

DRAFT

MINUTE of MEETING of CENTRAL SCOTLAND VALUATION JOINT BOARD held within HILLSIDE HOUSE, LAURELHILL, STIRLING on FRIDAY 20 NOVEMBER 2009 at 10a.m.

PRESENT: Depute Provost McLaren, Councillors Balsillie, Goss, Hughes, C MacDonald and Nimmo.

CONVENER: Depute Provost McLaren.

APOLOGIES: Councillors Biggam, Blackwood, Jackson, Paterson and Simpson.

ATTENDING: Assessor, Depute Assessor, E Shaw (for Treasurer); S Mackay, Senior Auditor and Assistant to the Clerk (D Kelly).

DECLARATIONS OF INTEREST: None.

VJB11. MINUTE

There was submitted (circulated) and **APPROVED** Minute of Meeting of Central Scotland Valuation Joint Board held on 4 September 2009.

VJB12. BUDGET MONITORING – AUGUST 09

There was submitted Report (circulated) by the Treasurer advising of the forecast outturn for the financial year ending 31 March 2010.

NOTED.

VJB13. DISABILITY EQUALITY SCHEME RENEWAL

There was submitted Report (circulated) dated 12 November 2009 by the Assessor attaching as an appendix the annual progress report on the Board's Disability Equality Scheme.

Discussion took place on the following:-

- Discriminatory practices
- Disabled staff
- Arrangements for deaf voters
- Definition of disability

AGREED to approve the annual progress report and the updated Scheme.

VJB14. DATES FOR FUTURE MEETINGS 2010

There was submitted Report (circulated) dated 30 October 2009 by the Clerk to the Board advising of the scheduled meeting dates for the Board in 2010.

NOTED.

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: APPOINTMENT OF TREASURER
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 19 FEBRUARY 2010
Author: CLERK TO THE BOARD

1. INTRODUCTION

- 1.1 The purpose of this Report is to ask Members of the Valuation Joint Board to consider the appointment of a Treasurer to the Board.

2. BACKGROUND

- 2.1 The Board were advised at the Special Meeting held on 29 January 2010 that the Treasurer, Mr Muir Wilson (Finance Manager, Clackmannanshire Council) had submitted his resignation.
- 2.2 In terms of the Standing Orders, the Board is required to appoint a Treasurer.
- 2.3 Historically, the Treasurer has been a nominated Financial Officer from Clackmannanshire Council.
- 2.4 The post of Finance Manager, Clackmannanshire Council, previously held by Mr Wilson, is currently being held on an interim basis by Ms Susan Mackay.

3. RECOMMENDATION

- 3.1 **The Valuation Joint Board is invited to appoint Ms Susan Mackay, Finance Manager, Clackmannanshire Council, to the post of Treasurer to the Valuation Joint Board on an interim basis until such times as her post is confirmed or another person is appointed.**

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Clerk to the Board

Date: 4 February 2010
Contact Officer: Shona Barton (01324) 506116

LIST OF BACKGROUND PAPERS

NIL

AGENDA ITEM 3

VALUATION JOINT BOARD FOR CENTRAL SCOTLAND

Subject: Revaluation 2010
Meeting: Central Scotland Valuation Joint Board
Date: 19th February, 2010
Author: Iain Macgregor, Assistant Assessor

1.0 INTRODUCTION

The Local Government (Scotland) Act 1975 determines that a general revaluation of all non-domestic properties must be carried out every five years. Each Assessor is required to make up a new Valuation Roll on the first day of the year of revaluation. Valuations must reflect the level of rents prevailing as at 1st April two years prior to the year of revaluation and it must be emphasised that all subjects are valued afresh using the Assessor's technical data rather than simply have the existing figures adjusted.

Over the past 2-3 years the Assessor and his staff have been engaged in the revaluation process and all preparations have now been made for the issue of valuation notices on the provisional date of 15th March 2010, publication of the Roll itself on 1st April, 2010 and display of values on the Scottish Assessors Association portal www.saa.gov.uk. Summary valuations for the bulk category subjects (offices, shops and workshops) will also be shown on that web site enabling most ratepayers to scrutinise how their valuation was arrived at. The total rateable value by Scottish Executive category is shown in the appendix to this Report.

2.0 VALUATION ROLL

The Valuation Roll for the Central Valuation area shows in excess of 11,000 non domestic subjects. The content requirement of the Roll is set out in the Valuation Roll and Valuation Notice (Scotland) Order 1989. That order states that the content must be the description and situation of the lands and heritages, the names of the proprietor, tenant and occupier of these subjects, the net annual value, rateable value and effective date of the entry.

In addition the Assessor is required at the request of a District Salmon Fishery Board to value and enter salmon fishing rights in the Valuation Roll. This is done only for the purposes of the Board and no rates can be charged by local councils.

3.0 NET ANNUAL VALUE

Net annual value is defined as the annual amount in rent which a landlord could reasonably expect to receive for a property if it were let. The actual figures are arrived at following analysis of bona fide rents passing for similar subjects around the valuation date (1st April, 2008).

4.0 THE VALUATION PROCESS

It is normal practice when valuing properties for any purpose to apply a rate per unit of measurement (usually square metre) to them and that rate is determined by analysing actual rents ingathered over a period of time. The Assessor is empowered under Section 7 of the Lands Valuation (Scotland) Act 1854 to 'call upon proprietor, tenant or occupier within his area for a return containing such particulars as may be reasonably required for the purpose of enabling him to value the lands and heritages....' and therefore employs this legislation to seek rental information. Returns are issued on an ongoing basis and there are approximately 3,000 subjects on the Assessor's rental database.

