accessed by simple key locks only. At the time of our audit visit to the Perth office we noted that the server room was unlocked. On further discussion with staff it was also noted that staff at the Perth office stated that they had been instructed by the IT department to keep the server room unlocked.

Risk

There could be unauthorised access to the server rooms.

Recommendation

R2 As a minimum the Board should ensure that server rooms at each of the offices remain locked at all times. Further consideration should also be given to installing a suitable entry system for gaining access to the server rooms at Perth and Forfar which can be easily controlled. Options include code locks and electronic access cards. Whichever system is put into place, controls over access need to be implemented to handle staff changes and the monitoring of access.

Benefit

By ensuring that access to the server room is suitably controlled, the risk of unauthorised access will be reduced.

- 1.3 The server rooms in each of the offices contain a fire alarm linked to the Board's fire detection system which is monitored centrally. However, with the exception of fire extinguishers located inside or near the server rooms, no fire suppression equipment is located within the server room itself. The lack of an automated fire suppression system increases the risk of fire spreading from the server room to other parts of the building, particularly during non-working hours. Fire damage may lead to injury to Board personnel, data loss and equipment damage. We recognise that due to a lack of funding available at the present time it may not be feasible for the Board to consider installing a suitable fire suppression system within the server rooms. However, the Board may wish to consider this requirement when developing capital plans in the future.

3. Main Report

2. Network Infrastructure

2.1 Our review found that although appropriate network infrastructure appears to be in place there is a general lack of documented policies and procedures with the Board currently relying on the knowledge of IT staff and this is an area which could be improved.

2.2 Through discussion with IT staff we found the network to be in good health, well designed and well managed by an experienced IT Team who have worked with and developed the Board's systems over many years. However we could not determine if the servers appear to be well configured and kept up-to-date or if a well-designed and consistent approach has been applied to backup policies, email scanning and flow, virus protection, firewalls and general network maintenance due to a lack of available documentation.

2.3 *Observation*

Although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is a lack of office manual or in-house guidance notes covering how the IT Team operates. In particular, there is the need for clear and concise policies and procedures to be drawn up which would include for example:

- a file management policy or procedure;
- an IT security policy that covers file controls;
- an access control policy;
- a password management policy;
- change control procedures including reviewing, approving, testing and implementing network upgrades and patches;
- a firewall policy including configuration and settings; and
- an up-to-date network map.

Risk

Without an overview of the main roles, responsibilities and processes of the different parts of the IT Team there may be a lack of understanding by staff of what others in the team do and leading to gaps in responsibility.

Recommendation

R3 Draw up and disseminate an IT office manual which includes clear and concise policies and procedures on key areas covered by IT such as:

- a file management policy or procedure;
- an IT security policy that covers file controls;
- an access control policy;
- a password management policy;
- change control procedures including reviewing, approving, testing and implementing network upgrades and patches;
- a firewall policy including configuration and settings; and
- an up-to-date network map.

Note that this list is not exhaustive and that the IT Team should ensure that a comprehensive list of procedures is drawn up which reflects its activities.

Benefit

A clear understanding of Board policy and procedures, and the roles and responsibilities of the IT Team will be developed.

3. Main Report

2. Network Infrastructure (continued)

2.4 Observation

Our review noted that the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic does not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware.

Risk

The network schematic does not accurately represent the Board's IT network structure.

In the event of a major disaster affecting the Board's IT services the IT Team may find it difficult to rebuild the network structure and therefore fully restore IT capabilities.

Recommendation

R4 The network schematic should be updated to include the:

- location of network routers and switches;
- details of the number of workstations and their locations;
- firewall server; and
- communication links between servers and other hardware.

Benefit

The network schematic is up to date and accurate.

- 2.5 Our review noted that under the previous IT Manager, key IT tasks and operations of the Board were not always documented and recorded and where they were these appear to be minimal. The current IT Team have identified this as an area of weakness and during our interviews demonstrated a willingness to make improvements with the team planning to undertake a full review of the existing IT processes, when resources allow, which would include streamlining and documenting processes where required.

3. Logical Access

3.1 Observation

The IT Team has not established set procedures and standards for configuring the system audit log facilities. Any audit logs are performed on an ad hoc basis. As a result there is no regular review for any attempted breaches of network security. Although the Board mitigates this risk through password controls it is accepted good practice to ensure that audit logs are maintained and regularly reviewed. It is recognised that the ad hoc reviews carried out to date have not highlighted any issues.

Risk

Without regular reviews the security of the Board network may be undermined by unauthorised users.

3. Main Report

3. *Logical Access (continued)*

Recommendation

R5 A log file record should be established to record events such as:

- Failed log-on attempts;
- Failed file access attempts;
- Account additions, changes and deletions;
- Changes to system security configurations; and
- Access to critical data files.

The IT Team should ensure that this record is regularly reviewed and appropriate action is taken.

Benefit

The Board network security will be improved.

4. *Acceptable Use Policy*

4.1 *Observation*

The Board's *Security of Information Technology Systems* guidance to staff, whilst covering a wide variety of areas, does not currently reflect the Board's investment in mobile computing particularly the recent issuing of tablet devices to Board staff.

Risk

Mobile computing, whilst beneficial to the Board, brings with it a unique set of security risks which need to be addressed by the existing IT security policy.

Recommendation

R6 The *Security of Information Technology Systems* guidance should be reviewed to ensure it properly reflects the Board's current IT operation, in particular its use of tablet devices. This should cover:

- Security of the devices;
- Updating of any protection software in place;
- Connection to third party networks; and
- Data encryption.

Benefit

Adopting a continuing review approach will ensure that the policy stays current and help manage the Board's information and IT risks.

5. *Compliance with User Licence Requirements*

- 5.1 Each of the Board's PCs or laptops is installed with Microsoft Office software packages with each package having been bought separately for each workstation. The IT Team also operate and manage a number of bespoke systems which have been developed in-house. No other specialist software is installed on the Board's IT equipment.

3. Main Report

5. *Compliance with User Licence Requirements (continued)*

- 5.2 The IT Team maintains a hardcopy database of licences for all software installed on Board computer equipment which is updated manually by IT staff.
- 5.3 Periodic checks on individual computers and servers to identify any unauthorised software are not performed as it is felt that sufficient password and user access rights controls are in place to ensure that software can only be installed on Board equipment by staff with Administrator access rights. Only IT staff have these rights.
- 5.4 Network logs are maintained by the IT Team which includes changes to security settings, failed file access attempts and access to critical data files. However, as noted at 3.1 above, these are reviewed on an ad hoc basis only and we have recommended that reviews of logs are improved with any breaches immediately followed up with appropriate action taken.
- 5.5 We were advised that there have been no recorded incidents of staff installing unauthorised software on Board IT equipment or any breaches in software user licences in recent years.



Tayside Valuation Joint Board

**Risk Management and Business Continuity Planning
2011/12**

Internal Audit Report No: 2012/04

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1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board'), for 2011/12, we carried out a review of the arrangements for risk management and business continuity planning. 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.

HM Treasury, in its publication 'The Orange Book: Management of Risk – Principles and Concepts', defines risk management as 'All the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress'.

The Business Continuity Institute defines business continuity management as 'A holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.'

An effective risk management process and Business Continuity Plan (BCP) is essential to ensure that the Board can effectively react to risks and, in response to a disaster or threat, continue to operate key activities and ensure that the interests of key stakeholders continue to be met.

Audit Scope and Objectives

Scope

Risk Management

The scope of this audit was to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing.

Business Continuity

We also considered whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

Objectives

Risk Management

To obtain reasonable assurance the systems in place are sufficient to ensure that:

- A formal risk management process is in place which includes: assessing the organisation's propensity for risk; risk identification and assessment; risk mitigation and reporting and monitoring of key risks;
- Risk management policies and processes are formally documented;
- Responsibility for managing risks are clearly assigned;
- Staff are trained in risk management; and
- There is an ongoing review of risk management procedures for continual improvement.

