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**REPORT TO: Grampian Valuation Joint Board on 24 August 2018**

**SUBJECT: Internal Audit Annual Report - 2017/18**

**BY: The Treasurer**

**1. REASON FOR REPORT**

- 1.1 This report advises the Board of the internal audit work completed on the Assessor's Service for the financial year ended 31 March 2018, and provides an opinion on the adequacy of the control systems reviewed.

**2. RECOMMENDATION**

- 2.1 That the Board considers this report for 2017/18 and notes the generally satisfactory audit opinion derived from audit work completed.**

**3. BACKGROUND**

- 3.1 In terms of the Public Sector Internal Audit Standards applicable to Local Government, it is good practice to develop an internal audit plan for each financial year. The plan is agreed with senior management and is presented to the Board to enable it to consider and comment on the proposed audit coverage. The planned work for 2017/18 as reported to the meeting of the Board in January has been completed and informs the internal audit opinion.
- 3.2 As the Board will be aware, the main financial systems of the Assessor's Service replicate those of the Moray Council; hence audit assurances provided in terms of the controls within the Council systems can be relied upon as being applicable to financial systems relating to the Service. There remains a need, however, to test transactions specific to the Assessor's Service annually to provide the Treasurer with an opinion on the adequacy and effectiveness of the internal control systems and procedures. This work includes confirming the administrative processes for reporting revisions to the council tax and non-domestic rating lists by the Assessor to the constituent Authorities.
- 3.3 Audit testing reviewed budget setting and monitoring; payroll costs including staff travel expenses, which together utilise a major element of the budget; non payroll expenditure covering issues including office rentals and ICT costs; and an assessment of income received (mainly contributions from central Government to meet development costs relative to electoral registration).

- 3.4 In regard to budget setting, it was noted that while the Board annually requisitions its funding direct from each of the three constituent authorities, there is a potential conflict of interest for elected members who have obligations both to the Board and to their respective authorities. With local government settlements likely to be ever more challenging in future years, it has been recommended that a briefing note and/or session be provided to members of the Board ahead of the budget setting meeting to ensure there is clarity around roles and responsibilities of elected members when acting as Board members.
- 3.5 Also noted in the testing of payroll was a sum of £12,319 relating to payment of an HMRC apprenticeship levy. Enquiries established that on local government reorganisation in 1996, a single HMRC tax reference was obtained covering all payrolls administered by Moray Council, including those of the Assessor's services. While this arrangement has operated effectively and efficiently prior to the levy being introduced, the levy is assessed on the total value of pays processed per single tax reference. Thus an element of the levy is apportioned to the Board. This position has been raised with HMRC by Moray Council and, it is understood, by a number of other councils affected by a similar issue. Feedback is awaited in terms of any dispensation that may be granted, as the alternative will be to undertake the work necessary to create a separate tax reference for the Board ahead of the start of the 2019/20 tax year.
- 3.6 Separately the audit considered the latest version of the risk register the Assessor and his Senior Management Team had developed. It was noted that a comprehensive suite of risks had been considered and suitable evidence recorded to demonstrate how these are being managed. Notable were four risk areas where the residual risk remained high, two relating to ICT issues around environmental controls and business continuity where further mitigating actions are planned, the others relating to the future shape of the service (which will be predicated on developments nationally on local taxation and electoral reform) and securing funding sufficient to enable the Assessor to continue to meet his statutory responsibilities. A recent inclusion in the register was a reference to the General Data Protection Regulation which took effect on 25 May 2018, it being noted that staff training has been provided on this topic. The effective management of risk is a key component of good governance.
- 3.7 The audit opinion informs the Annual Governance Statement which is certified by the Board's Convener and the Assessor and is published within the Board's annual accounts.

#### **4. CONSULTATIONS**

- 4.1 The Assessor has been consulted during the audit review process.

**5. CONCLUSION**

- 5.1 The Internal Audit Manager is of the opinion, based on audit work completed, that reasonable assurance can be placed on the adequacy of and effectiveness of the system of internal financial control established within the Assessor's Service.**

Author of Report: Atholl Scott, Internal Audit Manager  
Background Papers: Internal Audit working paper file  
Ref: as/gvjb/290618/[239-2453](#)