Not all subjects have current rents passing but all are required to be valued. Therefore valuers' judgment has to be exercised in ensuring each valuation sits well with the others. It is normal practice to take the basket of rents for a particular category of subject in a particular area and establish a general level of value for such subjects and apply that level accordingly. This process is known as the comparative method of valuation.

There are number of categories for which there is no rental market. Examples of such properties are those occupied by public bodies such as community centres, police stations, hospitals etc. In order to value these it is necessary to employ what is known as the contractor's method of valuation. This necessitates the estimation of the cost of building the particular subject, adjusting that figure to take account of any disabilities and applying a de-capitalising percentage. The estimation of building cost necessitates the ingathering of cost information on completion of building contracts and liaising with other Assessors who may be in possession of more or less cost information for particular categories. The de-capitalisation percentage is provided by statutory instrument and is currently 3.33% for all health-care, educational and religious subjects and 5% in all other cases.

In addition to his geographical duties the Assessor for Central Scotland is also required to value the larger Scottish ports which exist in more than one council area and advise local Assessors on the others. The method of valuation employed in these cases is receipts and expenditure, which involves ingathering accounts from the relevant port authorities, establishing the profit and splitting that between what the hypothetical tenant would expect as an income and what the landlord would expect as a rent.

5.0 RECOMMENDATIONS

It is recommended that the Valuation Joint Board note this Report.

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Author: Iain Macgregor
Date: 8th February, 2010

Appendix :

1.0 Revaluation 2010 – Total Values by Scottish Executive Code

REVALUATION 2010 – TOTAL VALUES BY SE CODE

Scottish Executive Code	Category	2010 RV
01	Shop	£85,684,070
02	Public House	£4,687,200
03	Office Including Bank	£34,924,915
04	Hotels etc	£7,698,790
05	Industrial subjects Including Factories, Warehouses, Stores and Workshops	£63,737,670
06	Leisure, Entertainment, Caravans and Holiday Sites	£11,154,935
07	Garages and Petrol Stations	£5,204,935
08	Cultural	£984,775
09	Sporting Subjects	£293,040
10	Education and Training	£27,534,450
11	Public Service Subjects	£13,235,930
12	Telecomm (non formula)	£31,235
13	Quarries, Mines etc.	£851,113
14	Petrochemical	£30,917,500
15	Religious	£2,237,325
16	Health Medical	£6,777,450
17	Other	£2,658,360
18	Care Facilities	£5,839,750
19	Advertising	£254,345
20	Undertakings	£11,471,980
Total		£316,179,768

AGENDA ITEM 4

VALUATION JOINT BOARD FOR CENTRAL SCOTLAND

Subject: Electoral Registration Report
Meeting: Central Scotland Valuation Joint Board
Date: 19th February, 2010
Author: Russell Taylor, Depute Electoral Registration Officer

1.0 INTRODUCTION

This report deals provides an update on the current work of the Electoral Registration Officer.

2.0 LEGISLATION

The introduction of the voluntary collection of personal identifiers for electoral registration has been postponed by the Ministry of Justice. It was due to be introduced for the 2010 annual canvass. We await more information on how and when it will be implemented. The requirement to produce electoral registers in a BS7666 Data Standard has been implemented from 1st December 2009.

Working with Forth Valley GIS we have imported the Corporate Address Gazetteer (CAG) number from each council and will now use this in our electoral registration system to identify differences in our address with the CAG address.

We plan, over a period of time, to alter the register address to match the CAG address if we confirm our address is wrong.

3.0 POSTAL VOTES

Currently 19,374 electors have chosen to vote by post (from a total electorate as at 1st February of 224,532). Of the 19,374 a total of 108 have a valid waiver which does not require them to provide a signature. The next UK Parliamentary election will be the first parliamentary election at which all postal vote personal identifiers will be checked by Returning Officers. Electors have until 5pm eleven working days before polling day to apply for a postal vote for an election. Therefore, it is very important that applications are made by the elector promptly and the transmission to us by hand, post, fax or scanned e-mail attachment is not delayed.

4.0 PROXY & POSTAL PROXY VOTERS

Currently 122 electors have appointed a proxy (only three have waivers) plus fourteen have appointed a proxy who votes by post (one waiver).

5.0 REGISTRATION

The 1st February Register of Electors totals 219,398 eligible UK Parliamentary Electors. This is less than the total shown in paragraph 3 as just over 5,000 are not eligible to vote in UK elections.

The last date for registering to vote in time for an election is minus eleven working days. For example, if the election is 6th May the last date on which anyone can register or alter their registration will be 20th April.

Throughout the year registration forms are issued by each Council's Finance Service along with council tax information whenever a change in liability occurs. Where no returned form is received, registration staff will check the monthly lists of changes received from Falkirk and Stirling Councils and issue new forms with a covering letter. For Clackmannanshire a list of changes is not available, so registration staff will identify changes in the full Council Tax file from Clackmannanshire Council before issuing new forms.

All new houses are issued with a registration form along with the Notice of Council Tax banding when the Assessor adds the property to the Council Tax List.