Business Continuity

To obtain reasonable assurance that:

- Business Continuity Plans (BCPs) are in place covering all of the Board's activities;
- the BCPs are workable, properly communicated to members of staff, and have been adequately tested; and
- the processes and procedures in place follow recommended good practice as defined by BS 25999 'Business continuity management'.

1. Management Summary

Audit Approach

Risk Management

We discussed the risk management process with managers and staff and reviewed relevant policies and procedures. Risk management documents and reports, such as the risk register and Board papers, were then reviewed. For a sample of managers and staff we discussed the risk management process they use in order to determine how embedded risk management is within the organisation. We also considered whether all relevant key risks have been identified and included on the current Risk Register and how often the register is revisited and updated. Good practice in this area was measured against best practice in risk management for government organisations set out in *'The Orange Book: Management of Risk – Principles and Concepts'* (the 'Orange Book') issued by HM Treasury in October 2004.

Business Continuity

We obtained a copy of the BCP in place and considered whether they cover all of the organisation's activities. The Board's approach to business continuity was discussed with relevant officers, including understanding how plans have been communicated to staff and the extent to which plans have been tested. An assessment of the key processes and internal controls was performed with reference to the guidance contained within BS 25999.

Action Plan Grading

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of the recommendations can be found at Section 2 of this report.

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

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

Overall Conclusion

Risk Management

We found there are corporate procedures in place to identify and assess risk, and controls have been identified to minimise the possibility of unexpected and unplanned situations developing. However there is room to improve and embed risk management processes and to provide a greater level of assurance that risk management is effective.

Business Continuity

There are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems, however these need to be further tested, with training also provided to increase staff awareness of these.

1. Management Summary

Summary of Main Findings and Recommendations

We found that:

Risk Management

- A formal risk management process is in place which includes: assessing the organisation's propensity for risk; risk identification and assessment; risk mitigation and reporting and monitoring of key risks, however there is room to improve processes and risk registers to ensure that scoring, mitigating action and staff responsibilities are made clearer and reporting is regularly made to the Board about key risks;
- Risk management policies and processes are formally documented, however these could be strengthened with more information and guidance;
- Responsibility for managing risks are assigned to staff or groups of staff, however where multiple staff are assigned responsibility for a risk there is a possibility that nobody takes ownership;
- Staff are not adequately trained in risk management; and
- There is not an ongoing formal review of risk management procedures for continual improvement and further embedding risk management within the organisation, although the Governance Working Group may make improvements where identified.

Business Continuity

- A Board-wide Business Continuity Plan (BCP) is in place covering all of the Board's activities;
- the Board's BCP is considered workable and based on discussions with a number of Board staff, we noted that staff are aware of the general aspects of the BCP but consider that their knowledge could be improved through increased training. The BCP was last tested in 2010, with the IT Disaster Recovery Plan not having been tested at all. We recommend that there is a training plan put in place and the IT Disaster Recovery Plan is tested; and
- the processes and procedures in place follow recommended good practice as defined by BS 25999 'Business continuity management', except for the points raised above.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.3.2	Risk Management R1 Revise the Risk Management Strategy with a view updating and strengthening this.	B		Yes	Chair of Governance Working Group	September 2012
1.3.3	R2 Consider whether the risk register should be separate from the Business Continuity Plan.	C		Yes	Chair of Governance Working Group	September 2012
1.3.5	R3 Create detailed risk registers for council tax and business rates as well as any major project the Board is undertaking.	C		Yes	Chair of Governance Working Group	September 2012
1.3.6	R4 Ensure that all risks are assigned to one person, or one person in each office.	C		Yes	Chair of Governance Working Group	September 2012
1.3.7	R5 Review the Board's risk scoring with a view to reducing the range of scores and ensure there are definitions for each likelihood and impact score.	B		Yes	Chair of Governance Working Group	September 2012



2. Action Plan

1.4.6	R6 Present the highest priority risks to the Board at each of their meetings for discussion as well as setting out how management have gained assurance that adequate mitigating controls are in place and highlighting any concerns.	B	It is felt that, after initial presentation of the highest priority risks to the Board, reporting be carried out annually unless there are any specific issues. <i>Auditor's comment- given the size of the organisation and the limited number and nature of the identified risks the above proposal is deemed reasonable.</i>	No	Chair of Governance Working Group	November 2012
1.5.2	R7 Ensure that the 'control measures' and 'further action' columns in the risk register clearly set out controls in place and actions being undertaken to mitigate risks, including giving evidence of controls at each Board office when there are office-specific risks.	C	The Governance Working Group will give further consideration to identifying office specific risks.	Yes	Chair of Governance Working Group	September 2012
1.6.3	R8 As part of the annual reporting process management should outline how they have gained assurance that key risks are being mitigated adequately. This may include their key internal management checks, findings from internal audit or external audit reviews, as well as reviews of key exception reports and complaints logs.	C		Yes	Assessor	Annual Report 2013
1.7.2	R9 Provide risk management training to staff and management.	B	Training courses will be identified or provided in house to be implemented by December 2012	Yes	Chair of Governance Working Group	September - December 2012



2. Action Plan

1.8.4	R10 Work with partner bodies to understand what their risks are and determine whether any may affect the Board. If so, work with partner bodies to mitigate these risks.	C		Yes	Chair of Governance Working Group	September 2012
1.10.1	R11 Consider what project management and risk management processes should be put in place over projects.	C		Yes	Chair of Governance Working Group	September 2012
1.10.2	R12 Ensure that all staff have up-to-date workstation assessments and ensure that someone centrally checks that these have been received and any issues noted adequately followed up on a timely basis.	C	Workstation assessments are up to date in Dundee and Forfar and will be brought up to date in Perth following completion of training of members of staff. Procedures for recording and checking will be formalised and consideration given to review periods.	Yes	Chair of Governance Working Group	September 2012
2.1.5	<i>Business Continuity Planning</i> R13 Either amend the Board's risk appetite for electoral registration or ensure that sufficient computers and a fully configured electoral registration server and generator are set up in Dundee.	A	Detailed consideration will be given to the options available and to the practicalities of their implementation. This will include reconsideration of the risk appetite for electoral registration and the introduction of a range of improved mitigation measures, which may include changes to procedures and enhanced system back-up provision.	Yes	Depute Assessor	September 2012
2.1.7	R14 Fully test the DRP to ensure it is robust	B		Yes	Depute Assessor	September 2012



2. Action Plan

2.1.7	R15 Put in place controls in the event of Board IT staff not being available in the event of a disaster, such as having Dundee City Council IT staff implement the DRP.	C		Yes	Depute Assessor	September 2012
2.1.8	R16 Consider whether contingency boxes should be prepared and stored at each office.	C		Yes	Chair of Governance Working Group	September 2012
2.2.5	R17 Ensure that there is action undertaken to increase the awareness of the BCP to staff.	C		Yes	Chair of Governance Working Group	September 2012
2.2.7	R18 Devise a testing programme for the BCP, with all findings from tests followed up and used to fine tune the processes.	C		Yes	Chair of Governance Working Group	September 2012
2.3.6	R19 Consider approving working from home, with enabling IT services, for electoral registration staff during key electoral periods in the event of widespread sickness or a pandemic.	C	Detailed consideration will be given to the practicalities and benefits of implementing this recommendation.	Yes	Chair of Governance Working Group	September 2012

3. Main Report

1. Risk Management

1.1 TVJB Risk Management Requirements

1.1.1 Tayside Valuation Joint Board's Financial Regulations state that 'The Assessor, in conjunction with the Treasurer, will ensure that the risks faced by the Board are identified and quantified and that effective measures are taken to reduce, eliminate or insure against them' and 'The Risk Management Strategy, Risk Register and Business Continuity Plan should be reviewed and updated annually by the Assessor and presented to the Board'.

