

## **Item: 15**

**Orkney and Shetland Valuation Joint Board: 20 June 2024.**

**Internal Audit of Council Tax.**

**Report by Chief Internal Auditor.**

### **1. Purpose of Report**

To present the Council Tax Internal Audit Report for Members' scrutiny.

### **2. Recommendations**

**It is recommended:**

#### **2.1.**

That the Board scrutinises the findings of the internal audit reviewing the adequacy of the controls and procedures in place to ensure that the Council Tax Valuation List for Orkney Islands Council and Shetland Islands Council is up to date and accurate, attached as Appendix 1 to this report, in order to obtain assurance that action has been taken or agreed where necessary.

### **3. Background**

#### **3.1.**

The Council Tax Valuation List shows the council tax valuation band of every dwelling and is used by the local authorities as a base for determining and collecting Council Tax.

#### **3.2.**

The objective of this audit was to review the controls and procedures in place to ensure that the Council Tax Valuation List for Orkney Islands Council and Shetland Islands Council is up to date and accurate.

### **4. Audit Findings**

#### **4.1.**

The audit provides substantial assurance that the processes and procedures relating to the Valuation List are well controlled and managed.

## **4.2.**

The internal audit report, attached as Appendix 1 to this report, includes four low priority recommendations regarding information received from Councils, acknowledging proposals, invalid proposal letters and reporting on KPIs. There are no medium or high-level recommendations made as a result of this audit.

## **5. Financial Implications**

There are no financial implications associated directly with this report.

## **6. Governance Aspects**

The content and implications of this report have been reviewed and, at this stage, it is deemed that the Board **DOES NOT** require external legal advice in consideration of the recommendations of this report.

## **7. Contact Officer**

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## **8. Appendix**

Appendix 1: Internal Audit Report: Council Tax.



# Orkney & Shetland Valuation Joint Board



## Internal Audit

### Audit Report

### O&SVJB – Council Tax

Draft issue date: 23 February 2024

Final issue date: 24 May 2024

Distribution list:	O&SVJB Assessor
	O&SVJB Treasurer
	O&SVJB Clerk

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## Audit Opinion

Based on our findings in this review we have given the following audit opinion.

### Substantial

**The framework of governance, risk management and control were found to be comprehensive and effective.**

A key to our audit opinions and level of recommendations is shown at the end of this report.

## Executive Summary

This audit reviewed the adequacy of the controls and procedures in place to ensure that the Council Tax Valuation List is up to date and accurate.

Our review indicated that information received in respect of additions and amendments to the Valuation List is processed on a timely basis by appropriate staff and accurately recorded in the List. There is ongoing monitoring of changes put through to the List, and regular reporting of amendments to the necessary functions within both Orkney Islands Council (OIC) and Shetland Islands Council (SIC).

There were few proposals in the period of review and no resulting appeals. The statutory process of dealing with Council Tax proposals has been correctly followed for the most part, and statutory deadlines in respect of responses to invalid proposals have been met. There is a query in the area of acknowledgements required by the governing Regulations, which has resulted in one recommendation.

The report includes 4 recommendations in total which have arisen from the audit. In addition, there were two further recommendations, shared with Electoral Roll services and Non-Domestic Rates services respectively, which have been recorded within the audits of those services and appropriate action agreed to address these issues.

The recommendation shared with the Electoral Roll services is in respect of access to systems for staff who leave, and the recommendation shared with Non-Domestic Rates is in respect of potential conflicts of interest.

The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to provide an update on progress with the agreed actions.

Total	High	Medium	Low
4	0	0	4

The assistance provided by officers contacted during this audit is gratefully acknowledged.

## Introduction

The Orkney and Shetland Valuation Joint Board was established in 1996, under The Valuation Joint Boards (Scotland) Order 1995, and its primary purpose is to discharge all the functions of its two constituent authorities, Orkney Islands Council (OIC) and Shetland Islands Council (SIC) as valuation authorities under the Valuation Acts.

The Board is responsible for appointing the Assessor for Orkney and Shetland, an independent statutory official responsible for the preparation and maintenance of the Valuation Roll and the Council Tax Valuation List. The Council Tax Valuation List shows the council tax valuation band of every dwelling and is used by the local authorities as a base for determining and collecting Council Tax.

