

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 25 AUGUST 2014

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 17-2014

1 PURPOSE OF REPORT

- 1.1 To present to the Board the Internal Audit Annual Report 2013/14 (No 2014/09) and the Internal Audit Plan for 2014/15 (No 2015/01) which are attached as appendices to this report.

2 RECOMMENDATIONS

- 2.1 The Board is asked to note the contents of the Internal Audit Annual Report for 2013/14.
- 2.2 The Board is asked to note the Internal Audit Plan for 2014/15 and authorise the Assessor to sign the Internal Audit Charter attached thereto.

3 FINANCIAL IMPLICATIONS

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

4 POLICY IMPLICATIONS

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

5 BACKGROUND

- 5.1 Henderson Loggie were appointed to provide an Internal Audit Service in respect of the financial years 2010/11 to 2012/13 and have been re-appointed for the period from 1 April 2013 to 31 March 2016. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan approved by the Board on 26 August 2013.
- 5.2 The Internal Audit Annual Report 2013/14 (No 2014/09) is attached as Appendix 1 to this report. It summarises the Internal Audit work carried out during the year 2013/14. A more detailed report presenting Internal Audit's findings has previously been presented to the Board following the conclusion of each assignment.
- 5.3 The Internal Audit Annual Plan 2014/15 (No 2015/01) is attached as Appendix 2 to this report. It sets out the scope and objectives for assignments which will be carried out by Internal Audit during the year 2014/15. At the conclusion of each assignment a detailed report will be made to the Board. The assignments include:

- Non Domestic Rates
- Procurement and Creditors / Purchasing
- Risk Management and Business Continuity
- IT Network Arrangements
- Follow Up Reviews

The Plan also includes an Internal Audit Charter which should be signed by the Assessor and a Senior Partner of the Audit firm following Board approval.

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

7.1 None.

Alastair Kirkwood
Assessor

August 2014



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2013/14**

Internal Audit Report No: 2014/09

Draft Issued: 21 July 2014

Final Issued: 22 July 2014



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1. Annual Report and Opinion

- 1.1 We were formally re-appointed in April 2013 as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2013 to 31 March 2016. This report summarises the internal audit work performed during 2013/14.
- 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 2013/14 (internal audit report 2014/01, issued August 2013). 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 2013/14 to 2015/16. Work in the previous three-year cycle has been used to update the key control environment. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.
- 1.3 The work undertaken in 2013/14 is set out in the Strategic Plan for 2013/14. 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 Corporate Governance and Control Environment work took 3 days less than planned. This saving was not needed for any other work, and therefore the total time allocated to the 2013/14 audit has been 27 days.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.5 The Board has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
- Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.6 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance. This was undertaken in April 2013 and April 2014. Our internal audit manual was updated to include references to the PSIAS after the 2013 review. In April 2014 we decided to include further information in our Annual Report for 2013/14 (refer paragraphs 1.5 to 1.8) and include an Internal Audit Charter in our Annual Plan for 2014/15 which explains the internal audit service and includes information on roles and responsibilities of both Henderson Loggie and the Association in relation to internal audit.



1. Annual Report and Opinion

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

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

Significant Issues

- 1.9 There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating adequately in the areas selected, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.10 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.



2. Reports Submitted

<u>Report Number</u>	<u>Title</u>	<u>Action Points</u>	<u>Grade A</u>	<u>Grade B</u>	<u>Grade C</u>
2014/01	Audit Needs Assessment and Strategic Plan 2013 - 2016	N/A			
2014/02	Annual Plan 2013/14	N/A			
2014/03	Performance Reporting	3	-	-	3
2014/04	General Ledger	5	-	-	5
2014/05	Asset Management	3	-	-	3
2014/06	Follow-Up Reviews	0	-	-	-
2014/07	Payroll and HR / Recruitment / Staff Performance & Development	3	-	2	1
2014/08	Corporate Governance and Control Environment	3	-	1	2

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

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

3. Summary of Results and Conclusions

2014/01 – ANA and Strategic Plan 2013 - 2016

Final Issued August 2013

A comprehensive ANA based on the areas of risk that the Board is exposed to was undertaken in August 2013. A Strategic Plan to cover the three-year internal audit cycle was then formulated (refer to paragraph 1.2 above).

2014/02 – Annual Plan

Final Issued August 2013

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2014. The plan was based on the proposed allocation of audit days for 2013/14 set out in the ANA and Strategic Plan 2013 to 2016.

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.

2014/03 – Performance Reporting

Final Issued October 2013

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

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

- although the performance information needs of users have not formally been identified the information provided is adequate to meet their needs, or further information can be requested where necessary;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available, or could be requested, which:
 - ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
 - ◆ enables the impacts of key strategic and operational decisions to be measured, however we note that review of the impact of operational decisions is largely informal;
 - ◆ allows income and costs and to be analysed at a more detailed level;
 - ◆ assists in forecasting;
- processes are in place to provide and disseminate management information that are efficient.

2014/04 – General Ledger

Final Issued October 2013

We reviewed the following processes as part of our audit: month-end financial close process; year-end financial close process; and updating user access rights and adding / removing users on the main financial system.

Overall we obtained reasonable assurance that:

3. Summary of Results and Conclusions

2014/04 – General Ledger (continued)

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure. However there was not always evidence of independent review of control account reconciliations and journal entries and insufficient documentation was provided by the Council for the Board to review recharges adequately;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- although there are a large number of Board and Council staff who have user access rights to the Board's main financial systems, including system administration rights, mitigating controls are in place to reduce the risk of these staff processing unauthorised transactions.

2014/05 – Asset Management

Final issued January 2014

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

Overall, we obtained reasonable assurance that the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives, although some areas for improvement were noted.