1.2 Risk Management Good Practice

1.2.1 There is a wide range of guidance on what constitutes good practice on risk management. This includes:

- Institute of Risk Management/AIRMIC/Alarm - A Risk Management Standard;
- Managing risk in government – National Audit Office 2011;
- HM Treasury Guidance including (2004) Orange Book: Management of Risk – Principles and Concepts;
- HSE - Principles of Sensible Risk Management;
- ISO/FDIS 31000 Risk Management – Principles and guidelines;
- BS31100:2008 Risk Management – code of practice; and
- AS/NZS ISO 31000: 2009 Risk Management.

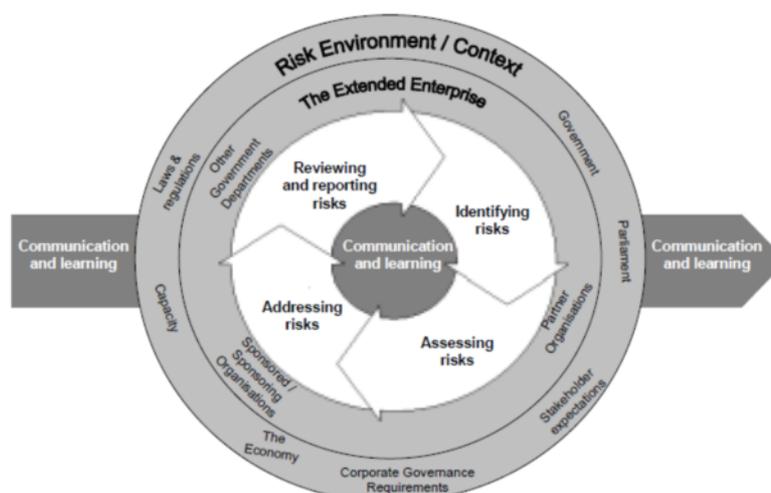
1.1.2 Each standard or framework provides a way of categorising risk to assist identification, assessment and evaluation. The different 'types' of risk that are recognised can be used to tailor an approach to suit any organisation and have the same key principles.

1.1.3 For this review we have chosen best practice in risk management for government organisations set out in 'The Orange Book: Management of Risk – Principles and Concepts' (the 'Orange Book') issued by HM Treasury in October 2004.

1.2.2 The Orange Book provides a broad based general guidance on the principles of risk management using a risk management model consisting of the following elements:

1. Identifying risks;
2. Assessing risks;
3. Addressing risks;
4. Reviewing and reporting risks;
5. Communication and learning;
6. The Extended Enterprise; and
7. Risk Environment and Context.

This can be graphically depicted as:



Source: The Orange Book

3. Main Report

1. Risk Management (Continued)

1.3 Identifying Risks

1.3.1 The Governance Working Group (GWG) is responsible for all governance matters, including preparing, monitoring, maintaining and updating the Board's Risk Register and ensuring there is an adequate Risk Management Policy and Business Continuity Plan (BCP). The GWG has drawn up a risk strategy, a risk register and a BCP. The GWG is comprised of the Depute Assessor, Assistant Assessors and Principal Valuer and is considered an appropriate group to take ownership for risk management.

1.3.2 Observation

We reviewed the Risk Management Strategy (which is referred to in the GWG's remit as the Risk Management Policy) and noted that this does not refer to the GWG. It was also noted that there is room to improve the Risk Management Strategy by giving more guidance, including the Board's risk appetite which is currently set out in the BCP. The Risk Management Strategy was approved by the Board in 2009.

Risk

The Risk Management Strategy does not set out the organisation's approach to risk management as robustly as possible.

Recommendation

R1 Revise the Risk Management Strategy with a view to updating and strengthening this.

Benefit

Staff will have a greater understanding of the purpose of risk management and be better able to apply this.

1.3.3 Observation

In order to manage risk, an organisation needs to know what risks it faces, and to evaluate them. Identifying risks is the first step in building the organisation's risk profile. There are two distinct phases: initial risk identification (which has been undertaken through the formation of the Board's risk register); and continuous risk identification, which is necessary to identify new risks that did not previously arise, changes in existing risks, or risks that did exist ceasing to be relevant to the organisation. We note that at the 1 February 2012 meeting of the GWG it was agreed that the risk register should be made a standing item on their agenda, which would include considering if there were any new risks that needed to be added to the risk register. The 10 November 2011 meeting of the GWG agreed that civil unrest and vandalism would be added to the risk register however we noted that this had not been done at the time of our fieldwork in March 2012. However we sighted a draft updated version of the risk register which included this change. It was also noted that the risk register is part of the BCP and it may be more effective for the risk register to be a separate document which the BCP refers to.

Risk

The risk register may not be updated as easily as possible if it is within the BCP.

Recommendation

R2 Consider whether the risk register should be separate from the Business Continuity Plan.

Benefit

The risk register will be updated on a more timely basis without having to update the BCP at the same time.

1.3.4 Risks should be assessed and prioritised in relation to the Board's objectives as set out in its Service Plan. We note that the risks on the risk register are linked to the Service Plan objectives.

3. Main Report

1. Risk Management (Continued)

1.3.5 Observation

The individual risks that an organisation identifies are not independent of each other. The Board's risk register has been divided into appropriate grouping of premises, IT, finance, and service. In addition, for electoral register services there is an Integrity Plan and Risk Register and 2012 Rolling Registration Risk Register which were required by the Electoral Commission. We note that there are no detailed risk registers for council tax or business rates risks, although there are detailed procedures in those areas which should cover off the specific risks related to those areas. Furthermore, there are no risk registers within projects and IT in-house software developments.

Risk

Risk registers are not in place at all operational levels or within projects.

Recommendation

R3 Create detailed risk registers for council tax and business rates as well as any major project the Board is undertaking.

Benefit

It will be clear that adequate mitigating controls have been put in place over council tax, business rates and major projects.

- 1.3.6 All risks should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time. We note that the risk register includes details of responsible individuals. However where there is more than one person assigned to a risk this may lead to nobody owning the risk as they think one of the other assigned staff members will take on this role.

Risk

With more than one person assigned as the risk owner, nobody may adequately take ownership of managing the risk.

Recommendation

R4 Ensure that all risks are assigned to one person, or one person in each office.

Benefit

It will be clear who is responsible for risks across the organisation or in individual offices.

- 1.3.7 Appropriate tools for the identification of risk include commissioning a risk review or undertaking a risk self-assessment. We note that the original risk register was drawn up by senior management with reference to known risks and the Board's 2008-2013 Service Plan. We note that no risk self-assessments were undertaken, and if the Board wishes to strengthen its approach it could undertake these. This would require sections of the Board to review their activities and to contribute their diagnosis of the risks it faces. This could be done through the use of a questionnaire or a facilitated workshop.

1.4 Assessing Risks

1.4.1 Observation

An assessment of risks has been undertaken on the risk register evaluating both the 'likelihood' of the identified risks being realised and of the 'impact' if the risk is realised. This is based on a level of 1 to 10 for both likelihood and impact, with the overall risk score the product of the likelihood and impact scores. We note that the 1 to 10 scoring is judgemental, with no guidance given to assist users to understand what each score means. Use of such a wide banding (covering 10 possible rankings) could lead to significant differences of interpretation, particularly within rankings of likelihood. A one to five scoring with definitions may be more appropriate.

Risk

There may not be a common understanding of risk rankings leading to incorrect prioritisation.

3. Main Report

1. Risk Management (Continued)

1.4.1 Continued

Recommendation

R5 Review the Board's risk scoring with a view to reducing the range of scores and ensure there are definitions for each likelihood and impact score.

Benefit

It will be easier for staff to score the likelihood and impact of risks and this will make the ranking of risks more accurate.

1.4.2 Information on the risk register is captured showing the 'inherent risk' to the Board i.e. *'the exposure arising from a specific risk before any action has been taken to manage it'* (Source: The Orange Book) in order that the Board knows what its exposure will be if control should fail.

1.4.3 Furthermore, 'residual risk', defined as *'the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective'*, (Source: The Orange Book) has also been included in the risk register.

1.4.4 At the level of a specific risk it is likely that a level of exposure that is acceptable can be defined in terms of both a tolerable impact if a risk is realised, and tolerable frequency of that impact. It is against this that the 'residual risk' has to be compared to decide whether or not further action is required. Tolerability may be informed by, for example, the value of assets lost or wasted in the event of an adverse impact or stakeholder perception of an impact.

