

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 22 NOVEMBER 2021

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 24-2021

1 PURPOSE OF REPORT

1.1 To present to the Board the following Internal Audit Report which is attached as an appendix to this report:-

Internal Audit Report 2022/02 - Council Tax

2 RECOMMENDATIONS

2.1 The Joint Board is asked to note the contents of this Report and attached Audit Report.

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, Chartered Accountants, were appointed to provide an Internal Audit Service in respect of the financial years 1 April 2019 to 31 March 2022. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2016 to 2019 as approved by the Joint Board on 26 August 2019.

5.2 Internal Audit Report 2022/02 – Council Tax - is attached as Appendix 1 to this report. It has been prepared by Internal Audit following discussion with the Assessor. The overall conclusion of the report is that the level of assurance is good and that the system meets the control objectives. No significant weaknesses were identified.

6 CONSULTATIONS

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

7 BACKGROUND PAPERS

7.1 None.

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Assessor

November 2021

Tayside Valuation Joint Board

Council Tax

Internal Audit report No: 2022/02

Draft issued: 9 November 2021

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

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



Management Summary

Overall Level of Assurance

Good	System meets control objectives.
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Tayside Valuation Joint Board ('the Board') Strategic Risk Register:

- 5.1 – Legislative Changes Affecting: Council Tax (risk rating: low); and
- 5.2 – Failure of Information Provision: Council Tax (risk rating: low).

Background

As part of the Internal Audit programme at the Board for 2021/22, we carried out a review of the Board's Council Tax Valuation List arrangements. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The Valuation List ('the List') is a register of all domestic properties which are subject to banding for Council Tax purposes. The List also includes subjects such as domestic lock-up garages and domestic stores which are regarded as exempt dwellings. Separate Lists are maintained for each of the three constituent local authority areas: Angus, Dundee City and Perth & Kinross.

Each dwelling is placed in one of eight broad bands according to its estimated capital value as at 1 April 1991. The List contains address information together with the band ascribed to each dwelling.



Scope, Objectives and Overall Findings

This audit reviewed the adequacy and effectiveness of the controls and procedures in place to ensure the accuracy of records relating to all domestic properties within the Board’s area and that all property bandings are appropriate and only approved changes, new entries, deletions and amendments, proposals and appeals are made to the Valuation List.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
	1	2	3	
The specific objectives of the review were to obtain reasonable assurance that:				
	No. of Agreed Actions			
1. there are appropriate procedures in place to ensure that all domestic properties in the area are on the Valuation List and that the entries are accurate and agree with the assessed property bandings.	Good	0	0	0
2. any changes; new entries and amendments to properties on the Valuation List are properly authorised and approved by suitably qualified professional and technical staff.	Good	0	0	0
3. all proposals and appeals of council tax bandings are addressed and cleared by appropriately qualified professional and technical staff in accordance with the statutory timetable.	Good	0	0	0
4. checks are in place to ensure that the Valuation List is accurately and timeously amended to record the outcome of an appeal.	Good	0	0	0
5. controls are in place to ensure that late amendments to the current List are picked up and reflected in the new List.	Good	0	0	0
6. only authorised staff can input amendments and all new entries are checked independently and evidenced.	Good	0	0	0
7. authorised staff change their passwords in line with pre-determined password policies and where staff leave their access is suspended.	Good	0	0	0
8. 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 List in which they have an interest.	Good	0	0	0
9. all changes to the Valuation List are reported timeously to the Local Authorities and appropriate notices are issued to taxpayers.	Good	0	0	0
		0	0	0
Overall Level of Assurance	Good	System meets control objectives		



Audit Approach

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

Summary of Main Findings

Strengths

- The COVID-19 pandemic, and the resulting requirement for staff to work from home, has required the Board to review the way in which the key internal controls which ensure the accuracy of the Valuation List were applied. Despite these changes in working practices, we were able to confirm that on the basis of our testing that the internal controls in place are operating effectively to ensure that: the records relating to current property values and council tax bandings 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 List.
- From the sample testing carried out we obtained reasonable assurance that the information held on the Valuation List is an accurate, comprehensive and is an up-to-date record of domestic dwellings in the local authority areas covered by the Board. Our sample testing confirmed that additions, deletions, and amendments to the Valuation List are appropriately controlled and verified.
- Processes are in place to identify properties which affect the Valuation List such as new properties, change of use, demolitions and appeals.
- There is an adequate level of segregation of duties between identification of changes in value to the Valuation List and the input of amendments on the Valuation List.
- Changes to the Valuation List are reported timeously to the local authorities.