In relation to our secondary objectives we obtained reasonable assurance that:

- there is a system for recording assets and checking the physical existence of these on a regular basis; however the physical checks performed are not formally recorded;
- although the Board does not have a formal maintenance plan in place over its assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

2014/06 – Follow-up

Final Issued May 2014

We carried out a follow-up review of recommendations made in the following internal audit reports issued during 2012/13

- Internal Audit Report 2013/02 – Health & Safety;
- Internal Audit Report 2013/03 – Corporate Planning;
- Internal Audit Report 2013/04 – Council Tax;
- Internal Audit Report 2013/06 – Electoral Register; and
- Internal Audit Report 2013/07 – Follow-Up Reviews.

3. Summary of Results and Conclusions

2014/06 – Follow-up (continued)

Reports 2013/01, 2013/05 and 2013/08 did not contain an action plan and therefore no follow-up was required:

- Internal Audit Report 2013/01 – Annual Plan 2012/13;
- Internal Audit Report 2013/05 – Budget Setting and Budgetary Control; and
- Internal Audit Report 2013/08 – Annual Report 2012/13.

Included in report 2013/07 were five outstanding actions from 2011/12 reports and one outstanding action from 2010/11 reports that were required to be followed-up again this year. In two instances there had been no project to trigger the action.

The Board has made good progress in implementing the 22 recommendations contained within the internal audit reports listed above with 15 recommendations being assessed as fully implemented.

Of the remaining seven recommendations:

- Two have been noted as ‘no project to trigger action’, as both related to Project Management; and
- Three of the five partially implemented actions relate to the Council Tax report and it is envisaged that these will be fully implemented later in the year following input from the IT section or once recently approved forms or reports have been put into use. All partially implemented recommendations will be followed-up again next year.

2014/07 – Payroll and HR / Recruitment / Staff performance & Development

Final Issued May 2014

This audit reviewed payroll operations, employment legislation and policies, recruitment processes, and actions for retention and development of the Board’s staff.

Overall we obtained reasonable assurance that:

Payroll

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed on a timely basis; however the Board’s Administration Manager (Finance / Personnel) does not annotate the reconciliations to evidence his review.
- monitoring information is adequate for identifying significant incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are authorised, processed and recorded within the Board’s main financial system; however payrun reports issued by the Council are not reviewed by the Assessor to ensure that payments are correct and reasonable. A recommendation has been raised to address this.

3. Summary of Results and Conclusions

2014/07 – Payroll and HR / Recruitment / Staff performance & Development (continued)

HR / Staff Performance and Development

- there is a process to identify changes in employment legislation and make changes on a timely basis;
- employment policies in place cover all appropriate areas and are considered adequate;
- staff have access to employment policies and are aware of their requirements;
- the recruitment process is efficient and effective and adheres to the requirements regarding equality; however we found that the Board's 'Recruitment and Selection' manual did not always refer to the most up-to-date equality legislation.
- the Board has recently developed a systematic approach to setting targets for staff, regularly assessing performance and development of staff and providing feedback; however this process has yet to be fully implemented; and
- induction training is clearly informed by an assessment of where staff have skills/knowledge/performance gaps and it is envisaged that the recently developed 'Employee Performance and Development Review' process will enable all training going forward to be clearly informed by an assessment of staff members' skills/ knowledge/performance gaps.

2014/08 – Corporate Governance

Final Issued May 2014

This review covered the corporate governance arrangements within the Board and compared these against best practice.

From our audit work, compliance with *Delivering Good Governance in Local Government* was found to be good with no recommendations for improvement made.

In terms of our secondary objectives:

- anti-bribery and anti-corruption policies and procedures exist within the organisation although these require to be reviewed and updated to ensure that they remain proportionate to the bribery and corruption risks it faces and to the nature, scale and complexity of its activities; and
- procedures are in place to ensure that policies are equalities impact assessed to ensure they meet the requirements of the Equalities Act 2010.

The Public Records (Scotland) Act 2011 (the 'Act') was fully implemented on 1 January 2013. Named authorities, of which the Board is one, must submit a formal records management plan (RMP) to the Keeper of the Records of Scotland (the Keeper) for his agreement. To this end the Board has established a working group to develop a formal RMP which aims to produce a draft for review by the end of 2014.

The guidance recommends that arrangements are in place for whistle blowing to which staff and all those contracting with the organisation have access. The Public Interests Disclosure Act also recommends that such a policy is in place to promote openness and honesty within the organisation. Our review has noted that the organisation does not have a separate whistle blowing policy, however the Board does have a well publicised Complaints Policy which explains how to raise a concern inside and outside of the organisation. The policy is referred to in the staff handbook and publicly available on the website. We have recommended that, in line with recommendations included in the CIPFA Solace guidance and the Public Interests Disclosure Act, the Joint Board should consider establishing a Whistle Blowing Policy.



4. Time Spent – Budget v Actual

Internal Audit	Report number	Planned days	Actual days fee'd	Days to fee at July 2014	Days to spend / WIP	Variance
Reputation <i>Performance reporting</i>	2014/03	4	4			
Staffing Issues Payroll and HR/Staff training and development	2014/07	4	4			
Estates and Facilities Asset Management	2014/05	3	3			
Financial Issues <i>General Ledger</i>	2014/04	3	3			
Organisational Issues <i>Corporate Governance and control environment</i>	2014/08	6	3			3
Other Audit Activities						
Liaison with External Audit)						
Management and Planning)	2014/02	4	3	1		
Attendance at Joint Board)						
Follow-up Reviews	2014/06	2	2			
ANA	2014/01	4	4			
Total		30	26	1		3
		=====	=====	=====	=====	=====



5. Operational Plan for 2014/15

- 5.1 Following our re-appointment as internal auditors for the period from 1 April 2013 to 31 March 2016 an Audit Needs Assessment and Strategic Plan for 2013 to 2016 was developed during May 2013 and will be presented to the Board. (Internal audit report 2014/01, issued May 2013).
- 5.2 An extract from the Strategic Plan, in relation to 2014/15 is below, which will be discussed with management, and updated if appropriate before being finalised for next year.