1.4.5 When the assessment is then compared to the 'risk appetite' the extent of action required becomes clear. It is not the absolute value of an assessed risk that is important; rather it is whether or not the risk is regarded as 'tolerable', or how far the exposure is away from tolerability, that is important. 'Risk appetite' is defined as *'the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time'* (Source: 'The Orange Book: Management of Risk – Principles and Concepts'). We note that the Board's risk appetite, as set out in the BCP has been assessed as *'moderate in most cases. This means that the Board is willing to accept risks that may affect delivery of core services in the short term which is defined for the purposes of this plan as a period of up to fourteen days. In certain cases, such as time critical periods associated with electoral registration, the risk appetite has been assessed as zero. This means that the Board is not willing to accept risks that may affect the delivery of a time critical ER service'*.

1.4.6 *Observation*

Based on the risk scores risk priorities for the Board can be identified. The less acceptable exposure is in respect of a risk, the higher the priority that should be given to addressing it. The Board receive the risk register but do not receive on a regular basis a list of the highest priority risks (usually the top ten) for discussion and obtaining assurance on mitigation measures. This should also highlight whether there are any concerns over any area, which might be achieved through a traffic light system (for example, green – no concern over risk, amber – some concern over risk, red – significant concern over risk)

Risk

The Board may not be obtaining from management sufficient information and assurance over the Board's top risks.

Recommendation

R6 Present the top ten risks to the Board at each of their meetings for discussion as well as setting out how management have gained assurance that adequate mitigating controls are in place and highlighting any concerns.

Benefit

Board members will have greater assurance that the Board's top risks are being adequately managed.

3. Main Report

1. Risk Management (Continued)

1.5 Addressing Risks

1.5.1 There are five key aspects of addressing risk:

1. Tolerate – the exposure may be tolerable without any further action being taken or the ability to do anything may be limited or the cost of action is greater than the benefits;
2. Treat – action (control) is taken to constrain the risk to an acceptable level. Controls may be sub-divided into the following categories according to their purpose: preventive; corrective; directive and detective. Such controls have been put in place in key areas such as electoral registration, council tax and business rates;
3. Transfer – this may be by insurance or paying a third party to take the risk in another way. A Service Level Agreement is in place with Dundee City Council for Insurance and Risk Management Services. In relation to ‘General Risk Management’ services to be provided under the agreement are:
 - Identify areas of client operations in which unacceptable and preventable losses are occurring;
 - Quantify such losses and advise on means of avoidance and control;
 - Undertake property and liability survey visits. Produce survey reports with appropriate recommendations and instigate system of follow-up to ensure implementation;
 - Undertake scrutiny of lease documents, contract terms and conditions with a view to eliminating unnecessary risk exposures; and
 - Advise and participate in the implementation of safety and loss reduction initiatives (e.g. driver training, property security, legislative requirements).
4. Terminate – some risks will only be treatable, or containable to acceptable levels, by terminating the activity; and
5. Take the opportunity – this is not an alternative to the above but should be considered whenever tolerating, transferring or treating a risk. Such opportunities may include taking up the use of new technologies or closer partnership working.

1.5.2 Observation

Control put in place should be proportional to the risk. It is normally sufficient to design control to give a reasonable assurance of confining likely loss within the ‘risk appetite’ of the organisation. Control actions should offer value for money in relation to the risk it is controlling. We reviewed the mitigating actions in the Board’s risk register ‘control measures’ column and noted that for many of the control measures given these were not adequate to explain to readers how the risks were being adequately mitigated. In addition, there is a ‘further action’ column which should highlight specific actions being undertaken. We found that this column is not used consistently and that often this refers to what might happen (‘consider...’) rather than what is planned. Controls are also not split between different offices so it is not possible to tell from the risk register whether certain site-specific risks, such as flooding risk, have been adequately covered.

Risk

Mitigating actions for risks may be inadequate or may not be undertaken.

Recommendation

R7 Ensure that the ‘control measures’ and ‘further action’ columns in the risk register clearly set out controls in place and actions being undertaken to mitigate risks, including giving evidence of controls at each Board office when there are office-specific risks.

Benefit

Board members will receive greater assurance that adequate mitigating controls are in place.

3. Main Report

1. Risk Management (Continued)

1.6 Reviewing and Reporting Risks

1.6.1 Management of risk has to be reviewed and reported on for two main reasons:

- To monitor whether or not the risk profile is changing; and
- To gain assurance that risk management is effective, and to identify when further action is necessary.

1.6.2 Processes should be put in place to review whether risks still exist, whether new risks have arisen, whether the likelihood and impact of risks has changed, report significant changes that adjust risk priorities, and deliver assurance that it remains appropriate and effective. In addition, the overall risk management process should be subjected to regular review to deliver assurance that it remains appropriate and effective. The review processes should:

- Ensure that all aspects of the risk management process are reviewed at least once a year;
- Ensure that risks themselves are subjected to review with appropriate frequency; and
- Make provision for alerting the appropriate level of management to new risks or to changes in already identified risks so that the change can be appropriately addressed.

1.6.3 Observation

The GWG is the main group where risks are reviewed and this is now a standing item on their meeting agendas. They present a report to the Board annually setting out the processes in place over risk management, however this does not provide any assurance that risk management and mitigating controls are working effectively.

Risk

Mitigating controls may not be effective.

Recommendation

R8 As part of the annual reporting process management should outline how they have gained assurance that key risks are being mitigated adequately. This may include their key internal management checks, findings from internal audit or external audit reviews, as well as reviews of key exception reports and complaints logs.

Benefit

There will be greater assurance for the Board that the mitigating controls as set out in the risk register are effective.

1.7 Communication and Learning

1.7.1 It is important to ensure that all employees understand, in a way appropriate to their role, what the Board's risk strategy is, what the risk priorities are, and how their particular responsibilities fit into that framework. If this is not achieved, appropriate and consistent embedding of risk management will not be achieved and risk priorities may not be consistently addressed.

1.7.2 Observation

From our discussion with a number of staff throughout the organisation we note there are varying levels of awareness of risk management, with some staff not fully aware of the individual risks on the risk register they were responsible for, although on a day to day basis they were aware of their key operational controls. For new staff we note they must sign an induction checklist within their first two weeks to say they have read the Risk Management Policy.

3. Main Report

1. Risk Management (Continued)

1.7.2 Continued

Risk

The Board's risk management system will not be robust if staff are not aware of risk management principles, how to apply them and their risk management responsibilities.

Recommendation

R9 Provide risk management training to staff and management.

Benefits

Staff will understand the importance and benefits of risk management.

1.8 Extended Enterprise / Risk Environment and Context

1.8.1 Communication with partner organisations about risk issues is important. The Board has inter-dependencies with its constituent authorities – the delivery of the Board's objectives depends upon / impacts upon the delivery of the constituent authorities objectives. Effective liaison is essential to facilitate an agreed risk management approach that will allow all parties to achieve their objectives. The Board also has certain dependencies on contractors or other third parties, such as for the supply of the Electoral Registration computer package, and these relationships require to be considered to ensure that appropriate communication and understanding about respective risk priorities is achieved.

1.8.2 It is also important to communicate with stakeholders about the way in which the Board is managing risk to give them assurance that the Board will deliver in the way in which they expect, and to manage stakeholder expectation of what the Board can actually deliver.

1.8.3 Other factors contributing to the environment in which risk has to be managed include laws and regulations and changes in Government policy.

1.8.4 *Observation*

Review of the Board's Service Plan provides assurance that the importance of building partnerships / relationships with the above parties has been recognised and appropriate lines of communication put in place. However there has not been any formal communication with partners / other bodies to understand their risks and how these might affect the Board.

Risk

Risks of partner organisations which may have an impact on the operations of the Board may not be understood or mitigated adequately.

