



INTERNAL AUDIT REPORT

Central Scotland Valuation Joint Board

Valuation Roll - Non Domestic Properties

Issued To:-

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Annual Plan	2012-13
Date Report Issued	March 2013

1. INTRODUCTION

- 1.1 This report details the recommendations and findings arising from the Internal Audit review of the Valuation Roll. This review was approved by the Central Scotland Valuation Joint Board (VJB) on 16 November 2012.
- 1.2 Responsibility for a sound internal control environment rests with management. The role of Internal Audit is to assess the adequacy of controls and provide assurance on how effectively these are operating. The audit work undertaken is designed so that material irregularity has a reasonable probability of being uncovered; however, collusive fraud can override even sound control systems.
- 1.3 The matters raised in this report are only those which came to the attention of Internal Audit during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit was to assess the adequacy and effectiveness of the controls and procedures in place to ensure that the records relating to non-domestic property values are up to date and accurate; appeals and surveys are being dealt with appropriately and timeously; and appropriate controls are in place over entries and amendments made to the Valuation Roll.
- 2.2 The objective of the audit was to provide assurance on the controls relating to the Valuation of Non Domestic Properties. Four key controls were identified and tested and the adequacy of the internal controls was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. A definition of the assurance assessments is provided in Appendix A. The key controls and assessments are as follows:

Key Control	Assurance Assessment	Number of Recommendations
Relevant Properties are identified and included in the Valuation Roll with the intended rateable value	Reasonable	4
Potential amendments are made to the Valuation Roll	Significant	0
All relevant data from the Valuation Roll is promptly and correctly transferred to the Assessment Roll	Significant	0
Appeals and surveys are dealt with in a timely manner	Significant	0

3. SYSTEM OVERVIEW AND AUDIT OPINION

- 3.1 Each of Scotland's thirty two Local Authorities are designated as a Valuation Authority with responsibility for appointing an Assessor. There are fourteen Assessors in Scotland; four are appointed directly by a single Council and the remaining ten are appointed by Valuation Joint Boards comprising elected members appointed by two or more Councils. Where a Valuation Joint Board exists, all of the duties, powers and responsibilities of the constituent Councils as Valuation Authorities are delegated to the Board, and it is the Board which appoints the Assessor. The Assessor has a statutory duty to carry out the functions of creating and maintaining the Valuation Roll. The Central Scotland Assessor covers the geographic area of 3 Constituent Councils; Stirling, Falkirk and Clackmannanshire. The Valuation Roll for Central Scotland, as at November 2012, comprised 11,195 properties with a combined rateable value of £329m.
- 3.2 In our opinion there is a strong control environment operating in relation to the Valuation Roll – Non Domestic Properties: This includes clear segregation of duties; appropriate supervisory and managerial authorisation checks; detailed procedural guidance and effective system access controls.
- 3.3 From the testing undertaken, the following strengths were identified:
- Clearly defined processes and procedures are in existence ensuring that properties are identified, surveys created, valuations completed and Valuation Notices issued timeously and in line with Scottish Government Performance Targets.
 - All surveys and valuations are undertaken by suitably qualified technicians and valuers in accordance with the Scottish Assessors' Association valuation guidance.
 - All completed valuations are reviewed and authorised by an appropriate Senior Officer in line with guidance.
 - The computer system used by the Assessors for recording surveys and valuations, Corona A2K, has built-in system controls including an audit trail identifying individuals who have amended property records and appropriate access rights and permissions dependent on an officer's role and responsibilities;
 - Regular updates are provided to each of the three Constituent Councils ensuring that their respective Assessment Rolls are up to date and accurate.
 - Appeals are resolved timeously using detailed procedural guidance, evidence based assessment methodology and peer review ensuring appeals are considered in a consistent and transparent way.
 - Performance and key issues, including progress in clearance of outstanding appeals in respect of the 2010 Revaluation, are reported on a regular basis to the Central Scotland VJB

- At February 2013, the Assessor had 685 Revaluation Appeals and 3948 Non-Revaluation Appeals to clear by the Statutory Deadline 31st December 2013. It was noted that good progress is being made resolving the appeals, with regular updates provided to the Board; this does not appear in the Risk Register as an operational risk.

3.4 A summary of areas identified where there is scope for improvement in the system of controls is included in Appendix B. Planned action, responsibilities and timescales for action in response to the identified risk exposure have been provided by management.