Tayside Valuation Joint Board Strategic Plan 2013/14 to 2015/16

Proposed Allocation of Audit Days

	Actual 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
Council Tax			7
Non Domestic Rates		8	
Electoral Register			
<i>Accuracy of register / Data security</i>			4
Staffing Issues			
<i>Payroll)</i>			
<i>HR / Staff training and development)</i>	4		
Estates and Facilities			
<i>Asset management</i>	3		
Financial Issues			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash & bank / Treasury management</i>			
Organisational Issues			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	3		
<i>Corporate planning</i>			4
Information and IT			
<i>IT network arrangements / Data security</i>		6	
<i>Data protection / FOI</i>			3
Other Audit Activities			
<i>Management and Planning)</i>	4	4	4
<i>External audit)</i>			
<i>Attendance at audit committees)</i>			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
Total	27	30	30
	=====	=====	=====



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Plan
2014/15**

Internal Audit Report No: 2015/01

**Draft Issued: 22 July 2014
2nd Draft Issued: 30 July 2014
Final Issued: 31 July 2014**



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1. Introduction

- 1.1 The purpose of this document is to present to the members of Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2015. The plan is based on the proposed allocation of audit days for 2014/15 set out in the Audit Needs Assessment and Strategic Plan 2013 to 2016. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2014/15, together with the audit approach. These were arrived at following discussion with the Assessor and input from the Treasurer and External Auditor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.4 Our audit service complies with the Public Sector Internal Audit Standards (PSIAS). Section 4 is new this year and includes our Internal Audit Charter, required by PSIAS. This explains the internal audit service and includes information on roles and responsibilities of both Henderson Loggie and Tayside Valuation Joint Board in relation to internal audit. The Charter will be presented to the Board for approval as part of this 2014/15 Internal Audit Plan at its meeting on 25 August 2014.



2. Strategic Plan 2013 to 2016

Proposed Allocation of Audit Days

	Priority	Actual 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation				
<i>Performance Reporting</i>	Medium	4		
<i>Health and Safety</i>	Medium			3
Council Tax	Medium			7
Non Domestic Rates	Medium		8	
Electoral Register				
<i>Accuracy of register / Data security</i>	Medium			4
Staffing Issues				
<i>Payroll</i>)	Low			
<i>HR / Staff training and development</i>)	Medium/Low	4		
Estates and Facilities				
<i>Asset management</i>	Medium	3		
Financial Issues				
<i>Budget setting / budgetary control</i>	Medium			3
<i>General ledger</i>	Low	3		
<i>Procurement and creditors / purchasing</i>	Medium		5	
<i>Debtors / income</i>	Low			
<i>Cash & bank / Treasury management</i>	Low			
Organisational Issues				
<i>Risk management / Business continuity</i>	Medium		5	
<i>Corporate governance and control environment</i>	Medium	3		
<i>Corporate planning</i>	Medium			4
Information and IT				
<i>IT network arrangements / Data security</i>	Medium		6	
<i>Data protection / FOI</i>	Low			3
Other Audit Activities				
<i>Management and Planning</i>)		4	4	4
<i>External audit</i>)				
<i>Attendance at Board meetings</i>)				
<i>Follow-up reviews</i>		2	2	2
<i>ANA</i>		4		
Total		27	30	30
		=====	=====	=====

The priority was originally assessed as part of the Audit Needs Assessment (Report 2014/01 August 2013), considering risk impact and likelihood and the controls in each area. This has been reconsidered as part of the planning process for 2014/15 and no changes made.



3. Outline Scope and Objectives

Audit Assignment: Non Domestic Rates

Priority: Medium

Board Meeting: November 2014

Days: 8

Scope

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

The systems and controls reviewed are part of the mitigating actions for the following risk noted in the Board's Risk Register: 5.2 Failure of Information Provision: Non domestic rating: to adequately maintain an accurate Valuation Roll:

- Building warrants
- Planning permissions
- Land register
- Stakeholders eg, Lands Valuation Return, Rent Returns

Objectives

The specific objectives of the review will be 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 an 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 password protocols and where staff leave their access is suspended;
- 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.

Our audit approach will be:

From discussion with relevant staff, and review of procedural documentation, we will confirm any system changes, identify the key internal controls in place within the non domestic rates valuation and appeals systems and compare these with expected controls. Audit testing will then be carried out to ensure that the controls in place are operating effectively.



3. Outline Scope and Objectives

Audit Assignment:	Procurement and Creditors / Purchasing
Priority:	Medium
Board Meeting:	June 2015
Days:	5

Scope

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

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

The systems and controls reviewed are part of the mitigating actions for the following risk noted in the Board's Risk Register:

2.3 Unauthorised expenditure

Objectives

The specific objectives of the audit will be 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.

Our audit approach will be:

From discussions with relevant staff, we will establish what procurement strategies, procedures and monitoring arrangements are in place. These will then be evaluated to establish if they follow recognised good practice.

Specifically, we will seek to establish 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 will be selected from the financial ledger and tested to ensure compliance with the Board's Financial Regulations and Procedures.

3. Outline Scope and Objectives

Audit Assignment:	Risk Management and Business Continuity
Priority:	Medium
Board Meeting:	January 2015
Days:	5

Scope

Risk Management

The scope of this audit will be 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 will also consider whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

The systems and controls reviewed are part of the mitigating actions for several risks noted in the Board's Risk Register, including:

- 1.1 Total loss of premises
- 1.2 Total loss of access to/use of building
- 3.4 Failure of back-up procedures
- 3.6 Major internal system failure
- 4.2 Widespread or epidemic/pandemic illness
- 4.4 Large scale resignation

Electoral registration risks:

- 2.1 Loss of Electoral Registration office
- 3.1 Loss of IT capability
- 7.1 Loss of staff

Objectives

Risk Management

To obtain reasonable assurance 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 organisation'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.