Recommendation

R10 Work with partner bodies to understand what their risks are and determine whether any may affect the Board. If so, work with partner bodies to mitigate these risks.

Benefit

Risks to the Board and partner organisations will be better managed.

1.9 The Risk Management Continuum and Risk Maturity

1.9.1 Each organisation has a different level of risk maturity, the level by which employees understand risk principles and apply these effectively. An organisation should be aiming to continually improve its risk management effectiveness and move further along the risk management continuum. We have provided a system of ranking risk maturity below at 1.9.3 for your information.

1.9.2 HM Treasury have also produced a useful framework for assessing risk maturity, the 'Risk Management Assessment Framework: A tool for departments' which you may wish to view at http://www.hm-treasury.gov.uk/d/riskmanagement_assessment_framework220709.pdf

3. Main Report

1. Risk Management (Continued)

1.9.3 The Chartered Institute of Internal Auditors risk maturity framework.

	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled	Sample audit test
Process						
Risks are regularly reviewed by the organisation	No	Some risks are reviewed, but infrequently	Regular reviews, probably annually	Regular reviews, probably quarterly	Regular reviews, Probably quarterly	Check for evidence that a thorough review process is regularly carried out
Management report risks to directors where responses have not managed the risks to a level acceptable to the board.	No	No	Yes, but may be no formal process	Yes	Yes	For risks above the risk appetite, check that the board has been formally informed of their existence
All significant new projects are routinely assessed for risk	No	No	Most projects	All projects	All projects	Examine project proposals for an analysis of the risks which might threaten them
Responsibility for the determination, assessment, and management of risks is included in job descriptions	No	No	Limited	Most job descriptions	Yes	Examine job descriptions. Check the instructions for setting up job descriptions
Managers provide assurance on the effectiveness of their risk management	No	No	No	Some managers	Yes	Examine the assurance provided. For key risks, check that controls and the management system of monitoring, are operating
Managers are assessed on their risk management performance	No	No	No	Some managers	Yes	Examine a sample of appraisals for evidence that risks management was properly assessed for performance
Internal Audit approach	Promote risk management and rely on alternative audit planning method	Promote enterprise-wide approach to risk management and rely on alternative audit planning method	Facilitate risk management/liaise with risk management and use management assessment of risk where appropriate	Audit risk management processes and use management assessment of risk as appropriate	Audit risk management processes and use management assessment of risk as appropriate	

Source: Chartered Institute of Internal Auditors 'An approach to implementing risk based internal auditing'

1.10 Other Risk Management Matters

1.10.1 Observation

The Board is dependent on key software and electronic communication tools for its operation. Furthermore, there is on-going in-house development of software. We note that there is no formal project management methodology, or risk management, within software development projects or other major projects.

Risk

Projects may not run according to budget, timeframe or meet required quality standards without a formal project structure and appropriate risk management.

Recommendation

R11 Consider what project management and risk management processes should be put in place over projects.

Benefit

There will be greater control and assurance that projects run according to plans.

1.10.2 Observation

From discussion with the Assistant Assessor, Perth, it was noted that, while all of the Perth office's workstation assessments had been performed in 2005, there are now a number of assessments that are due to be carried out. The person who carried out assessments has left and a new staff member has been appointed to do them but has yet to be trained.

Risk

Staff may suffer from poor workstation set-up.

Recommendation

R12 Ensure that all staff have up-to-date workstation assessments and ensure that someone centrally checks that these have been received and any issues noted adequately followed up on a timely basis.

3. Main Report

2. Business Continuity

2.1 Arrangements in Place

- 2.1.1 A Board Business Continuity Plan (BCP) was developed in 2009. This included drawing up a framework for the effective management to respond to a major incident affecting the Board, which is generic to cover all of the Board's activities. The objective of the BCP is to assist the Board define an incident response structure that will enable an effective response and recovery from disruptions.
- 2.1.2 The framework sets out that in the event of an incident there will be an Incident Management Team who is responsible for invoking the plan, co-ordinating action. It also covers providing communications to the general public, other managers and employees who are involved in carrying out specific actions assigned to them or undertaking responsibilities as outlined in the BCP.
- 2.1.3 Responsibility for declaring an 'emergency' and invoking the BCP lies with the two of seven postholders (Assessor, Depute Assessor, three Assistant Assessors, and two Administration Managers). The BCP has not been updated for changes in posts but we sighted a draft version which had these changes which will be taken to the May 2012 Management Team meeting for approval.
- 2.1.4 In the event of invoking the BCP an operational base would be set up in the Board's Dundee office, or if this was not possible then in the Perth office, or if that also was not available, then in the Forfar office. The plan also sets out details of management, communications, logging, recovery action, reporting and closing of an incident.
- 2.1.5 *Observation*
Within the BCP is a IT Disaster Recovery Plan (DRP) and this outlines the Board's three critical ICT applications: the electoral registration system, the non-domestic rates valuation system and the council tax banding system. In the event of a disaster the electoral registration system functionality is estimated to be returned within three days. This does not meet the Board's risk appetite which has been assessed as zero for electoral registration in critical periods of election.

Risk

The BCP does not support the Board's stated risk appetite for electoral registration services.

Recommendation

R13 Either amend the Board's risk appetite for electoral registration and / or ensure that sufficient computers and a fully configured electoral registration server are set up in Dundee.

Benefit

There will be assurance that the Board's risk appetite can be met.

- 2.1.6 We note that the DRP is a helpful guide in the event of a disaster. The keystone of this is that in every office each week a system data backup tape is sent to another Board office, so if one office was destroyed, then the maximum amount of data lost would be four working days. Furthermore, tapes are kept in locked fire-proof safes which we sighted in Perth and Dundee.
- 2.1.7 However we found there has not been adequate consideration of what would happen if the Board's IT staff were unavailable or injured in a disaster, who would implement the DRP in that case, and whether the DRP would be adequate for an external consultant to effectively implement. We also noted that Board staff have not tested the DRP to determine whether it is robust.

Risk

The DRP may contain flaws which make this unworkable and could lead to delays in the event of invoking the DRP in a disaster situation.

3. Main Report

2. Business Continuity (Continued)

2.1.7 Continued

Recommendations

R14 Fully test the DRP to ensure it is robust

R15 Put in place controls in the event of Board IT staff not being available in the event of a disaster, such as having Dundee City Council IT staff implement the DRP.

Benefit

There will be greater assurance that in the event of a disaster key computer systems will be functional within an adequate timeframe.

2.1.8 We note there are no contingency boxes kept for use in an emergency. Such boxes are often kept to contain torches, safety vests and any other suitable item in case of an incident.

Risk

In the event of an emergency at certain times, such as when it is dark, it is useful to have items to assist staff in safely exiting the Board's offices.

Recommendation

R16 Consider whether contingency boxes should be prepared and stored at each office.

Benefit

In the event of an emergency staff will be better prepared and health and safety matters will be better taken account of.

2.1.9 The Assistant Assessor, Angus, is responsible for keeping the BCP framework up-to-date and a record of all changes is made. He is also responsible for updating the lists of staff contact numbers in the BCP.

2.2 BS 25999 'Business continuity management'

2.2.1 British Standard (BS) 25999 '*Business continuity management*' outlines recommended practice to be followed in order to develop a good business continuity management system. BS 25999 defines business continuity management as '*managing the recovery or continuation of business activities in the event of a business disruption, and management of the overall programme through training, exercises and reviews, to ensure the business continuity plan(s) stays current and up-to-date*'. BS 25999 is published in two parts – Part 1: *Code of practice*; and Part 2: *Specification*.

2.2.2 BS 25999 defines requirements for a management systems approach to business continuity management based on good practice for use in large, medium and small organisations operating in industrial, commercial, public and voluntary sectors.

Part 2 of BS 2599 sets out a specification for:

- Planning the business continuity management system (BCMS);
- Implementing the BCMS;
- Monitoring and reviewing the BCMS; and
- Maintaining and improving the BCMS.