Some landlords and their agents have now agreed to notify us directly of changes in tenants. This allows registration staff to delete existing electors more promptly and issue forms to new occupiers prior to receiving the monthly council tax changes.

6.0 PUBLICITY

With the election looming but as yet not announced we have issued various press releases to local newspapers and Central FM to help publicise the need to register promptly and to apply to vote by post before the deadline.

We have initiated meetings with Council communication staff and Returning Officer staff in order that we share information on the messages which need to be publicised and to use communication staff skills to identify appropriate media.

7.0 ELECTIONS

We have in place the necessary arrangements to deal with the election whenever it is announced.

We have again initiated meetings with Council election staff in order that we identify the necessary tasks and resources to provide the poll cards, registers and absent vote lists when required.

The UK Parliamentary election is the only major election without a fixed timetable and can be called at a minimum of seventeen working days. This makes it extremely difficult to ensure that adequate time is devoted to each and every requirement of the legislation. We have arranged with external printers appointed by each Council that poll card data will be provided by the ERO each month from now. This is to ensure that they can start printing immediately the election is announced as the “cut-off” for registration and postal vote applications is eleven working days before polling day.

Printers have requested that postal vote data is provided as soon as possible after 5.00 p.m. on the last date for registration and applying to vote by post. As the timetable is so tight arrangements have been made for staff to work overtime to ensure that all applications received in time are checked and updated. New registers and absent vote lists will then be extracted and checked before the data is sent to printers to print and post ballot papers. More detailed checking may have to be delayed until after printing but before posting.

Registers and absent vote lists will be made available to candidates, if requested, as soon as possible after printers and Returning Officers staff receive their copies.

Staff are also involved in meetings to plan for and provide data to Returning Officers for the Loch Lomond & Trossachs National Park election in June and for community council elections

8.0 RECOMMENDATIONS

The Joint Board is asked to note the report.

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Author: Russell Taylor
Date : 8th February, 2010

AGENDA ITEM 5

VALUATION JOINT BOARD FOR CENTRAL SCOTLAND

Subject: Assessor's IT Hardware Renewal
Meeting: Central Scotland Valuation Joint Board
Date: 19th February, 2010
Author: B Byrne, Assessor & Electoral Registration Officer

1.0 INTRODUCTION

The Valuation Joint Board's current IT strategy (approved 21st September, 2005) indicates that PCs should be considered for replacement after four years.

2.0 BACKGROUND

Most of the PCs currently in use by Assessor's staff will be over four years old by the end of this financial year and will no longer be supported by warranty after March 2010. The IT manager has been unable to obtain a quote from any reliable provider for renewal of warranty on these machines. This leaves the options of either piecemeal replacement as computers fail or alternatively renewal of PCs.

The preferred option is for general replacement over a short timescale of two months. The piecemeal change option would cause additional effort by IT staff in sourcing different hardware drivers for a range of machines bought at different times using different operating systems and with different system architecture. It would require IT staff to work with multiple suppliers when dealing with warranty issues. This option therefore does not make efficient use of the resources of the IT team as investigation of any machine or a system failure could involve many additional factors. Piecemeal change is obviously not controllable as I cannot predict how many machines would fail in any one year.

3.0 RESERVES

Financial projection shows an expected underspend of over £16,000 for the current financial year. The Valuation Joint board has reserves of £167,000 (including the 2008/09 underspend of £9,000) to which this year's underspend would be added. The current joint framework agreement on IT purchasing indicates recent costs of around £450 per machine. I would now ask the Board to approve in principle spending approximately £25,000 of these reserves on hardware (including operating system and warranty) to replace up to fifty six PCs.

4.0 RECOMMENDATION

I would ask the Board to authorise, in principle, use of part of the accumulated reserves for the purchase of PCs to replace older machines, subject to use of the joint framework for IT hardware purchases.

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Author: B Byrne
Date: 11th February, 2010

AGENDA ITEM 6

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: REVENUE BUDGET 2009/10 – REVIEW AS AT 31.12.09
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 19th February, 2010
Author: TREASURER

1. INTRODUCTION

- 1.1 The purpose of this report is to advise the Joint Board of the forecast outturn for the financial year ending 31 March 2010.

2. BACKGROUND

- 2.1 The budget for the financial year 2009/10 is £2.708 million. The projected outturn against the budget shows an underspend of £16K (see Appendix A).
- 2.2 The main reason for the reported underspend relates to a reduction in Employee Costs.

3. RECOMMENDATIONS

- 3.1 The Joint Board is asked to note the contents of this report.

.....
Treasurer

LIST OF BACKGROUND PAPERS

1. Various working papers associated with the production of the outturns.

Any person wishing to inspect the above background papers should contact Clackmannanshire Council, Finance Services, on Alloa (01259) 452072.

December Outturn**Analysis of actual variation to Budget****Employee**

Savings from Staff Vacancies and reduced hours. Removal of one post from establishment
Superannuation budgeted at 19.5%. Actual payment 18%

Underspend**Property costs**

Additional repairs and maintenance required of £5K. Additional rates of £3K.

Overspend**Transport Costs**

No Variance

Overspend**Supplies and Services**

Additional costs of hospitality incurred which is partly recharged. Purchase of Equipment no budget.