Weaknesses

- No significant weaknesses were noted during our review.

Acknowledgment

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

Main Findings

Objective 1: There are appropriate procedures in place to ensure that all domestic properties in the area are on the Valuation List and that the entries are accurate and agree with the assessed property bandings.

The primary source of information relating to new, altered, and demolished properties is obtained from planning permission, warrant registers and completion certificates as provided by each of the constituent local authorities. As detailed in the Board's Council Tax Valuation List General Outline of Procedures Assistant Assessors are responsible for ensuring that appropriate arrangements are in place for obtaining such information. Information obtained is then recorded in the Board's warrants system and scrutinised by appropriately qualified staff to identify properties which may require a valuation or banding assessment to be carried out.

As detailed in the Board's Council Tax Valuation List General Outline of Procedures, senior staff are responsible for scrutinising the warrants database to ensure that Board staff are updating the system to allow performance targets to be met. Through discussion with staff we noted that in practice checks are performed more frequently and in addition Key Performance Indicator reports are reviewed weekly which show the status of outstanding warrants.

The Board also receives information from the Registers of Scotland regarding domestic property sales which is recorded in the Board's systems and made available to staff involved in Council Tax valuations in order to identify properties which may require a re-banding.



Council Tax

Objective 2: Any changes; new entries and amendments to properties on the Valuation List are properly authorised and approved by suitably qualified professional and technical staff.

It is the responsibility of the Board to put in place systems to ensure that details of all properties in the region are captured and recorded in the Board's own systems to ensure that the Valuation List is maintained as accurate and complete. Full technical details of each property included on the Valuation List, such as floor plans and details of non-domestic or commercial use, are recorded in the Board's electronic library facility along with details of any further evidence required to support the property valuation reached. Guidance on the supporting evidence that is required is contained within the Board's internal procedures.

Confirmation of the new entries, amendments or deletions to the Valuation List are entered into the Board's IT systems and recorded electronically on a 'Council Tax Input Record' (CT1) form. Valuation figures recorded on the input records are directly linked to the electronic calculation tables on the Board's systems. Input records are completed, signed and dated by professional or technical staff but must be authorised by the area senior valuer.

Our testing included selecting a random sample of 45 entries on the Valuation List in 2021/22, from across each of the three Local Authority areas, ensuring that CT1 forms, including the valuation arrived at, had been appropriately authorised; sufficient documentation existed to support the valuations (and bandings arrived at); and that adequate checking of changes to the Valuation List had taken place.

In all 45 cases tested (15 for each Local Authority area) we were able to confirm that new entries, amendments, and deletions had been appropriately authorised, and that appropriate evidence existed to support the banding or valuation.



Council Tax

Objective 3: All proposals and appeals of council tax bandings are addressed and cleared by appropriately qualified professional and technical staff in accordance with the statutory timetable; and

Objective 4: Checks are in place to ensure that the Valuation List is accurately and timeously amended to record the outcome of an appeal.

Council tax proposals received from occupiers are recorded on the Board's Proposals computer system. The Board's procedures state that Council Tax proposals received are to be acknowledged within 14 days in accordance with regulation 7 of The Council Tax (Alteration of Lists and Appeals) (Scotland) Regulations 1993. Where the proposal is considered invalid, the proposer should be notified within six weeks of receipt of the proposal with the Board notifying the proposer of the reasons for the proposal being considered invalid.

Our random sample of 45 entries on the Valuation List included two proposals. For each proposal we ensured that:

- the Board had issued an acknowledgment letter to the appellant within the statutory timeframe;
- a proposals header sheet had been produced;
- sufficient documents were available to support the proposal and any resulting amended valuation / banding; and
- that the final valuation / banding arrive at agreed to entry on the Valuation List.

Our testing also included two appeals, for which we ensured that:

- the appeal was lodged and recorded within the four week statutory timeframe;
- the Board had issued an acknowledgment letter to the appellant;
- documents were available to support the appeal and any resulting amended valuation / banding; and
- that the final valuation / banding agreed to the entry on the Valuation List.

For the sample of proposals and appeals tested we confirmed that in each case they had been addressed and cleared by a Senior Valuer and that the final valuation and banding had been checked by an Assistant Assessor prior to the updated Valuation List and Banding Notices being notified to the local authority.



Objective 5: Controls are in place to ensure that late amendments to the current List are picked up and reflected in the new List.