2.2.3 Planning the BCMS includes establishing the BCMS and embedding BCM at the Board. Implementing the BCMS includes understanding the organisation needs; determining the strategy; developing a response; and exercising, maintaining and reviewing BCM arrangements. Monitoring and reviewing includes internal audit and management review of the BCMS. Maintaining and improving the BCMS includes preventative actions and continual improvement.

3. Main Report

2. Business Continuity (Continued)

2.2.4 As part of this audit we reviewed the Board's BCP against BS 25999 and noted a number of areas for improvement or highlighting which are outlined in the following paragraphs.

2.2.5 *Observation*

From discussion with staff interviewed, some were not aware of the finer details of the BCP or where it could be located on the intranet.

Risk

Staff may not be aware of actions to be undertaken if the BCP is invoked.

Recommendation

R17 Ensure that there is action undertaken to increase the awareness of the BCP to staff.

Benefit

In the event of an incident staff will be able to react quickly and in line with the BCP.

2.2.6 In the event of an incident currently staff are informed by contact through mobile phones, however if communication links were down managers also have staff home addresses in the BCP so they could personally contact staff if necessary.

2.2.7 *Observation*

From discussions with staff we noted that the BCP was tested through a desktop scenario in November 2010 and then put into practice during severe weather in December 2010. These tests allowed a number of refinements to be made to the plan. We were advised there will be a further test done in 2012. From discussion with staff it was noted that a more realistic scenario using a role play at one of the Board's premises may provide more benefit for staff.

Furthermore we suggest that the Board should have a programme to ensure: exercises are carried out at planned intervals and when significant changes occur; carrying out a range of different exercises that taken together validate the whole of the business continuity arrangements; carrying out a post-exercise review; and producing a written report of the exercise, outcome and feedback, including required actions.

Risk

BCP arrangements may not work in practice and staff readiness for incidents may not be as good as it could be.

Recommendation

R18 Devise a testing programme for the BCP, with all findings from tests followed up and used to fine tune the processes.

Benefit

In the event of an incident, staff will be able to react more quickly and there is greater assurance that the BCPs are robust.

2.3 Specific Risks Highlighted in Our Audit Needs Assessment

2.3.1 As part of our Audit Needs Assessment issued in March 2011, we advised we would undertake a review of certain BCP-related risks. These are discussed in more detail below.

Disruption to operations following loss or breakdown of key items of equipment

2.3.2 From discussion with staff key equipment is IT equipment (hardware, servers and software), with some tools which are used in valuations, such as laser measures. Loss of IT hardware and servers is covered by the IT DRP, and from discussion with IT staff we were advised that delivery times for servers and hardware was short, and possible within two days of order. The Board also has a store of equipment at its Pitkerro store; however we note that some of this equipment may not be of adequate technical specification to be used. There are also some workstations and a spare server in the Dundee office which may be able to be used. Valuers' equipment is not costly and easily replaced from local suppliers.

3. Main Report

2. Business Continuity (Continued)

Major Disaster, such as Fire

- 2.3.3 In the event of a major disaster affecting an office the BCP would be invoked. If it was of a relatively short term, electoral staff would be moved to Dundee or another non-affected office (Perth/Angus) and other council tax and business rates staff may stay at home. Accommodation would be sought from local councils in the short term.
- 2.3.4 If the disaster was deemed to have a long-term impact on operations then the same action would be taken, although more permanent accommodation may be sought.

IT Failure (Loss of Hardware, Data, or Failure of a Third Party System Provider)

- 2.3.5 Loss of hardware and data has been covered in the BCP section above. The only key third party system that is used is EROS for electoral registration work. The Board currently receives a supported service from EROS and has no current concerns over software not being robust or inadequate levels of service support. In the event of the owners of EROS ceasing to exist, the Board has received an escrow agreement dated November 2011 which gives the Board the right to use the software, and which would if used allow the Board a window of opportunity to find an alternative software supplier and migrate data to the new system.

Widespread Sickness or Pandemic

- 2.3.6 The Board does not have any effective strategy in place to deal with a pandemic or widespread sickness, although it has been noted that certain hygiene measures would be put in place. A more effective strategy would be to enable working from home, although we understand that IT staff would have to visit staff members' houses to set up such functionality. This would be more important for electoral registration staff, but if necessary could be used for other staff.

Risk

In the event of a pandemic or widespread sickness staff may have an increased risk of sickness if they work in Board offices.

Recommendation

R19 Consider approving working from home, with enabling IT services, for electoral registration staff during key electoral periods in the event of widespread sickness or a pandemic.

Benefit

The risk of staff getting sick during a period of pandemic or widespread sickness is reduced, allowing the Board to continue to operate effectively.



Tayside Valuation Joint Board

**Non Domestic Rates
2011/12**

Internal Audit Report No: 2012/05

Draft Issued: 21 May 2012

Final Issued: 21 May 2012



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1. Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2011/12 we carried out a review of the Board's Non Domestic Rating arrangements. The Audit Needs Assessment identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the 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. Each entry in the Roll includes the names of the proprietor, tenant and occupier as appropriate, the Net Annual Value that has been set by the Assessor and the Rateable Value. The Rateable Value is derived from the Net Annual Value and as legislation currently stands, for the majority of properties, Rateable Value and Net Annual Value are the same.

Values are established every five years at Revaluation. 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. New properties are added to the Roll as they become occupied and entries for demolished buildings are deleted.

Scope of the Audit

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.

Objectives of the Audit

The specific objectives of the review were to seek reasonable assurance that:

- there are appropriate procedures in place to ensure that: all non domestic properties are on the Valuation Roll and the entries are accurate and agree with the Lands Valuation Returns; any alterations to properties reported on these returns are brought to the attention of the Technical Section; and all revaluations are appropriately recorded in the Valuation Roll;
- all property valuations are carried out by suitably qualified valuers and are evidenced as checked and authorised by a Valuer or Senior Valuer;
- all valuations are input into the Valuation Roll and the weekly 'Roll of Change' is evidenced as checked by a Assistant Assessor or Principal Valuer;
- controls are in place to ensure that late amendments to the current roll are picked up and reflected in the new roll;
- all appeal applications are logged on the appeals system as soon as they are received and are accepted and checked by a Valuer or Senior Valuer. An Appeal Header Sheet is produced recording all of the relevant details;
- the Valuation Roll is accurately and timeously amended to record the outcome of an appeal;
- only authorised staff can input amendments and all new entries are checked independently and evidenced;
- authorised staff change their passwords in line with pre-determined passwords and where staff leave their access is suspended;

1. Management Summary

Objectives of the Audit (continued)

- all deletions are properly authorised by a Valuer or Senior Valuer and there are procedures in place to ensure that staff do not make alterations to any properties on the Roll in which they have an interest; and
- a Valuation Notice is produced and sent out to the responsible party in line with legal requirements and any subsequent appeals are lodged within six months of the Valuation Notice being issued.

Audit Approach

From discussion with relevant staff, and review of procedural documentation, we identified the key internal controls in place within the non domestic rates valuation and appeals systems and compared these with expected controls. Audit testing was then carried out to ensure that the controls in place were operating effectively.

Action Plan

This report sets out detailed improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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. These gradings are as follows:

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

Overall Conclusion

In relation to our specific objectives, assurance has been obtained that the internal controls in place are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation Roll. However we have identified some areas, mainly in relation to the efficient use of the Board's systems, where further improvements can be made.

Although we did not identify any control weaknesses during our testing we did note that there are variances in the way in which the Board's internal controls are applied across the offices with some being more robust than others. We have therefore recommended that the system of checking the Rolls of Change in place at the Perth office be implemented across all three offices to reduce the risk of self review of changes being applied.

Reasonable assurance was obtained that the Valuation Roll is an accurate, comprehensive and up-to-date record of all non domestic properties in Tayside. Additions, deletions and alterations to the Valuation Roll are appropriately controlled and verified.

1. Management Summary

Overall Conclusion (continued)

Appeal cases are logged on receipt and, from our sample testing, they have all been dealt with timeously.

Generally there is an adequate level of segregation of duties between identification of changes in value to the Valuation Roll and the input of amendments on the Valuation Roll.