Overspend**Administration**

Additional postage costs incurred as a result of recent European Election.
Costs recharged to constituent authorities. Additional legal fees this year

Overspend**Computer Equipment**

Additional £8K of IT costs above budget. Other IT costs refunded from Ministry of Justice.

Overspend**Third Party Payments**

Additional payments to councils for enhanced salary payments to Board members

Overspend**Support Services**

Outturned on budget

Income

Additional income from constituent authorities in relation to additional Election costs incurred by VJB.
Income of £18K from Ministry of Justice to offset IT costs of £20K.

Underspend**Underspend**

CENTRAL SCOTLAND VALUATION JOINT BOARD

SummaryDecember Outturn

	Budget 2009/10 £	Budget to 31 Dec 09 £	Actual @ 31 Dec 09 £	Outturn @ 31 March 10 £
Employee Costs				
Gross Salaries	1,597,300	1,228,324	1,204,015	1,580,080
Employer's Superannuation	309,020	237,636	208,624	271,290
Employer's National Insurance	123,800	95,202	94,934	123,450
Overtime	0	0	2,596	2,600
SMP	0	0	(265)	0
Canvassers	10,000	7,500	5,217	10,000
Occupational Sick Pay	0	0	10,509	0
Superannuation Annual Charges	17,630	11,749	11,216	16,840
Severance Payments	0	0	3,762	3,760
Staff Advertising	0	0	1,290	1,290
Employee Training	6,500	4,875	3,665	5,500
Conf. Exp. & Subsistence	1,500	1,125	1,172	1,500
Other Employee Costs	3,000	2,250	487	1,500
	2,068,750	1,588,661	1,547,222	2,017,810
				(50,940)
Property Costs				
Repairs & Maintenance	9,000	6,750	12,651	14,000
Heat & Light - Gas	1,700	1,275	884	2,400
Heat & Light - Electricity	12,540	9,405	5,647	10,500
Property Rental	136,000	102,000	123,602	136,000
Service Charge	11,460	8,595	13,423	11,460
Rates & Water	62,830	62,830	65,960	65,960
Water Charges	6,000	4,500	4,657	6,200
Cleaning Materials	1,000	750	2,461	1,500
Cleaning Services	13,640	10,230	7,862	13,640
Insurance	2,250	2,250	0	2,400
	256,420	208,585	237,147	264,060
				7,640
Transport Costs				
Staff Travelling Expenses	22,000	16,918	16,983	22,000
Car Allowances	14,430	11,097	11,097	14,430
	36,430	28,015	28,080	36,430
				0
Supplies and Services				
Equipment	0	0	4,422	5,170
Furniture	500	375	0	0
Removal Charges	0	0	254	260
Equipment Maintenance	0	0	304	300
Equipment Rental	0	0	847	850
Bottled Water	1,200	900	761	1,000
Hospitality	1,000	750	1,712	2,000
Clothing	300	225	150	300
	3,000	2,250	8,450	9,880
				6,880
Administration				
Office Equipment	0	0	627	630
Office Equipment Maintenance	5,000	3,750	7,233	7,300
Printing	9,000	6,750	9,612	9,700
Photocopying	3,000	2,250	(728)	6,000
Stationery	11,000	8,250	17,362	18,500
Publications	5,000	3,750	6,501	6,500
Advertising	5,000	3,750	1,708	2,000
Insurance	12,570	9,218	15,229	12,830
Professional Fees	0	0	176	180
Postages	87,500	65,625	104,369	123,500
Telecommunications	10,000	7,500	13,537	14,000
Mobile Phones	0	0	10	10
Legal Fees	6,000	4,500	8,367	12,000
Subscriptions	0	0	110	110
Miscellaneous Supplies	500	250	742	750
	154,570	115,593	184,855	214,010
				59,440

	Budget 2009/10 £	Budget to 31 Dec 09 £	Actual @ 31 Dec 09 £	Outturn @ 31 March 10 £
Computer				
Computer Hardware Purchase	2,000	1,500	764	1,400
Disaster recovery	24,130	18,098	21,636	28,390
Computer Hardware Maintenance	3,540	2,655	7,859	5,130
Computer Software Purchase	1,000	750	5,032	5,040
Computer Software Maintenance	56,930	42,698	56,679	61,220
Computer Peripherals	1,000	750	392	500
Computer Consumables	1,000	750	209	500
Computer Services	32,260	24,195	51,896	48,140
	121,860	91,396	144,466	150,320
				28,460
Third Party Payments				
Other Local Authorities	0	0	880	8,000
Payments to Contractors	5,000	3,750	348	350
Electoral Administration Act	0	0	0	0
Accounts Commission - Audit Fees	9,550	7,162	(1,000)	9,550
	14,550	10,912	228	17,900
				3,350
Support Services				
Personnel Services	23,340	0	0	23,340
Financial Services	27,580	0	0	27,580
Clerking of the Board	9,480	0	0	9,480
	60,400	0	0	60,400
				0
TOTAL EXPENDITURE	2,715,980	2,045,412	2,150,448	2,770,810
				54,830
Income				
Other Grants	0	0	(15,514)	(18,010)
Valuation Roll - Sales	0	0	(115)	(120)
Electoral Roll - Sales	0	0	(50,622)	(60,050)
Sales	(8,000)	(6,000)	(902)	(1,000)
Interest on Revenue Balances	0	0	0	0
	(8,000)	(6,000)	(67,153)	(79,180)
				(71,180)
NET EXPENDITURE	2,707,980	2,039,412	2,083,295	2,691,630
				(16,350)

AGENDA ITEM 7

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: INTERNAL AUDIT REPORT - PAYROLL
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 19th February 2010
Author: TREASURER

1. INTRODUCTION

- 1.1 The purpose of this report is to present to the Joint Board the final Internal Audit Report in relation to Payroll.