3. Outline Scope and Objectives

Audit Assignment: Risk Management and Business Continuity (continued)

Our audit approach will be:

To consider actions agreed previously that were still outstanding when the follow-up work was carried out in May 2014.

Risk Management

We will discuss the risk management process with managers and staff and review relevant policies and procedures. Risk management documents and reports, such as the Risk Register and Board papers, will then be reviewed. For a sample of managers and staff we will discuss the risk management process they use in order to determine how embedded risk management is within the organisation. We will consider whether all relevant key risks have been identified and included on the current Risk Register and how often the register is revisited and updated.

Business Continuity

We will obtain copies of BCPs in place and consider whether they cover all of the organisation's activities.

The Board's approach to business continuity will be discussed with relevant officers and we will review evidence of 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 will be performed with reference to the Business Continuity Institute Good Practice Guidelines.

3. Outline Scope and Objectives

Audit Assignment:	IT Network Arrangements
Priority:	Medium
Board Meeting:	June 2015
Days:	6

Scope

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

We will also undertake a high level review of the governance arrangements in place to oversee the project currently underway to upgrade the organisation's systems in line with the Public Services Network (PSN) requirements.

The systems and controls reviewed are part of the mitigating actions for several risks noted in the Board's Risk Register, including:

- 3.2 Malicious damage to systems
- 3.3 Attempted breach of security
- 3.5 Failure of internal applications
- 3.6 Major internal system failure
- 3.8 Inappropriate use of Internet/Email by staff

Electoral registration risks

- 6.2 Unauthorised access to electoral register/application forms and data
- 6.3 Taking of electronic notes or other means of unauthorised copying of electoral register.

Objectives

The objectives will be to obtain reasonable assurance that:

- internal controls in place ensure the security of the IT network operated by the organisation; and
- appropriate governance arrangements are in place to oversee and control the PSN implementation work.

Our audit approach will be:

Our approach will be 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:

- Physical and environmental controls;
- Network infrastructure;
- Acceptable Use Policy;
- Logical access; and
- Compliance with user licence requirements.

Governance of the PSN project will be reviewed through discussion with officers and consideration of relevant documentation.



3. Outline Scope and Objectives

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Board Meeting:	January 2015
Days:	2

Scope

As part of the internal audit programme at Tayside Valuation Joint Board for 2014/15 we will review the recommendations raised within internal audit reports issued in 2013/14 and obtain an update on these. Areas covered during 2013/14 were:

- Report 2014/03 – Performance reporting;
- Report 2014/04 – General ledger;
- Report 2014/05 – Asset management;
- Report 2014/07 – Payroll and HR / Recruitment / Staff Performance & Development; and
- Report 2014/08 – Corporate governance and control environment

There are also seven outstanding recommendations from earlier years that will also be followed-up and progress included in this year's Follow-Up Review.

Objectives

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

Our audit approach will be:

- 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
- prepare a summary of the current status of the recommendations for the Board.



4. Internal Audit Charter

Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Tayside Valuation Joint Board (TVJB).

It assists TVJB in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of TVJB's risk management, control, and governance processes.

Definitions

Within this Internal Audit Charter the 'Board' is defined as the Board of Management of TVJB and 'senior management' is defined as TVJB's Senior Management Team.

'Henderson Loggie' is the external provider of internal audit services and Cathie Wyllie is the Partner with Head of Internal Audit Service (Head of IAS) responsibility.

Role

The Board has responsibility for maintaining an effective internal audit provision. Henderson Loggie's responsibilities are defined by the Board as part of their oversight role through the contract in place following a tender exercise in 2013.

Professionalism

The internal audit activity will govern itself by adherence to relevant professional standards and guidelines, including those set out by the Institute of Internal Auditors (IIA), the Public Sector Internal Audit Standards (PSIAS) and Seven Principles of Public Life as set by the Committee on Standards of Public Life. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Henderson Loggie's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to TVJB's relevant policies and procedures and Henderson Loggie's standard operating procedures manual.



4. Internal Audit Charter

Authority

Henderson Loggie, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of TVJB's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The Head of IAS will also have free and unrestricted access to the Convener of the Board, the Assessor and the Treasurer.

Organisation

The internal audit activity will report operationally to the Assessor and functionally to the Assessor, the Treasurer and the Board.

The Head of IAS will communicate and interact directly with the Board, including attending (or being represented at) meetings and between meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in TVJB, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Henderson Loggie has ongoing procedures in place to review and maintain the independence of the audit team. Should any conflict of interest or impairment in independence become known Henderson Loggie will discuss this with the Assessor and Treasurer and take steps to mitigate the conflict. The nature of the matter and how it has been dealt with will be reported to the Board at their next meeting.

Before Henderson Loggie undertakes any non-audit activities it will consider whether there are any conflicts of interests. If mitigating controls cannot be implemented to remove conflicts of interest then the non-audit activity will not be undertaken.

Henderson Loggie will confirm their organisational independence to the Board, at least annually.



4. Internal Audit Charter

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of TVJB's governance, risk management, and internal control processes in relation to TVJB's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with significant policies, plans, procedures, laws, and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes ('audit universe') of TVJB including governance processes and risk management processes. It also maintains a proper degree of coordination with the external auditors.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for TVJB. It may also evaluate specific operations at the request of the Board or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Board and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Board.

Fraud

The risk of fraud will be considered as part of the planning for each internal audit engagement and where considered appropriate internal audit work will be undertaken to provide assurance over fraud risks.

The role of internal audit in fraud-related work will be to assist management as considered best and in line with the Fraud Policy.

Internal audit plan

At least annually, Henderson Loggie will submit to the Board an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal year. Henderson Loggie will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Board. Prior to submission to the Board for delegated Board approval, the plan will be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.