Summary of Main Findings and Recommendations

There does not appear to be a standard layout for Valuation reports completed by the Valuers. These appear to vary in style and layout depending on which valuer completed the report and it is not always easy to correlate the rateable value figure on the valuer's report to information held in other parts of the file or valuation system. Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.

Our testing at the Forfar office noted that information on the monetary movement resulting from appeals was not recorded on several of the VC1 cards tested in our sample. Staff should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures in this area.

The system of checking the Rolls of Change in the Perth office is more robust than that favoured by the Dundee and Forfar offices and consideration should be given to implementing these procedures across all of the offices.

Discussions with staff and review of documentation noted that there is no formal requirement for staff to complete a return listing any properties in which members of staff may have a personal interest in. However staff have been advised by management not to make alterations to any non domestic properties in which they have a personal interest. Recommendations in this area have been raised in previous internal audit reviews but to date have not been implemented. We recognise the difficulties that exist in establishing a complete database of properties that members of staff, or their families, have an interest in, however management may again wish to consider establishing procedures whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest.

Acknowledgements

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



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.1	Valuations R1 Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.	C		Y	Assistant Assessor Perth & Kinross	September 2012
1.2	R2 Staff in the Forfar office should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures, including recording the extent of any monetary difference between the original value and the proposed amended valuations.	B		Y	Assistant Assessor Angus	May 2012
2.2	Roll of Change R3 To reduce the risk of self-review of changes being applied to the Roll of Change (RoC), and to strengthen controls already in place, consideration should be given to implementing the system of checking of the RoC which is in place at the Perth office across all offices.	B		Y	Depute Assessor	July 2012



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3.2	Appeals R4 Discussions should be held with the IT Team to determine the feasibility of setting up hyperlinks from the information on the appeals and valuations systems which takes the user directly to the related supporting evidence held within the document library or other screens.	C	The appeals system does already include a facility to link to appeal letters held in the document library. Further review of all systems will be undertaken to consider the feasibility of the recommendation.	Y	Depute Assessor	December 2012
4.1	Deletions / Amendments R5 Consideration should be given to establishing a procedure whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest. Reports should be extracted from the system periodically and checks performed to ensure that the staff members are not carrying out valuations or processing amendments on these properties.	B		Y	Depute Assessor	July 2012

3. Main Report

1. Valuations

1.1 Observation

Our testing included selecting a random sample of 93 VC1 cards, from across each of the three offices, 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 however we noted that there does not appear to be a standard layout for Valuation reports completed by the Valuers. These appear to vary in style and layout depending on which valuer completed the report and it is not always easy to correlate the rateable value figure on the valuer's report to information held in other parts of the file or valuation system.

Risk

Audit trail is incomplete as no formal conclusion on the valuer's report stating the final rateable value, which correlates to evidence in other parts of the subject file, may make it difficult for a reviewer to verify the accuracy of findings.

Recommendation

R1 Consideration should be given to developing a standard reporting template for valuation reports which includes a field for the final rateable value of the property which can then be agreed to the figure in the valuation system.

Benefit

Audit trail will be improved at all offices and consistency will be applied throughout.

1.2 Observation

The Non Domestic Rating *General Outline of Procedures* state that once a Valuer has amended a valuation on screen or by way of spreadsheets or manually a VC1 card must be completed by the Valuer. The procedures indicate the required details which must be recorded on the VC1 cards which include showing the extent of the monetary difference between the original value and the proposed amended valuation. This assists in reconciling the weekly additions and deductions of value to the valuation roll. Our testing noted that at both Dundee and Perth offices this information was recorded on all of the VC1 cards in our sample; however we identified in Forfar four VC1 cards completed in relation to appeals resulting in changes in the rateable value where the monetary movement was not shown.

Risk

VC1 cards are not being completed in line with the Board's procedures.

Recommendation

R2 Staff should be reminded of the importance of ensuring that VC1 cards are completed in accordance with the Board's procedures, including recording the extent of any monetary difference between the original value and the proposed amended valuations.

Benefit

VC1 cards are completed in line with the Board's procedures.

2. Roll of Change

2.1 The Non Domestic Rating *General Outline of Procedures* recommends that the weekly checking of VC1 cards against the Roll of Change is carried out by both Senior Valuers and Clerical staff with any differences that are highlighted in the checking process identified to the Admin Assistants who will ensure that any necessary corrections are applied to the property database. From the testing that we carried out we are satisfied that this checking is being carried out at all three offices and that the control is operating as expected. However, we did note variations in the checking procedures across the three offices.

3. Main Report

2. *Roll of Change (continued)*

2.2 *Observations*

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

In Perth, one Senior Valuer is assigned each week along with a member of clerical to check all properties on the Roll of Change. There is a team of six Senior Valuers which are rotated every six weeks. Although this isn't a 100% independent review it does reduce the risk of self-review which occurs in the Dundee and Forfar offices. This risk is mitigated slightly through the system of 10% checks of the Roll of Change undertaken by the Assistant Assessor in each office.

Risk

Without adequate independent checking of entries on the weekly Roll of Change errors may arise and go undetected.

Recommendation

R3 To reduce the risk of self-review of changes being applied to the Roll of Change (RoC), and to strengthen controls already in place, consideration should be given to implementing the system of checking of the RoC which is in place at the Perth office across all offices.

Benefit

Good practice will be adopted at all divisions and consistency will be applied throughout.

3. *Appeals*

3.1 We selected a random sample of 33 appeals from across all three offices and ensured that: the appeal was lodged and recorded within the statutory timeframe; the Board had issued an acknowledgment letter to the appellant; an appeals header sheet had been produced; sufficient documents were available to support the appeals and any amended valuation; and that the final header sheet agreed with the final valuation. No exceptions were noted from our testing.

3.2 *Observation*

From our review of the appeals system we noted although the appeals header is automatically generated by the system there is no direct link that takes the user from the appeals screen to the associated appeals letter received from the appellant held in the document library. Where a property had been subject to a number of appeals it was found to be confusing and time consuming attempting to identify the appropriate appeals letter.

Risk

Inefficient use of staff time when matching details on the appeals and valuation system.

Recommendation

R4 Discussions should be held with the IT Team to determine the feasibility of setting up hyperlinks from the information on the appeals and valuations systems which takes the user directly to the related supporting evidence held within the document library or other screens.

Benefit

More efficient use of the Board's systems, saving on staff time.

3. Main Report

4. *Deletions / Amendments*

4.1 *Observation*

Discussions with staff and review of documentation noted that there is no formal requirement for staff to complete a return listing any properties in which members of staff may have a personal interest in. However staff have been advised by management not to make alterations to any non domestic properties in which they have a personal interest. The risk of this occurring is reduced slightly through the checking of the RoC and could be enhanced further by implementing **R1** at 1.2 above.

Recommendations in this area have been raised in previous internal audit reviews but to date have not been implemented. We recognise the difficulties that exist in establishing a complete database of properties that members of staff, or their families, have an interest in, however management may again wish to consider the recommendation below.

Risk

Properties in which members of staff have a personal interest may be inappropriately valued.

Recommendation

R5 Consideration should be given to establishing a procedure whereby staff should be asked to complete an annual return listing any non domestic properties in which they have a personal interest. Reports should be extracted from the system periodically and checks performed to ensure that the staff members are not carrying out valuations or processing amendments on these properties.

Benefit

Further assurance will be obtained that property valuations are appropriate for properties in which members of staff have a personal interest.



Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2011/12**

Internal Audit Report No: 2012/07

Draft Issued: 21 May 2012

Final Issued: 21 May 2012



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1. Annual Report and Opinion

- 1.1 We were formally appointed in April 2011 as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. This report summarises the internal audit work performed during 2011/12.
- 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 2010/11 (internal audit report 2011/01, issued April 2011). The ANA was prepared following discussion with the Assessor, several senior Board personnel, the external auditors, Audit Scotland, 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 2010/11 to 2012/13. The ANA was based on the previous internal audit risk assessment updated to reflect changes in the internal and external environment in the intervening period, and our own assessment of the risks faced by the Board. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.
- 1.3 The work undertaken in 2011/12 is set out in the Strategic Plan for 2011/12. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.4 An analysis of time spent against budget is at Section 4. The actual time spent was one day less than budgeted resulting in a small saving of £455 against the agreed fee.