2. BACKGROUND

- 2.1 Internal Audit based within Clackmannanshire Council provide Internal Audit services to the Valuation Joint Board and the Assessors. Within their Annual Plan for 2008-09 an audit of the payroll arrangements was scheduled.
- 2.2 This report summarises the Internal Audit findings. An Action Plan to address the areas for improvement has been agreed and progress against this Action Plan is monitored quarterly.

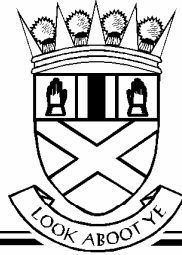
3. RECOMMENDATIONS

- 3.1 The Joint Board is asked to note the contents of this report.

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Treasurer

LIST OF BACKGROUND PAPERS

1. Internal Audit Annual Plan 2008-09.



CLACKMANNANSHIRE COUNCIL

INTERNAL AUDIT PAYROLL - ASSESSORS

Issued To:-

Linda Pirie	Office Manager
Brian Byrne	Assessor
Bill McLean	Payments Manager
Muir Wilson	Head of Finance
Grant Thornton	External Auditor

Annual Plan	2008-09
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Date Report Issued	November 2009
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INDEX	Page
EXECUTIVE SUMMARY	2
DETAILED REPORT	5
APPENDIX A - ASSURANCE ASSESSMENT	17
APPENDIX B - MANAGEMENT ACTION PLAN	18

- EXECUTIVE SUMMARY -

1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review in relation to payroll processes at the Assessors. The system was audited as part of the Annual Internal Audit Plan for 2008-09, which was approved by Scrutiny Committee on 27 March 2008.
- 1.2 Responsibility for a sound internal control environment rest with management. The role of Internal Audit is to ensure that such controls exist and are being adhered to at all times. 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 the Internal Audit Officer during the course of the Internal Audit 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 objective of the audit was to provide assurance that the controls exist and are in operation in relation to payroll process involving Assessors, as follows:
- There is a formal Payroll Policy, which has been approved by the Council, together with adequate procedural guidance and training for staff,
 - The core personnel and salary data is accurate and complete with changes to core data being duly authorised,
 - All claims and allowances are accurate, complete and processed on a timely basis,
 - Deductions are accurate, complete, processed and paid to third parties on a timely basis,
 - Payroll outputs are accurate and complete with payment being appropriately authorised,
 - Employer taxation administration requirements by HMRC are complied with,
 - Only authorised staff have access to the payroll system and data is held securely.
- 2.2 The scope of the audit did not include review of the whole Council payroll processes, only those involving the processing and payment of the Assessor's payroll. Treasury arrangements relating to payroll processes were out of the scope of this audit.
- 2.3 The seven control objectives were 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 control objectives were assessed as follows:-

Assurance	Control Objective
Significant Assurance	4
Reasonable Assurance	2
Limited Assurance	1
No assurance	-

3. SYSTEM OVERVIEW AND AUDIT OPINION

- 3.1 There are reasonable controls in place in relation to the payroll processes at the service level. There is segregation of duties and staff are aware of their duties and responsibilities regarding payroll processes. There is however some non compliance with security and retention of information in relation to Data Protection Act.
- 3.2 From the testing undertaken, the following good practices were identified.
- There is a formal policy, approved by the Council and procedural guidance for staff,
 - Staff, both in the payroll section and at the Assessors are aware of their duties and responsibilities,
 - Payments and changes to the main personnel data are adequately checked and authorised, with the necessary evidence agreed,
 - Monthly claims and allowances are checked and authorised, prior to passing to the Payroll section, for payment,
 - Payments to Assessor staff are accurate and processed on timely basis.
- 3.3 From the testing undertaken, the following areas for improvement were identified.
- Documents in the payroll section are not retained securely,
 - Officers in the services inputting payroll data have access authority to change core data.

4. RECOMMENDATIONS

- 4.1 A summary of the recommendations raised from this audit are included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within with 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	-
Priority 2	8
Priority 3	2
Priority 4	-

5. HISTORY OF THE AUDIT REPORT

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

Issue of Draft Report	9 September 2009
Receipt of Management Comments	21 September - 26 October 2009
Issue of Final Report	16 November 2009

- DETAILED REPORT -

6. OVERVIEW OF PAYROLL SYSTEM AT ASSESSORS

- 6.1 The Assessors are based in Stirling and employ approximately sixty staff, with an additional approximately twenty temporary posts. The Assessor's Office receives some services from Clackmannanshire Council, including provision of payroll services.
- 6.2 The Assessors has adopted Clackmannanshire Council Policy and procedures, together with the Council payroll cycles. The Assessor's payroll is run four weekly with officers paid every fourth Thursday.
- 6.3 The Office Manager within the Assessor's Office oversees the completion of the payroll forms and forwards these to the Payroll section within the Council for processing. The Payments Manager oversees the Payroll section within the Council, which comprises of two Payroll Officers and four full time equivalent Payroll Assistants.
- 6.4 At 31 March 2009, the gross salaries cost for the Assessors was £1,529,591, compared to a budget of £1,563,890. Total payroll costs including employer costs was £1,909,716.
- 6.5 The Assessors four weekly net payroll totals £88,000.