Newer properties are given a Valuation Band when they are built, which is based on an estimate of their value had they existed in April 1991. If there has been a material increase in value resulting from building, engineering or other works carried out on the property, any increase in value will only take effect when the property is next sold. Individuals can propose a change of banding in respect of a property, and if this is not agreed by the Assessor, appeals can be made to the Local Taxation Chamber.

This review was conducted in conformance with the Public Sector Internal Audit Standards

## Audit Scope

The scope of this audit was as follows:

- It covered the Council Tax Valuation Lists for the Orkney Islands and Shetland Islands.
- It encompassed the processes of entering dwellings into the Lists together with updating and maintenance of the Lists.
- It covered proposals and appeals against the date of entry to the Valuation Lists and against council tax banding.
- The audit focussed on both paper and electronic records, together with related databases and systems.

The audit work focussed on the period from 1 April 2022 to 30 September 2023.

# Audit Findings

## 1.0 System Access and Security

- 1.1 The Valuation List and some supporting records are held digitally, with other supporting records held on paper files. The software used to keep records and facilitate the maintenance of the Valuation List is 'Corona', and previously was 'Ffenics'.
- 1.2 Paper files are kept in locked filing cabinets within the Valuation Offices, which are buildings where public access is controlled. For the electronic records, there is a double level of login, firstly to the Shetland Island Council (SIC) server and then to the software itself. All staff have unique usernames and passwords.
- 1.3 In addition, both the Corona and Ffenics software record details of the staff member making amendments, so that an audit trail would be available to identify the log-in implementing changes to records.
- 1.4 When staff leave, access rights to both the SIC system and Corona software are revoked, but there can be a delay in this being implemented. Logging onto the Corona systems is linked to specific IP addresses, so that staff who leave SIC would no longer have access, but people who leave but remain employed by SIC would retain the same IP address. A delay in removing access to the Corona software risks the possibility of unauthorised access.
- 1.5 The request to withdraw access rights to the SIC system and Corona software with effect from the leaving date should be made at the same time that HR are notified of the intention to leave. This recommendation, which is shared over electoral roll and valuation services, has already been highlighted, and action agreed, in the audit report on the electoral roll, so will not be duplicated here.

**No Recommendation**

## 2.0 Conflicts of Interest

- 2.1 As both Orkney and Shetland are areas with smaller populations than some other local councils, the likelihood of staff being connected to parties with interests in a particular property will be higher. Controls around this area would include staff identifying properties in which they had an interest so that they could be excluded from involvement in work which concerned those properties, and the separation of duties between the staff involved in calculating the value and those tasked with entering those values on the Valuation List.
- 2.2 Due to the smaller size of the team within the Valuation Office, and the use of a 'live' reporting database, it is not feasible to have separation of duties between the staff producing the valuations and the staff recording those within the system.
- 2.3 At present, the main controls in this area are that the Assessor or Depute Assessor would firstly, identify any potential conflicts of interest when allocating work, and appoint alternative staff where required, and secondly, undertake a review of the 'weekly update' report showing new entries, changes and deletions to the valuations, to provide a 'sense check' for the valuations being recorded. Both of these controls are heavily dependent on the local knowledge of the Assessor / Depute Assessor. Were there to be a change in staff, there is a possibility of controls being considerably weakened, which would impact both on ensuring the allocation of work to 'disinterested' parties and the effectiveness of the review of the weekly report.

- 2.4 Staff are not required to make declarations of interest. There are other controls in operation whereby all staff are required to sign up to the Code of Conduct for the relevant Council for the office in which they are based, and the Valuers are bound by the professional standards of the Royal Institution of Chartered Surveyors. These controls are reliant on staff complying with the Code and standards.
- 2.5 It is recommended that staff are asked to complete an annual declaration of interest in respect of both domestic and non-domestic properties covering their immediate family: themselves, partners, parents, siblings and children. In addition, the 'declared properties' should be flagged within Corona to highlight them to the Assessor when undertaking the weekly update review. This recommendation which is shared with non-domestic rates services, has already been highlighted, and action agreed, in the audit report on non-domestic rates, so will not be duplicated here area.