Weekly reports are produced which detail all new entries and changes made to council tax records in the preceding week. The Board's internal procedures outline the controls in place to ensure the accuracy of the updates applied to the Valuation List which include checking the items listed to the source documents used for implementing the changes (such as CT1 forms) and checking items listed against a 'Banding History Report' which is also produced weekly showing the changes to bands processed in the previous week. Once checked and authorised, the interface report is passed to the Finance department of the relevant local authority.

Our testing of a sample of 45 entries on the Valuation List, which included 22 weekly Council Tax Interface reports across the three local authorities, confirmed that all changes noted from our testing of 45 CT1 forms (see Objective 2 above) were accurately reflected in the updated Valuation List, which were then reported timeously to the local authorities. Therefore, we concluded that adequate controls are in place to ensure that any late amendments to the current Valuation List are picked up and reflected in the new Valuation List.

Objective 6: Only authorised staff can input amendments and all new entries are checked independently and evidenced

Our review included a review of a sample of 22 Council Tax Interface Reports across the three local authority areas to ensure that: the interface report and the banding history report had been checked to CT1 forms and other source documents; the banding notices had been checked and approved; and that both the interface report and the banding report had been approved by the Assistant Assessor.

Sample testing across all three Local Authority areas confirmed that changes on the interface and banding reports had been agreed to CT1 forms and supporting documents.

To ensure that changes to the Valuation List have been independently checked, a list of proposed alterations to the Valuation List are passed to the senior valuers each week who ensure that entries agree to source documents. Our testing of CT1 forms and Council Tax Interface Reports confirmed that evidence of this checking was recorded in all instances.

Adequate segregation exists amongst staff to minimise the risk of unauthorised amendments being made to the Valuation List in that access to the Valuation List is determined by business need and to ensure that the integrity of the Valuation List is maintained. Any amendments are authorised by Senior Valuers with subsequent changes to the Valuation List then applied by Clerical staff. Due to staff working remotely during the COVID-19 pandemic we noted that valuation staff were able to make changes to the Valuation List as part of the valuation process. Previously these changes were applied by clerical staff. Procedures and controls have been established to ensure that where valuation staff have made changes to the Valuation List, changes are independently checked for accuracy and are authorised to ensure that changes are appropriate.

Objective 7: Authorised staff change their passwords in line with pre-determined password policies and where staff leave their access is suspended.

Guidance relating to access to the Board's systems is included within the document 'Security of Information Technology Systems', which has been issued to all staff. The guidance outlines the need to eliminate any potential risk of unauthorised disclosure of information and of unauthorised amendments being made to the Valuation List and all other computer applications operated by the Assessor and the Board. All computer equipment is configured in such a way that all users are required to enter a username and password before systems can be accessed. Unique usernames are allocated to each member of staff. The guidance refers to the Board's password policy, which states that passwords must be changed at least once every three months. Systems are set up to automatically prompt users to change passwords if a change has not been made within the required period. For all staff working from home, remote access and user authentication controls have been established to ensure that only authorised persons have access to the Board's systems.

Objective 8: 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 List in which they have an interest.

Our sample of 45 CT1 forms tested included 17 deletions and amendments to properties on the Valuation List, which we confirmed had been properly authorised and approved by senior and suitably qualified staff. We also ensured that any amendments or deletions of properties on the Valuation List contained sufficient and appropriate supporting documents.

The Board's Council Tax procedures contains guidance for staff on conflicts of interest when creating new entries, or making amendments to existing entries, on the Valuation List. Staff should not update records or authorise amendments for their own property or for properties occupied by family or close friends. Any such changes should be authorised by a member of the Assessor's management team who does not have an interest in the property. Staff are formally required to complete an annual return listing any properties in which they have a personal interest. Such properties are flagged in the Valuation List and reports are generated and reviewed each month by an Assistant Assessor when changes are made to properties that are linked to staff. Changes are then investigated to ensure that any amendments affecting the Valuation List are bona fide and accurate.

Objective 9: All changes to the Valuation List are reported timeously to the Local Authorities and appropriate notices are issued to taxpayers.

Of the 22 Council Tax Interface Reports tested we confirmed that in all cases changes to the Valuation List were reported timeously to the relevant Local Authorities. Furthermore, our testing of 45 CT1 forms included nine properties where amendments were required to be made to the Valuation List and Banding Notices as a result of property sales and alterations and in each case, we confirmed that the changes made had been notified to the taxpayer timeously.

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