7. RISK MANAGEMENT

- 7.1 In planning for the audit, an independent risk assessment of the system was completed prior to the commencement of testing. This risk assessment identified the following risks in relation to the payroll process arrangements.

System Risks
1. Staff are unaware and unfamiliar with policies and procedures and there is inconsistency of treatment.
2. Non authorised payments/deductions are being made.
3. Unauthorised changes are made into the payroll system.
4. Payments are not made within the required time scale.

8. CONTROL OBJECTIVE 1 There is a formal Payroll Policy, which has been approved by Council, together with adequate procedural guidance and training for staff.	ASSURANCE ASSESSMENT Significant
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8.1 The following was noted from a review of the arrangements :-

- 8.1.1 The Assessor has formal Financial Regulations approved by the Valuation Joint Board, which include Salary, Wage and Pensions in Section 11. The Council also has Financial Regulations which were formally approved by Council in April 2008 and incorporate the financial controls in relation to payroll arrangements.
- 8.1.2 In addition to the Financial Regulations, there are detailed documented procedures and standard payroll forms. The forms include overtime, travel and subsistence, new starters and leavers. Copies of these forms are held at the Assessors office. The procedures include guidance on starters, deductions, variations to pay, leavers and transfers, payments, returns, checks and reconciliations.
- 8.1.3 Staff working within the payroll section have received training on office procedures and financial regulations.

9. RECOMMENDATIONS There are no recommendations arising in relation to this Control Objective.
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10. CONTROL OBJECTIVE 2 Core personnel and salary data is accurate and complete with changes to core data being duly authorised.	ASSURANCE ASSESSMENT Significant
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10.1 The following was noted from a review of the arrangements :-

- 10.1.1 The Office Manager is responsible for co-ordinating the recruitment process of new employees, together with staff members leaving. This includes ensuring the necessary forms are completed, checked, authorised and passed to the Payroll section at the Council.
- 10.1.2 Before an appointment of a new employee is made, documentary proof is required confirming identity of a person and their address. This includes passport, British citizenship card or driving licence. In addition, Starters forms are used for every new employee. A copy of the authorised New Start Form is sent to Payroll and data entered into the system. A copy of the Confirmation of Acceptance Form and letter is attached to the Form stating if the employee has opted to join the superannuation scheme.
- 10.1.3 Where changes to personal details or salary occur, the Change Form is completed and signed by the Office Manager and forward to the Payroll section.
- 10.1.4 Before an employee leaves the Assessor's office, the Office Manager ensures that IT access is removed and ID cards and keys are returned into the office.
- 10.1.5 There have been no instances of overpayment, however there are procedures should this occur. The recovery of debt would be initiated by Office Manager, who would inform payroll to start proceedings. If the overpayment was still not recovered, it would be passed to the debtors section.

10.2 The following was noted from testing undertaken and discussions with staff:

- 10.2.1 For each employee leaving the Assessors, there is a Leavers' Form completed. However, it was noted that while the Assessor's Office retains a copy of these forms in accordance with the Board's Retention Policy, very few are retained within the Payroll section, particularly in relation to temporary canvassers. These records should be retained by the Payroll section for a period of two years in accordance with the Council's Retention Policy. (Recommendation 11.1)
- 10.2.2 It was confirmed that references are taken before appointment of new employees. However, there are no references taken for temporary canvassers. Consideration should be given to taking

up references for temporary canvassers, as they are still working on behalf of a public body. (Recommendation 11.2)

11. RECOMMENDATIONS
11.1 Leavers Forms should be retained by the payroll section for a period of two years, in accordance with the Council's Retention Policy.
11.2 Consideration should be given to taking up references for temporary canvassers.

12. CONTROL OBJECTIVE 3 All claims and allowances are accurate, complete and processed on a timely basis.	ASSURANCE ASSESSMENT Reasonable
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12.1 The following was noted from a review of the arrangements:

- 12.1.1 Overtime is claimed through the Overtime Claim Form which is completed by the employee and authorised by the relevant Authorised Signatory. Once authorised, the Form is passed to the Officer Manager.
- 12.1.2 If an individual is absent due to sickness, on their return to work, they must complete the Sickness Absence Certification Form. If their absence exceeds five working days, they require a Doctor's Certificate. These are forwarded to the Officer Manager.
- 12.1.3 Temporary canvassers are entitled to receive a 20% bonus payment, if over 50% of their Canvassing Forms are returned completed. These bonus payments are authorised by the relevant Authorised Signatory and forwarded to the Office Manager.
- 12.1.4 Travel costs, including mileage and expenses are claimed through the Travel and Subsistence Form. This is completed by the employee, with receipts attached and the form authorised by the relevant Authorised Signatory. Authorised forms are passed to the Office Manager.
- 12.1.5 All Assessor forms are forwarded at the same time to the Payroll section by post, by the Office Manager.
- 12.1.6 Forms received by the Payroll section are processed by the Payroll Assistants. For any abnormal payments, there is a deviance report run, which includes any variances above 30% in comparison to the last payment for a particular person. This report is checked by the Payroll Assistant and the variance investigated.