4. Internal Audit Charter

Reporting and monitoring

A written report will be prepared and issued by Henderson Loggie following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a responsible officer, timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Henderson Loggie will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

An Annual Report summarising the work for the fiscal year, and including information on internal audit performance will be presented to management and the Board by June each year. The Annual Report will incorporate the annual internal audit opinion that can be used by TVJB to inform its governance statement.

Periodic assessment

The Head of IAS is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Internal Audit Charter (purpose, authority, responsibility) and performance relative to its Plan. A progress update on the agreed Plan will be provided verbally to each Board meeting and the overall assessment will be included in the Annual Report.

In addition, Henderson Loggie will communicate to senior management and the Board on Henderson Loggie's on-going quality assurance and improvement program, including results of internal and external quality assessments.

Signed by:

Cathie Wyllie, Partner, Henderson Loggie, Head of Internal Audit Service to Tayside Valuation Joint Board

Date

Alastair Kirkwood, Assessor and Electoral Registration Officer, Tayside Valuation Joint Board

Date



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2013/14**

Internal Audit Report No: 2014/09

Draft Issued: 21 July 2014

Final Issued: 22 July 2014



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1. Annual Report and Opinion

- 1.1 We were formally re-appointed in April 2013 as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2013 to 31 March 2016. This report summarises the internal audit work performed during 2013/14.
- 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 2013/14 (internal audit report 2014/01, issued August 2013). 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 2013/14 to 2015/16. Work in the previous three-year cycle has been used to update the key control environment. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.
- 1.3 The work undertaken in 2013/14 is set out in the Strategic Plan for 2013/14. 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 Corporate Governance and Control Environment work took 3 days less than planned. This saving was not needed for any other work, and therefore the total time allocated to the 2013/14 audit has been 27 days.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.5 The Board has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
- Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.6 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance. This was undertaken in April 2013 and April 2014. Our internal audit manual was updated to include references to the PSIAS after the 2013 review. In April 2014 we decided to include further information in our Annual Report for 2013/14 (refer paragraphs 1.5 to 1.8) and include an Internal Audit Charter in our Annual Plan for 2014/15 which explains the internal audit service and includes information on roles and responsibilities of both Henderson Loggie and the Association in relation to internal audit.



1. Annual Report and Opinion

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

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

Significant Issues

- 1.9 There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating adequately in the areas selected, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.10 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.



2. Reports Submitted

<u>Report Number</u>	<u>Title</u>	<u>Action Points</u>	<u>Grade A</u>	<u>Grade B</u>	<u>Grade C</u>
2014/01	Audit Needs Assessment and Strategic Plan 2013 - 2016	N/A			
2014/02	Annual Plan 2013/14	N/A			
2014/03	Performance Reporting	3	-	-	3
2014/04	General Ledger	5	-	-	5
2014/05	Asset Management	3	-	-	3
2014/06	Follow-Up Reviews	0	-	-	-
2014/07	Payroll and HR / Recruitment / Staff Performance & Development	3	-	2	1
2014/08	Corporate Governance and Control Environment	3	-	1	2

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

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

3. Summary of Results and Conclusions

2014/01 – ANA and Strategic Plan 2013 - 2016

Final Issued August 2013

A comprehensive ANA based on the areas of risk that the Board is exposed to was undertaken in August 2013. A Strategic Plan to cover the three-year internal audit cycle was then formulated (refer to paragraph 1.2 above).

2014/02 – Annual Plan

Final Issued August 2013

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2014. The plan was based on the proposed allocation of audit days for 2013/14 set out in the ANA and Strategic Plan 2013 to 2016.

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.

2014/03 – Performance Reporting

Final Issued October 2013

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

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

- although the performance information needs of users have not formally been identified the information provided is adequate to meet their needs, or further information can be requested where necessary;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available, or could be requested, which:
 - ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
 - ◆ enables the impacts of key strategic and operational decisions to be measured, however we note that review of the impact of operational decisions is largely informal;
 - ◆ allows income and costs and to be analysed at a more detailed level;
 - ◆ assists in forecasting;
- processes are in place to provide and disseminate management information that are efficient.

2014/04 – General Ledger

Final Issued October 2013

We reviewed the following processes as part of our audit: month-end financial close process; year-end financial close process; and updating user access rights and adding / removing users on the main financial system.

Overall we obtained reasonable assurance that:

3. Summary of Results and Conclusions

2014/04 – General Ledger (continued)

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure. However there was not always evidence of independent review of control account reconciliations and journal entries and insufficient documentation was provided by the Council for the Board to review recharges adequately;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- although there are a large number of Board and Council staff who have user access rights to the Board's main financial systems, including system administration rights, mitigating controls are in place to reduce the risk of these staff processing unauthorised transactions.

2014/05 – Asset Management

Final issued January 2014

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

Overall, we obtained reasonable assurance that the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives, although some areas for improvement were noted.

In relation to our secondary objectives we obtained reasonable assurance that:

- there is a system for recording assets and checking the physical existence of these on a regular basis; however the physical checks performed are not formally recorded;
- although the Board does not have a formal maintenance plan in place over its assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

2014/06 – Follow-up

Final Issued May 2014

We carried out a follow-up review of recommendations made in the following internal audit reports issued during 2012/13

- Internal Audit Report 2013/02 – Health & Safety;
- Internal Audit Report 2013/03 – Corporate Planning;
- Internal Audit Report 2013/04 – Council Tax;
- Internal Audit Report 2013/06 – Electoral Register; and
- Internal Audit Report 2013/07 – Follow-Up Reviews.

3. Summary of Results and Conclusions

2014/06 – Follow-up (continued)

Reports 2013/01, 2013/05 and 2013/08 did not contain an action plan and therefore no follow-up was required:

- Internal Audit Report 2013/01 – Annual Plan 2012/13;
- Internal Audit Report 2013/05 – Budget Setting and Budgetary Control; and
- Internal Audit Report 2013/08 – Annual Report 2012/13.