### **No Recommendation**

## **3.0 Entries to the Valuation List**

- 3.1 Information on new, altered and deleted domestic properties is received from several sources. Monthly updates on property sales are received from the Land Registry, and information is also received from the general public via the Council Tax services of the Local Authorities. Updates on building warrants and completion certificates are also received from Building Control services in OIC, and details of planning applications and approvals from SIC.
- 3.2 The variation in the information provided by OIC and SIC means there is a risk in each area that cases are missed or identified late. In Orkney, this risk applies, for example, to properties subject to a change of use, which would be highlighted by the planning process but not identified by building warrants. In contrast, in Shetland, this risk applies to properties undertaking works requiring building warrants but within existing planning permission.
- 3.3 Although audit testing did not identify any missed properties, having both building control and planning information available in both areas would ensure that all property alterations would be picked up at the earliest opportunity and give security that none are being overlooked.
- 3.4 We recommend that an agreement be put in place between the O&SVJB and the Local Authorities to set out what information should be provided from planning and building control services within the Local Authorities, and an appropriate timetable for the provision of this information be discussed, included in the agreement and implemented. This will give additional security that all alterations in respect of properties are being captured at the earliest opportunity, in turn allowing timely maintenance of the Valuation List

### **Recommendation 1**

- 3.5 Entries to the Valuation List are made directly to the database by business support staff, valuers and technicians. Access to the Valuation List is controlled via the individual staff members personal log in and control of access rights within the system. In addition, the system generates an audit trail of the individuals making amendments to the records.
- 3.6 Supporting evidence for valuations including survey details and photographs are held in the records for each property together with supporting correspondence. The complete record for a property will consist of its entry in Corona or Ffenics, together with its paper file. Although records have been migrated from Ffenics to Corona successfully for the main part, there have been occasional minor glitches.

3.7 All changes in the entries to the Valuation List are captured in the 'weekly update' report noted in 2.3 above. There are occasionally delays in producing this report, but it is always subject to oversight by the Assessor or Depute Assessor. This update is sent on to the Council Tax finance departments of OIC and SIC.

**No Recommendation**

#### **4.0 Valuation Notices, Proposals and Appeals**

4.1 Newer properties are given a Valuation Band when they are built, which is based on an estimate of their value had they existed in April 1991. If there has been a material increase in value resulting from building, engineering or other works carried out on the property, any increase in value will only take effect when the property is next sold. Individuals can propose a change of banding in respect of a property via a Council Tax Proposal, and if this is not agreed by the Assessor, appeals can be made to the Local Taxation Chamber.

4.2 During the period of review, the Valuation Office received 6 Council Tax proposals (4 from Shetland and 2 from Orkney) and none of these proposals had gone forward to appeal. Audit testing was undertaken on 3 of those proposals (50% coverage).

4.3 The time limit for making a proposal is dependent on the circumstances of the issuing of a Valuation Notice of Banding, as follows:

- within six months of becoming the owner or the liable person
- within six months of the Assessor issuing a notice of banding
- within six months of an appeal decision of the First-Tier Tribunal for Scotland, which is a relevant decision, in respect of a dwelling comparable to yours which gives you reasonable grounds to contend that the band of your dwelling should also be changed
- at any time if the taxpayer believes there has been a "material reduction" in the value of the dwelling (see below)
- at any time if the taxpayer believes there has been a "material increase" in the value of the dwelling and it, or any part of it, has subsequently been sold (see below)
- at any time if the balance between domestic and non-domestic use changes (for example, in guest houses or hotels).
- at any time to add a dwelling not shown on the list
- at any time to delete a dwelling that is shown on the list
- at any time to delete a dwelling that was shown on the list

4.4 The process for dealing with proposals is set out in The Council Tax (Alteration of Lists and Appeals) (Scotland) Regulations 1993 ("the 1993 Regulations"). Regulation 7 sets out that within 14 days of the receipt of a proposal, the Assessor should issue an acknowledgement. Regulations 8 and 9 set out the necessary procedures where a proposal is treated as invalid as a result of lack of title, being made out of time or lack of information.