12.2 The following was noted from testing undertaken and discussions with staff:

- 12.2.1 On completion of the payroll input by the Payroll Assistants, a Payroll Deviance Report is run which identifies any variations greater than 30% from the previous month net pay. Any such variances are investigated by the Payroll Assistants. There is however, no independent checking of payroll data input by the Payroll Assistant. Independent checks should be undertaken for data input to the payroll system, including monthly claims, starters, leavers and changes to salary. Where it is considered not practical to undertake independent checks on all data input, checks on a sample basis should be undertaken.

(Recommendation 13.1)

13. RECOMMENDATION

13.1 Independent checks should be undertaken for data input to the payroll system.
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14. CONTROL OBJECTIVE 4 Deductions are accurate, complete processed and paid to third parties on a timely basis.	ASSURANCE ASSESSMENT Significant
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14.1 The following was noted from a review of the arrangements :

- 14.1.1 There are different deductions which occur in the payroll, including both statutory and non statutory deductions.
- 14.1.2 Statutory deductions include National Insurance Contributions and Income Tax. These are calculated automatically by the Payroll system and the rates reviewed annually prior to the start of each financial year.
- 14.1.3 Non statutory deductions include lottery, pension, union, charities and Council Tax. They are authorised by the employee through the relevant form and passed to the Payroll section.
- 14.1.4 All payments to third parties, including HMRC, Falkirk Council, Stirling Council, Strathcarron and Wateraid have specific payment deadlines. These payment deadlines are monitored within the Payroll section and all payments remitted on a timely basis.
- 14.1.5 All deductions have a separate general ledger or suspense code, which are reconciled against payments, by the Payroll Officer.

15. RECOMMENDATIONS There are no recommendations arising in relation to this Control Objective.

16. CONTROL OBJECTIVE 5 Payroll outputs are accurate and complete with payment being appropriately authorised.	ASSURANCE ASSESSMENT Reasonable
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16.1 The following was noted from a review of the arrangements :

- 16.1.1 As part of the four weekly process, different reports are generated within the Payroll section, including individual net pay, cumulative net pay to date, Employer's PAYE and NIC, Employer's Pension Contributions and Deviance Report. These are reviewed and retained.
- 16.1.2 On completion of the payroll process, the payroll data is exported into Strategix, the financial general ledger.
- 16.1.3 Monitoring of payroll budgets together with establishment report is prepared by the finance team and reports including all variances are sent to Assessor's Office Manager. The Office Manager meets with the Principal Accountant on a regular basis, to discuss any issues regarding budget.
- 16.1.4 Payroll payments are made via BACS, directly into employee bank accounts. BACS limit is set up at the level appropriate to the net pay for assessors. At the time of the audit, this was £100,000. The BACS file is created from the payroll system and exported through the BACSTEL-IT. The print is taken off the summary from the bank system and checked against the payroll report for that particular pay. A copy of the BACSTEL-IT print is passed to Creditors section, where the Treasury Officer arranges for the required sum to be transferred to the main bank account. The amounts paid via BACS are reconciled against the bank statement by Creditors.
- 16.1.5 The Council is covered by fidelity guarantee insurance.
- 16.1.6 The reconciliation of the payroll system against the main general ledger is undertaken at year end. The System Accountant sends a copy of a spreadsheet with all payroll entries into the main ledger system. The Payments Manager reconciles this against payroll system and signs off the reconciliation.
- 16.1.7 There is a formal Retention Policy included in the Clackmannanshire Council Financial Regulations.

16.2 The following was noted from testing undertaken and discussions with staff:

- 16.2.1 It was noted that the Payroll Officer authorises the payment of the Assessor payroll by BACS, however there is no independent agreement to the payroll reports, to ensure accuracy. The BACS

payment should be independently agreed to the Payroll Reports, before payment is made via the bank account. (Recommendation 17.1)

- 16.2.2 It was confirmed during testing that an annual reconciliation is undertaken between the General Ledger and Payroll system. In addition, the payroll suspense account in the General Ledger is reviewed on an periodic basis by the Payroll Officer. To ensure the accuracy and completeness of the information reflected in the General Ledger, payroll reconciliations should be undertaken monthly. This would identify differences on a timely basis and reduce the time and staff resources involved at the year end reconciliation. (Recommendation 17.2)

17. RECOMMENDATIONS
17.1 The BACS payment should be independently agreed to the Payroll Reports, before payment is made via the bank account.
17.2 The payroll reconciliation to the General ledger should be undertaken monthly.

18. CONTROL OBJECTIVE 6 Employer taxation administration requirements by HMRC are complied with.	ASSURANCE ASSESSMENT Significant
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18.1 The following was noted from a review of the arrangements :

- 18.1.1 Officers within the Payroll Section are aware of the monthly and year end taxation requirements. Monthly deadlines for remittance of PAYE, NIC and Employers Contributions are met.
- 18.1.2 Year end forms, including P35 and P60 are generated in advance of the deadline and the P35 is submitted within the required timescale.
- 18.1.3 P60 forms are issued to officers promptly with the first payroll run in the new tax year.
- 18.1.4 HMRC guidelines regarding contributions and payments, including statutory maternity payments and statutory sick pay are kept within payroll procedures and followed by staff.