Included in report 2013/07 were five outstanding actions from 2011/12 reports and one outstanding action from 2010/11 reports that were required to be followed-up again this year. In two instances there had been no project to trigger the action.

The Board has made good progress in implementing the 22 recommendations contained within the internal audit reports listed above with 15 recommendations being assessed as fully implemented.

Of the remaining seven recommendations:

- Two have been noted as ‘no project to trigger action’, as both related to Project Management; and
- Three of the five partially implemented actions relate to the Council Tax report and it is envisaged that these will be fully implemented later in the year following input from the IT section or once recently approved forms or reports have been put into use. All partially implemented recommendations will be followed-up again next year.

2014/07 – Payroll and HR / Recruitment / Staff performance & Development

Final Issued May 2014

This audit reviewed payroll operations, employment legislation and policies, recruitment processes, and actions for retention and development of the Board’s staff.

Overall we obtained reasonable assurance that:

Payroll

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed on a timely basis; however the Board’s Administration Manager (Finance / Personnel) does not annotate the reconciliations to evidence his review.
- monitoring information is adequate for identifying significant incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are authorised, processed and recorded within the Board’s main financial system; however payrun reports issued by the Council are not reviewed by the Assessor to ensure that payments are correct and reasonable. A recommendation has been raised to address this.

3. Summary of Results and Conclusions

2014/07 – Payroll and HR / Recruitment / Staff performance & Development (continued)

HR / Staff Performance and Development

- there is a process to identify changes in employment legislation and make changes on a timely basis;
- employment policies in place cover all appropriate areas and are considered adequate;
- staff have access to employment policies and are aware of their requirements;
- the recruitment process is efficient and effective and adheres to the requirements regarding equality; however we found that the Board's 'Recruitment and Selection' manual did not always refer to the most up-to-date equality legislation.
- the Board has recently developed a systematic approach to setting targets for staff, regularly assessing performance and development of staff and providing feedback; however this process has yet to be fully implemented; and
- induction training is clearly informed by an assessment of where staff have skills/knowledge/performance gaps and it is envisaged that the recently developed 'Employee Performance and Development Review' process will enable all training going forward to be clearly informed by an assessment of staff members' skills/ knowledge/performance gaps.

2014/08 – Corporate Governance

Final Issued May 2014

This review covered the corporate governance arrangements within the Board and compared these against best practice.

From our audit work, compliance with *Delivering Good Governance in Local Government* was found to be good with no recommendations for improvement made.

In terms of our secondary objectives:

- anti-bribery and anti-corruption policies and procedures exist within the organisation although these require to be reviewed and updated to ensure that they remain proportionate to the bribery and corruption risks it faces and to the nature, scale and complexity of its activities; and
- procedures are in place to ensure that policies are equalities impact assessed to ensure they meet the requirements of the Equalities Act 2010.

The Public Records (Scotland) Act 2011 (the 'Act') was fully implemented on 1 January 2013. Named authorities, of which the Board is one, must submit a formal records management plan (RMP) to the Keeper of the Records of Scotland (the Keeper) for his agreement. To this end the Board has established a working group to develop a formal RMP which aims to produce a draft for review by the end of 2014.

The guidance recommends that arrangements are in place for whistle blowing to which staff and all those contracting with the organisation have access. The Public Interests Disclosure Act also recommends that such a policy is in place to promote openness and honesty within the organisation. Our review has noted that the organisation does not have a separate whistle blowing policy, however the Board does have a well publicised Complaints Policy which explains how to raise a concern inside and outside of the organisation. The policy is referred to in the staff handbook and publicly available on the website. We have recommended that, in line with recommendations included in the CIPFA Solace guidance and the Public Interests Disclosure Act, the Joint Board should consider establishing a Whistle Blowing Policy.

**4. Time Spent – Budget v Actual**

Internal Audit	Report number	Planned days	Actual days fee'd	Days to fee at July 2014	Days to spend / WIP	Variance
Reputation <i>Performance reporting</i>	2014/03	4	4			
Staffing Issues Payroll and HR/Staff training and development	2014/07	4	4			
Estates and Facilities Asset Management	2014/05	3	3			
Financial Issues <i>General Ledger</i>	2014/04	3	3			
Organisational Issues <i>Corporate Governance and control environment</i>	2014/08	6	3			3
Other Audit Activities						
Liaison with External Audit)						
Management and Planning)	2014/02	4	3	1		
Attendance at Joint Board)						
Follow-up Reviews	2014/06	2	2			
ANA	2014/01	4	4			
Total		30	26	1		3
		=====	=====	=====	=====	=====



5. Operational Plan for 2014/15

- 5.1 Following our re-appointment as internal auditors for the period from 1 April 2013 to 31 March 2016 an Audit Needs Assessment and Strategic Plan for 2013 to 2016 was developed during May 2013 and will be presented to the Board. (Internal audit report 2014/01, issued May 2013).
- 5.2 An extract from the Strategic Plan, in relation to 2014/15 is below, which will be discussed with management, and updated if appropriate before being finalised for next year.

Tayside Valuation Joint Board Strategic Plan 2013/14 to 2015/16

Proposed Allocation of Audit Days

	Actual 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
Council Tax			7
Non Domestic Rates		8	
Electoral Register			
<i>Accuracy of register / Data security</i>			4
Staffing Issues			
<i>Payroll)</i>			
<i>HR / Staff training and development)</i>	4		
Estates and Facilities			
<i>Asset management</i>	3		
Financial Issues			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash & bank / Treasury management</i>			
Organisational Issues			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	3		
<i>Corporate planning</i>			4
Information and IT			
<i>IT network arrangements / Data security</i>		6	
<i>Data protection / FOI</i>			3
Other Audit Activities			
<i>Management and Planning)</i>	4	4	4
<i>External audit)</i>			
<i>Attendance at audit committees)</i>			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
Total	27	30	30
	=====	=====	=====