Significant Issues

- 1.5 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, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.6 In our opinion the Board operates adequate and effective internal control systems as defined in the ANA. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current year and an examination of the reports of the previous internal audit service provider, Dundee City Council.



2. Reports Submitted

2012/01	Annual Plan 2011/12
2012/02	Procurement and Creditors / Purchasing
2012/03	IT Network Arrangements
2012/04	Risk Management and Business Continuity Planning
2012/05	Non Domestic Rates (Draft)
2012/06	Follow-up Reviews

3. Summary of Results and Conclusions

2012/01 – Annual Plan 2011/12

Final Issued January 2012

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2012. The plan was based on the proposed allocation of audit days for 2011/12 set out in the ANA and Strategic Plan 2010 to 2013.

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.

2012/02 – Procurement and Creditors / Purchasing

Final Issued March 2012

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 (other operating expenses plus equipment and fixed asset additions).

On the basis of the work done, we obtained reasonable assurance that:

- Although the Board does not have a formal procurement strategy, the Procurement and Purchasing procedures support best value purchasing in relation to non-pay spend;
- Overall procurement procedures in place are appropriate for all levels of expenditure and are generally complied with throughout the organisation;
- On the whole the risk of unauthorised and excessive expenditure is minimised, however, there were instances noted whereby strict adherence to the Procurement and Purchasing procedures and Financial Regulations did not occur;
- The processes in place ensure that all liabilities are fully and accurately recorded; and
- All payments are being properly authorised, processed and recorded.

2012/03 – IT Network Arrangements

Final Issued May 2012

The scope of the audit was to carry out a high-level review of certain key aspects of the IT systems in place within the Board to identify any control weaknesses.

In relation to our specific objectives, assurance has been obtained that internal controls in place ensure the security of the IT network operated by the Board, however we have identified a number of areas, mainly in relation to the Board's IT policies and procedures, where further improvements can be made to ensure that controls are in line with industry recommended best practice, including:

- the servers in the Dundee server room should be repositioned or some form of protection installed to minimise the risk of damage which may be caused by a leaking air-conditioning unit;
- access controls to the server room could be further enhanced;
- the Board should develop policies which reflect the Board's current IT environment including a Remote Access IT Policy and the use of mobile computing devices;
- although the IT Team in place are well experienced and suitably qualified to ensure that the Board's systems are operating effectively, we noted that there is no office manual or in-house guidance notes covering how the IT Team operates; and

3. Summary of Results and Conclusions

2012/03 – IT Network Arrangements (continued)

- the schematic representing the Board's IT network structure was developed a number of years ago and is extremely basic in its current form. During our physical inspection of the Board's IT facilities we noted that the schematic did not include; the location of routers and switches; details of the number of workstations and their locations; the firewall server; and the communication links between servers and other hardware. We therefore recommended that the network diagram be updated.

2012/04 – Risk Management / Business Continuity

Final Issued May 2012

Risk Management

The scope of this audit was to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing.

We found there are corporate procedures in place to identify and assess risk, and controls have been identified to minimise the possibility of unexpected and unplanned situations developing. However there is room to improve and embed risk management processes and to provide a greater level of assurance that risk management is effective.

Business Continuity

We also considered whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

There are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems, however these need to be further tested, with training also provided to increase staff awareness of these.

2012/05 – Non Domestic Rates

Draft issued May 2012

As part of this audit we 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.

In relation to our specific objectives, assurance has been obtained that the internal controls in place are operating effectively which ensure that: the records relating to current property values are up to date and accurate; valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation Roll. However we have identified some areas, mainly in relation to the efficient use of the Board's systems, where further improvements can be made.

Although we did not identify any control weaknesses during our testing we did note that there are variances in the way in which the Board's internal controls are applied across the offices with some being more robust than others. We have therefore recommended that the system of checking the Rolls of Change in place in the Perth office be implemented across all three offices to reduce the risk of self review of changes being applied.

3. Summary of Results and Conclusions

2012/05 – Non Domestic Rates (continued)

Reasonable assurance was obtained that the Valuation Roll is an accurate, comprehensive and up-to-date record of all non domestic properties in Tayside. Additions, deletions and alterations to the Valuation Roll are appropriately controlled and verified.

Appeal cases are logged on receipt and, from our sample testing, they have all been dealt with timeously.

Generally there is an adequate level of segregation of duties between identification of changes in value to the Valuation Roll and the input of amendments on the Valuation Roll.

2012/06 – Follow-Up Reviews

Final Issued May 2012

We carried out a follow-up review of recommendations made in the following internal audit reports issued during 2010/11:

- Internal Audit Report 2011/03 – General Ledger;
- Internal Audit Report 2011/04 – Payroll;
- Internal Audit Report 2011/05 – Corporate Governance;
- Internal Audit Report 2011/07 – Asset Management; and
- Internal Audit Report 2011/08 – Systems Development.

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

The Board had made good progress in implementing the 20 recommendations contained within internal audit reports listed above with 13 recommendations being assessed as fully implemented. Only six recommendations are assessed as not implemented / partially implemented. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year. One recommendation has been noted as 'no project to trigger action', as it related to Project Management.

The two partially implemented actions in the Corporate Governance report will be implemented when the updated Service Plan is presented to the Board for approval in June 2012.

The Asset Management actions that have not been fully implemented were delayed due to the restructuring of the IT and Administration sections which was not completed until February 2012. It is expected these will be completed in late May 2012.

The partially implemented Systems Development action relates to a review to identify lessons learned following the operation of the new Electoral Registration and Management System for a full year.



4. Time Spent – Budget v Actual

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at May 2012	Days to spend / WIP	Variance
Non Domestic Rates	2012/05	8	-	8	-	-
Financial Issues						
<i>Procurement and creditors / purchasing</i>	2012/02	5	-	5	-	-
Organisational Issues						
<i>Risk management / Business continuity</i>	2012/04	5	-	5	-	-
Information and IT						
<i>IT network arrangements</i>	2012/03	6	-	5	-	(1)
Other Audit Activities						
Liaison with External Audit)	N/A					
Management and Planning)	2012/01	4	-	3	1	-
Attendance at Joint Board)	N/A					
Follow-up Reviews	2012/06	2	-	2	-	-
Total		30	-	28	1	(1)
		=====	=====	=====	=====	=====



5. Operational Plan for 2012/13

- 5.1 Following our appointment as internal auditors for the period from 1 April 2010 to 31 March 2013 we prepared an Audit Needs Assessment and Strategic Plan for 2010 to 2013 (internal audit report 2011/01, issued March 2011).
- 5.2 An extract from the Strategic Plan, in relation to 2012/13 is below, which will be discussed with management, and updated if appropriate before being finalised for next year.

Tayside Valuation Joint Board Strategic Plan 2010/11 to 2012/13

Proposed Allocation of Audit Days

	Planned 12/13 Days
Reputation	
<i>Publicity</i>	
<i>Health and Safety</i>	3
Council Tax	8
Non Domestic Rates	
Electoral Register	4
Staffing Issues	
<i>Recruitment and retention / HR policies</i>	
<i>Payroll</i>	
Estates and Facilities	
<i>Asset management</i>	
Financial Issues	
<i>Budget setting / budgetary control</i>	4
<i>General ledger</i>	
<i>Procurement and creditors / purchasing</i>	
<i>Debtors / income</i>	
<i>Cash & bank / Treasury management</i>	
Organisational Issues	
<i>Risk management / Business continuity</i>	
<i>Corporate governance and control environment</i>	
<i>Corporate planning</i>	5
Other Audit Activities	
Management and Planning)	4
External audit)	
Attendance at audit committees)	
Follow-up reviews	2
ANA	
Total	30
	=====