3.5 We note the Assessors are currently in the process of updating their existing IT Systems. This provides an opportunity for them to constructively assess existing processes and procedures to enable them to continue developing and improving their processes and procedures. We observed the following opportunities for development, that the Assessor's may wish to consider as part of this:

- Development of an electronic interface connecting the Assessor's in-house IT System with each of the three Constituent Councils' Planning / Building Systems.
- Development of an electronic interface with each of the three Constituent Council's Assessment Rolls enabling them to be updated quickly and accurately. This has been investigated previously, however, due to combination of issues and circumstances, little positive progress was achieved.
- Integrating the three existing in-house Valuation Systems into the Assessors new IT system.

3.6 The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4. RECOMMENDATIONS

- 4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.
- 4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	0
Priority 2	0
Priority 3	3
Priority 4	1

5. HISTORY OF THE AUDIT REPORT

- 5.1 The table below sets out the history of this report.

Issue of Draft Report	February 14th 2013
Receipt of Management Comments	February 22nd 2013
Issue of Final Report	March 7th 2013

Assurance Assessments

Assurance	Definitions
Significant Assurance	There are sound controls operating within the system and these are complied with consistently. Risks are being controlled or mitigated. Good practice is in operation.
Reasonable Assurance	There are controls operating within the system. Some improvements could be made to further enhance the control environment. Significant risks are being adequately controlled/mitigated.
Limited Assurance	There are only minimal controls operating and the control environment requires to be improved. Risks are not being controlled/mitigated adequately.
No Assurance	There are no controls operating within the system or no reliance can be placed on the controls and a control environment must be established.

MANAGEMENT ACTION PLAN

Ref	Finding	Recommendation	Agreed Management Action	Priority	Assigned Officer	Target Date
Control Objective 1: Relevant Properties are identified and included in the Valuation Roll with the intended rateable value						
6.1	Sections of the Assessor's Procedural Guidance are now out-dated following the 2012 restructuring. For example it was noted that paragraph four (page one) of " <i>Procedures - Surveys, Appeals and Rents</i> " makes reference to two Divisional Valuers when there is now only one in place.	Procedural guidance should be reviewed to ensure that it adequately reflects current roles, responsibilities and processes.	Update the guidance to reflect the new structure	3	Assistant Assessor	April 2013
6.2	Falkirk and Clackmannanshire Councils do not provide the Assessor's with full and regular updates of amendments (for example changes in ownership details) to their respective Assessment Rolls.	Consideration should be given to how full and regular updates could be obtained from Falkirk and Clackmannanshire Councils to ensure that the section of Valuation Roll covering properties located within these two Council Geographic areas is accurate, complete and up to date.	Liaise with Falkirk and Clackmannanshire Councils to investigate provision of information from their Assessment Rolls	3	Depute Assessor	June 2013

1	There is a fundamental absence of control(s) which should be addressed immediately.
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2	There is an absence of control(s) which should be addressed at the earliest opportunity.
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3	There is an immaterial breakdown in control(s) which should be addressed as soon as practically possible.
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4	A matter for consideration which is a point of good practice or could improve the effectiveness of the arrangements.
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Ref	Finding	Recommendation	Agreed Management Action	Priority	Assigned Officer	Target Date
6.3	<p>Procedural Guidance outlines that where a technician has undertaken a survey; a valuer must check it, prior to be forwarded to the Divisional Valuer for authorisation.</p> <p>Testing found that 12 out of 26 applicable valuations sampled had not been evidenced as having been checked by a valuer.</p>	Consideration should be given to how implementation of this control should be enforced and monitored.	Clarify the guidance to retain the normal situation of pre-check by another Valuer but allow the Divisional Valuer to carry out own pre-check in prescribed circumstances.	4	Assistant Assessor	April 2013
6.4	A variety of manual checks and reports are prepared within different business areas of the Assessors relating to the Valuation Roll. Most of these have been developed over time. This gives rise to a risk of duplication of effort or an extensive range of reviews and checks being undertaken which may not add a great deal to the process..	The opportunity should be taken to review and critically challenge existing controls and checks to identify those that could be incorporated into the new IT System. This would help to reduce the risk of duplication; help to improve and potentially streamline the existing paper based system and would enable the identification of resources for future developments.	Review the paper documents produced by the system.	3	Depute Assessor	October 2013

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