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Plan
2014/15**

Internal Audit Report No: 2015/01

**Draft Issued: 22 July 2014
2nd Draft Issued: 30 July 2014
Final Issued: 31 July 2014**



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1. Introduction

- 1.1 The purpose of this document is to present to the members of Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2015. The plan is based on the proposed allocation of audit days for 2014/15 set out in the Audit Needs Assessment and Strategic Plan 2013 to 2016. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2014/15, together with the audit approach. These were arrived at following discussion with the Assessor and input from the Treasurer and External Auditor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.4 Our audit service complies with the Public Sector Internal Audit Standards (PSIAS). Section 4 is new this year and includes our Internal Audit Charter, required by PSIAS. This explains the internal audit service and includes information on roles and responsibilities of both Henderson Loggie and Tayside Valuation Joint Board in relation to internal audit. The Charter will be presented to the Board for approval as part of this 2014/15 Internal Audit Plan at its meeting on 25 August 2014.



2. Strategic Plan 2013 to 2016

Proposed Allocation of Audit Days

	Priority	Actual 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation				
<i>Performance Reporting</i>	Medium	4		
<i>Health and Safety</i>	Medium			3
Council Tax	Medium			7
Non Domestic Rates	Medium		8	
Electoral Register				
<i>Accuracy of register / Data security</i>	Medium			4
Staffing Issues				
<i>Payroll</i>)	Low			
<i>HR / Staff training and development</i>)	Medium/Low	4		
Estates and Facilities				
<i>Asset management</i>	Medium	3		
Financial Issues				
<i>Budget setting / budgetary control</i>	Medium			3
<i>General ledger</i>	Low	3		
<i>Procurement and creditors / purchasing</i>	Medium		5	
<i>Debtors / income</i>	Low			
<i>Cash & bank / Treasury management</i>	Low			
Organisational Issues				
<i>Risk management / Business continuity</i>	Medium		5	
<i>Corporate governance and control environment</i>	Medium	3		
<i>Corporate planning</i>	Medium			4
Information and IT				
<i>IT network arrangements / Data security</i>	Medium		6	
<i>Data protection / FOI</i>	Low			3
Other Audit Activities				
<i>Management and Planning</i>)		4	4	4
<i>External audit</i>)				
<i>Attendance at Board meetings</i>)				
<i>Follow-up reviews</i>		2	2	2
<i>ANA</i>		4		
Total		27	30	30
		=====	=====	=====

The priority was originally assessed as part of the Audit Needs Assessment (Report 2014/01 August 2013), considering risk impact and likelihood and the controls in each area. This has been reconsidered as part of the planning process for 2014/15 and no changes made.



3. Outline Scope and Objectives

Audit Assignment: Non Domestic Rates

Priority: Medium

Board Meeting: November 2014

Days: 8

Scope

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

The systems and controls reviewed are part of the mitigating actions for the following risk noted in the Board's Risk Register: 5.2 Failure of Information Provision: Non domestic rating: to adequately maintain an accurate Valuation Roll:

- Building warrants
- Planning permissions
- Land register
- Stakeholders eg, Lands Valuation Return, Rent Returns

Objectives

The specific objectives of the review will be 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 an 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 password protocols and where staff leave their access is suspended;
- 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.

Our audit approach will be:

From discussion with relevant staff, and review of procedural documentation, we will confirm any system changes, identify the key internal controls in place within the non domestic rates valuation and appeals systems and compare these with expected controls. Audit testing will then be carried out to ensure that the controls in place are operating effectively.



3. Outline Scope and Objectives

Audit Assignment:	Procurement and Creditors / Purchasing
Priority:	Medium
Board Meeting:	June 2015
Days:	5

Scope

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

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

The systems and controls reviewed are part of the mitigating actions for the following risk noted in the Board's Risk Register:

2.3 Unauthorised expenditure

Objectives

The specific objectives of the audit will be 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.

Our audit approach will be:

From discussions with relevant staff, we will establish what procurement strategies, procedures and monitoring arrangements are in place. These will then be evaluated to establish if they follow recognised good practice.

Specifically, we will seek to establish 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 will be selected from the financial ledger and tested to ensure compliance with the Board's Financial Regulations and Procedures.



3. Outline Scope and Objectives

Audit Assignment:	Risk Management and Business Continuity
Priority:	Medium
Board Meeting:	January 2015
Days:	5

Scope

Risk Management

The scope of this audit will be 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 will also consider whether there are adequate plans in place to minimise disruption to operations following loss of life, buildings or equipment, including key IT systems.

The systems and controls reviewed are part of the mitigating actions for several risks noted in the Board's Risk Register, including:

- 1.1 Total loss of premises
- 1.2 Total loss of access to/use of building
- 3.4 Failure of back-up procedures
- 3.6 Major internal system failure
- 4.2 Widespread or epidemic/pandemic illness
- 4.4 Large scale resignation

Electoral registration risks:

- 2.1 Loss of Electoral Registration office
- 3.1 Loss of IT capability
- 7.1 Loss of staff

Objectives

Risk Management

To obtain reasonable assurance 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 organisation'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.



3. Outline Scope and Objectives

Audit Assignment: Risk Management and Business Continuity (continued)

Our audit approach will be:

To consider actions agreed previously that were still outstanding when the follow-up work was carried out in May 2014.

Risk Management

We will discuss the risk management process with managers and staff and review relevant policies and procedures. Risk management documents and reports, such as the Risk Register and Board papers, will then be reviewed. For a sample of managers and staff we will discuss the risk management process they use in order to determine how embedded risk management is within the organisation. We will consider whether all relevant key risks have been identified and included on the current Risk Register and how often the register is revisited and updated.

Business Continuity

We will obtain copies of BCPs in place and consider whether they cover all of the organisation's activities.

The Board's approach to business continuity will be discussed with relevant officers and we will review evidence of 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 will be performed with reference to the Business Continuity Institute Good Practice Guidelines.