19. RECOMMENDATIONS - There are no recommendations arising in relation to this Control Objective.

20. CONTROL OBJECTIVE 7 Only authorised staff have access to the payroll system and data is held securely.	ASSURANCE ASSESSMENT Limited
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20.1 The following was noted from a review of the arrangements :

- 20.1.1 The Council operates the Delphi Millenium Payroll system. In addition to the Payroll Officers and Assistants, officers within Education, Finance, HR and Internal Audit have "View" access, while officers in Housing, Kelliebank, and Revenues have "Inquiry" access.
- 20.1.2 Access to the Payroll system is password protected and closely monitored and updated by Payments Manager. Access is only granted by the Payments Manager as administrator.
- 20.1.3 Clackmannanshire Council is currently registered with Information Commissioner's Data Protection Register.

20.2 The following was noted from testing undertaken and discussions with staff:

- 20.2.1 As noted in paragraph 21.1.1, access to the payroll system is permitted at two different levels; Input and Inquiry. It was confirmed however that Inquiry access allows officers to view all information in the payroll system for the whole organisation. In addition "Input" access allows officers to input or amend data for any individual on the payroll system. To ensure adequate controls are in operation, the "Input" and "Inquiry" access should be restricted to only the relevant services. In addition, independent checks should be undertaken on the data input and altered by Kelliebank, Housing and Revenues. (Recommendations 21.1 and 21.2).
- 20.2.2 It was noted from testing, that individuals data kept on the payroll system exceeded the six year time limit indicated in the Council's Financial Regulations. The data should be reviewed and records and information in excess of six years should be removed. (Recommendation 21.3).
- 20.2.3 Documented payroll records are stored on desks or filed in the trays although they can contain sensitive personal data. The storage arrangements relating to payroll data should be reviewed to ensure adequate security is in place and complies with the Data Protection Act. In addition, a Clear Desk Policy should be introduced and enforced. (Recommendations 21.4 and 21.5).

21. RECOMMENDATIONS	
21.1	The "Input" and "Inquiry" access should be restricted to only the relevant services.

21.2	Independent checks should be undertaken on the data input and altered by Kelliebank, Housing and Revenues.
21.3	The payroll data should be reviewed and records and information in excess of six years should be removed.
21.4	The storage arrangements relating to payroll data should be reviewed to ensure adequate security is in place and complies with the Data Protection Act.
21.5	A Clear Desk Policy should be introduced and enforced.

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	Recommendation	Priority	Comments	Officer	Target Date
Control Objective 2					
11.1	Leavers Forms should be retained for a period of two years, in accordance with the Council's Retention Policy.	3	Agreed. Leavers forms are retained in the Payroll section and this matter has been raised with officers to ensure they are held for Assessors staff.	Payments Manager	Immediately
11.2	Consideration should be given to taking up references for temporary canvassers.	3	Temporary Canvassers are sometimes employed for only a week or so and are continuously monitored. Many are reemployed the following year. Consideration will be given to asking for references for any potential canvassers not already known to us.	Depute ERO and Office Manager	January 2010
Control Objective 3					

18

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 a 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	Recommendation	Priority	Comments	Officer	Target Date
13.1	Independent checks should be undertaken for data input to the payroll system	2	Agreed, the Deviance variances in the Assessors will be reduced to 15% of net pay and all changes will be reviewed and agreed. For the other payrolls, the deviance variance will be reduced to 20% of net pay and all changes will be reviewed and agreed.	Payments Manager	Immediately
Control Objective 5					
17.1	The BACS payment should be independently agreed to the Payroll Reports, before payment is made via the bank account.	2	Agreed. The Treasury Office will agree the Payroll Net Pay Report to the BACS Report going forward.	Payment Manager	Immediately.
17.2	The payroll reconciliation to the General ledger should be undertaken monthly.	2	To date any differences at the year end reconciliation have been immaterial, however monthly reconciliations are recognised as good practice. Monthly reconciliations will be introduced on a trial basis to assess the added value.	Payments Manager	Immediately
Control Objective 7					

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 a 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	Recommendation	Priority	Comments	Officer	Target Date
21.1	The "Input" and "Inquiry" access should be restricted to only the relevant services.	2	It is not possible to restrict view or input access to predetermined screens, however an Audit Report can be printed which identifies any changes made by services outwith the Payroll section. This will be run for each individual who makes changes and all changes will be verified. Restriction access to payroll will be considered as part of the new HR/payroll system.	Payment Manager	Immediately
21.2	Independent checks should be undertaken on the data input and altered by Kelliebank Contracts, Housing and Revenues.	2	As agreed above, an Audit Report can be printed which identifies any changes made by services outwith the Payroll section. This will be run for each individual who makes changes and all changes will be verified.	Payment Manager	Immediately
21.3	The payroll data should be reviewed and records and information in excess of six years should be removed.	2	It is not possible to delete individuals and payroll information is archived for 2005-06 and earlier. Access is being reviewed. Retention of information will be considered within the new HR/Payroll system.	-	-

20

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 a 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	Recommendation	Priority	Comments	Officer	Target Date
21.4	The storage arrangements relating to payroll data should be reviewed to ensure adequate security is in place and complies with the Data Protection Act.	2	Agreed, this will be investigated and addressed.	Head of Finance Payments Manager	March 2010
21.5	A Clear Desk Policy should be introduced and enforced.	2	Agreed this will be introduced.	Head of Finance Payments Manager	March 2010

21

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 a 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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