4.5 However, current practice is not to issue an acknowledgement if the proposal is deemed to be invalid, but rather to issue a letter setting out why the proposal is invalid. If invalid for lack of title or out of time under Regulation 8 or invalid for lack of information under Regulation 9 of the 1993 Regulations, the Assessor has 6 weeks from the date of receipt of the proposal to respond, and it is these timeframes which have been applied. This is potentially an incorrect interpretation of the acknowledgement procedures in the 1993 Regulations.

4.6 We recommend that clarification is sought from the Scottish Assessors Association on the question of whether invalid proposals should be acknowledged, and procedures adopted to reflect their guidance.



## **Recommendation 2**

- 4.7 Audit testing has indicated that there does not appear to be a standard procedure or standard wording adopted for letters in the cases where proposals are treated as invalid as they were made out of time. We recommend that such procedures and wordings are adopted for all Invalid Proposal letters.

## **Recommendation 3**

### **5.0 Monitoring and Key Performance Indicators**

- 5.1 Changes in valuations arising at completion of building or on sale are monitored by the Assessor or Depute Assessor using the update report as noted above. In addition to the general oversight, one entry on the report is selected for detailed review of the valuation.
- 5.2 The update reports form the main channel for reporting changes to the revenue departments of the relevant Local Authorities. There are no specific key performance indicators (KPIs) in place in respect of the timing of this reporting, but our audit testing has shown that this reporting is happening regularly throughout the year. Accordingly, the adoption of KPIs in this area would not usefully increase management or Board oversight.
- 5.3 KPIs are in place in respect of the timing of the entry to the List compared to the occupation date. These are monitored annually as part of the Board and stakeholder reporting, but there is no ongoing monitoring of the position throughout the year. The Assessor has commented that increasing the frequency of reporting on KPIs is desirable, but is subject to resource constraint given that statutory requirements necessarily take precedent.
- 5.4 There are no KPIs phrased in terms of issuing Valuation Notices for new or amended entries, but since these would be generally issued concurrently with adding or adjusting entries to the Valuation List, the dates around Valuation Notices are being monitored, albeit indirectly.
- 5.5 There are no KPIs in respect of reduction in valuations as a result of proposals or appeals, however since there are generally very few Council Tax proposals or appeals, the adoption of KPIs in this area would not usefully increase management or Board oversight.
- 5.6 We recommend that where resources allow, the frequency of monitoring and reporting of KPIs is increased to every 6 months.

## **Recommendation 4**

## Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 We recommend an agreement be put in place between the O&SVJB and the Local Authorities to set out what information should be provided from planning and building control services within the Local Authorities, and an appropriate timetable for the provision of this information be discussed, included in the agreement and implemented.	Low	The receipt of information on property is covered by the Acts, although a review of this information will be undertaken in each Island office.	Assessor & ERO and Depute Assessor	30 November 2024
2 It is recommended that clarification is sought from the Scottish Assessors Association on the question of whether invalid proposals should be acknowledged, and procedures adopted to reflect their guidance.	Low	The Assessor believes the correct interpretation of the Regulations has been followed to date. However, following consultation with the SAA, all proposals, both invalid and valid will be acknowledged.	Assessor & ERO	Complete
3 We recommend that Standard procedures and standard wording paragraphs are adopted for all Invalid Proposal letters.	Low	Alignment of the template letters used in each Island office will be undertaken.	Assessor & ERO	Complete
4 Where resources allow, monitoring of KPIs should be increased to at least every 6 months, to provide the Board and senior management with timely information on the operation of the Office throughout the year	Low	The 6 month Best Value VJB report could be used to “highlight” any issues needing to be brought to the Board’s attention. If not needed, the Annual Performance Report will cover this.	Assessor & ERO	30 November 2024

## Key to Opinion and Priorities

### Audit Opinion

Opinion	Definition
<b>Substantial</b>	The framework of governance, risk management and control were found to be comprehensive and effective.
<b>Adequate</b>	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
<b>Unsatisfactory</b>	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

### Recommendations

Priority	Definition	Action Required
<b>High</b>	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
<b>Medium</b>	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
<b>Low</b>	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.