3. Outline Scope and Objectives

Audit Assignment:	IT Network Arrangements
Priority:	Medium
Board Meeting:	June 2015
Days:	6

Scope

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

We will also undertake a high level review of the governance arrangements in place to oversee the project currently underway to upgrade the organisation's systems in line with the Public Services Network (PSN) requirements.

The systems and controls reviewed are part of the mitigating actions for several risks noted in the Board's Risk Register, including:

- 3.2 Malicious damage to systems
- 3.3 Attempted breach of security
- 3.5 Failure of internal applications
- 3.6 Major internal system failure
- 3.8 Inappropriate use of Internet/Email by staff

Electoral registration risks

- 6.2 Unauthorised access to electoral register/application forms and data
- 6.3 Taking of electronic notes or other means of unauthorised copying of electoral register.

Objectives

The objectives will be to obtain reasonable assurance that:

- internal controls in place ensure the security of the IT network operated by the organisation; and
- appropriate governance arrangements are in place to oversee and control the PSN implementation work.

Our audit approach will be:

Our approach will be 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:

- Physical and environmental controls;
- Network infrastructure;
- Acceptable Use Policy;
- Logical access; and
- Compliance with user licence requirements.

Governance of the PSN project will be reviewed through discussion with officers and consideration of relevant documentation.



3. Outline Scope and Objectives

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Board Meeting:	January 2015
Days:	2

Scope

As part of the internal audit programme at Tayside Valuation Joint Board for 2014/15 we will review the recommendations raised within internal audit reports issued in 2013/14 and obtain an update on these. Areas covered during 2013/14 were:

- Report 2014/03 – Performance reporting;
- Report 2014/04 – General ledger;
- Report 2014/05 – Asset management;
- Report 2014/07 – Payroll and HR / Recruitment / Staff Performance & Development; and
- Report 2014/08 – Corporate governance and control environment

There are also seven outstanding recommendations from earlier years that will also be followed-up and progress included in this year's Follow-Up Review.

Objectives

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

Our audit approach will be:

- 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
- prepare a summary of the current status of the recommendations for the Board.



4. Internal Audit Charter

Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Tayside Valuation Joint Board (TVJB).

It assists TVJB in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of TVJB's risk management, control, and governance processes.

Definitions

Within this Internal Audit Charter the 'Board' is defined as the Board of Management of TVJB and 'senior management' is defined as TVJB's Senior Management Team.

'Henderson Loggie' is the external provider of internal audit services and Cathie Wyllie is the Partner with Head of Internal Audit Service (Head of IAS) responsibility.

Role

The Board has responsibility for maintaining an effective internal audit provision. Henderson Loggie's responsibilities are defined by the Board as part of their oversight role through the contract in place following a tender exercise in 2013.

Professionalism

The internal audit activity will govern itself by adherence to relevant professional standards and guidelines, including those set out by the Institute of Internal Auditors (IIA), the Public Sector Internal Audit Standards (PSIAS) and Seven Principles of Public Life as set by the Committee on Standards of Public Life. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Henderson Loggie's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to TVJB's relevant policies and procedures and Henderson Loggie's standard operating procedures manual.



4. Internal Audit Charter

Authority

Henderson Loggie, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of TVJB's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The Head of IAS will also have free and unrestricted access to the Convener of the Board, the Assessor and the Treasurer.

Organisation

The internal audit activity will report operationally to the Assessor and functionally to the Assessor, the Treasurer and the Board.

The Head of IAS will communicate and interact directly with the Board, including attending (or being represented at) meetings and between meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in TVJB, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Henderson Loggie has ongoing procedures in place to review and maintain the independence of the audit team. Should any conflict of interest or impairment in independence become known Henderson Loggie will discuss this with the Assessor and Treasurer and take steps to mitigate the conflict. The nature of the matter and how it has been dealt with will be reported to the Board at their next meeting.

Before Henderson Loggie undertakes any non-audit activities it will consider whether there are any conflicts of interests. If mitigating controls cannot be implemented to remove conflicts of interest then the non-audit activity will not be undertaken.

Henderson Loggie will confirm their organisational independence to the Board, at least annually.



4. Internal Audit Charter

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of TVJB's governance, risk management, and internal control processes in relation to TVJB's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with significant policies, plans, procedures, laws, and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes ('audit universe') of TVJB including governance processes and risk management processes. It also maintains a proper degree of coordination with the external auditors.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for TVJB. It may also evaluate specific operations at the request of the Board or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Board and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Board.

Fraud

The risk of fraud will be considered as part of the planning for each internal audit engagement and where considered appropriate internal audit work will be undertaken to provide assurance over fraud risks.

The role of internal audit in fraud-related work will be to assist management as considered best and in line with the Fraud Policy.

Internal audit plan

At least annually, Henderson Loggie will submit to the Board an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal year. Henderson Loggie will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Board. Prior to submission to the Board for delegated Board approval, the plan will be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.



4. Internal Audit Charter

Reporting and monitoring

A written report will be prepared and issued by Henderson Loggie following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a responsible officer, timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Henderson Loggie will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

An Annual Report summarising the work for the fiscal year, and including information on internal audit performance will be presented to management and the Board by June each year. The Annual Report will incorporate the annual internal audit opinion that can be used by TVJB to inform its governance statement.

Periodic assessment

The Head of IAS is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Internal Audit Charter (purpose, authority, responsibility) and performance relative to its Plan. A progress update on the agreed Plan will be provided verbally to each Board meeting and the overall assessment will be included in the Annual Report.

In addition, Henderson Loggie will communicate to senior management and the Board on Henderson Loggie's on-going quality assurance and improvement program, including results of internal and external quality assessments.

Signed by:

Cathie Wyllie, Partner, Henderson Loggie, Head of Internal Audit Service to Tayside Valuation Joint Board

Date

Alastair Kirkwood, Assessor and Electoral Registration Officer, Tayside Valuation Joint Board

Date