

# HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

7 October 2025

Agenda Item	7
Report No	VAL/19/25

## Internal Audit Report - Maintenance of Self-Catering Units on the Valuation Roll

### Report by Strategic Lead (Corporate Audit), Highland Council

#### Summary

An audit review has been undertaken examining the arrangements for the maintenance of self-catering units on the Valuation Roll. A copy of the final audit report is attached for consideration by the Board.

#### 1. Internal Audit Reports

- 1.1 Every Internal Audit report issued contains an audit opinion based upon the work performed in respect of the subject under review. There are five audit opinions which can be provided:
- (i) Full Assurance: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
  - (ii) Substantial Assurance: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
  - (iii) Reasonable Assurance: Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
  - (iv) Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
  - (v) No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.
- 1.2 Since the last update to the Board there has been one audit report issued relating to a review of the maintenance of self-catering units on the Valuation Roll. This report has the audit opinion of "Limited Assurance". A total of nine recommendations have been made comprising of three high and six medium priority grades. These have been accepted by management with a number of actions agreed to address these with the final actions due to be completed by 31<sup>st</sup> January 2026.

## **Recommendation**

The Board is asked to **consider** and **note** the audit report provided.

Designation: Strategic Lead (Corporate Audit)

Date: 2<sup>nd</sup> September 2025

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## Internal Audit Final Report

Office of the Assessor and Electoral Registration Officer

Maintenance of Self-Catering Units on the Valuation Roll

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	3
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	6
Minor issues that are not critical, but managers should address.	Low	0

### Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

### **Distribution:**

Assessor and Electoral Registration Officer  
Depute Assessor and Electoral Registration Officer  
Assistant Assessor  
Divisional Valuers

**Report Ref:** VJB 24/25 01  
**Draft Date:** 24/07/25  
**Final Date:** 02/09/25

## 1. Introduction

1.1 The Council Tax (Dwellings & Part Residential Subjects) (Scotland) Amendment Regulations 2021 came into effect from 01/04/22. This required the Assessor to carry out an annual assessment of those properties classed as a self-catering unit (SCU) to determine whether they meet certain requirements within the financial year to remain eligible on the Valuation Roll (VR). The following requirements must be met:

- The property is not the sole or main residence of any person
- The property has been made available to let for at least 140 nights in the financial year
- The letting was on a commercial basis, for short periods, with a view to making a profit
- Evidence provided of 70 nights actual letting within the financial year.

Since the change in legislation, 2 SCU audit exercises had been carried out, Year 1 (2022/23) undertaken in 2023/24 and Year 2 (2023/24) undertaken in 2024/25. The SCU audit exercise required owners/operators to submit returns that included a self-declaration that the above requirements had been met along with evidence of entitlement.

According to the Scottish Assessors Association (SAA) Portal, as at 01/04/2025 there were 5,293 SCUs in the Highland and Western Isles Valuation Joint Board (HWIVJB) area (32% of the total number in Scotland) which was by far the highest number amongst all 14 Scottish Valuation Joint Boards.

1.2 The review considered the process for the issue and receipt of returns/declarations for both SCU audit exercises. It also involved a review of the guidance provided for the submission and review of lettings evidence and the actions taken when returns/evidence did not meet requirements or had been submitted late.

The review also considered how the system used by the Assessor for property valuation and case management purposes (Corona A2K which evolved into the Corona Assessor System (CAS) from 2023/24) facilitated the delivery of the SCU audit exercises.

## 2. Main Findings

2.1 *Completeness, accuracy and timely processing of SCU owner declarations*

This audit objective was partially achieved. For both SCU audit exercises, postal communications were issued to owner/operators requesting the submission of a declaration form confirming that their property met all of the legislative requirements along with appropriate supporting evidence (the return). The option to issue bulk email communications in CAS was being explored but it had not yet been implemented (see action plan H1). The number of communications issued were as follows:

SCU Audit Exercise	SCUs on VR	Returns Issued
Year 1 – 2022/23	5,722	5,136
Year 2 – 2023/24	5,763	4,558

Some properties classified as SCUs on A2K/CAS at the start of each SCU audit exercise had been excluded for one of the following reasons:

- Property added to the VR during the financial year in question and self-catering status had already been confirmed
- Property not classified as a dwelling, e.g. pod or bothy
- Cumulo properties (merged entries on the VR containing more than a single property) e.g. chalet parks.

For Year 1, it was not possible to confirm that all SCUs recorded on A2K at the beginning of the SCU audit period, apart from those excluded for the reasons mentioned above, had been issued with a communication. A2K was unable to support the SCU audit and therefore it was managed outside of the system. As the information could not be extracted from A2K, the only way to verify that all SCUs recorded on the system had received a communication would be to manually crosscheck various spreadsheets, but this had not been done. (see action plan H2).

For Year 2, the SCU audit had not yet been completed but work was being undertaken to produce a list of SCUs which had yet to be issued with a communication (see action plan H3). There were also 383 open/unresolved Year 1 cases, the majority of which had been excluded from the Year 2 SCU audit. This could mean that properties remained incorrectly classified as a SCU and should therefore be

subject to Council Tax (CT). A delay in notifying this change may result in CT outstanding for more than one year (see action plan H2).

As the SCU audit was managed outside of A2K in Year 1, returns were accepted by email or post. For Year 2, CAS was able to support the management of the SCU audit and returns could be submitted electronically via the SAA Portal. A sample of 10 returns from each SCU audit exercise was examined and they all included key validation data which ensured that they could be attributed to the correct property on A2K/CAS. For Year 2, a unique code was provided in the SCU audit communication which, when entered on the SAA Portal, would grant the owner/operator access to the return form for their property. If the wrong code was entered in error, it was possible to access a different property and potentially complete and submit this with the wrong details. Checks were carried out by case officers when reviewing the return on CAS to ensure that the declaration and evidence submitted related to the correct property and there were no known instances of this happening (see action plan M1).

There was no fixed deadline for Year 1 returns but a change in legislation which came into effect on 01/04/24 (The Council Tax (Dwellings & Part Residential Subjects) (Scotland) Amendment Regulations 2024) meant for Year 2 there was a requirement for owners to provide evidence of eligibility within 56 days. From a sample of 20 communications issued for Year 2, the date of issue, the deadline for submission and the actual date of submission had been accurately recorded on CAS in 19 cases. In 1 case, the submission date was recorded but the issue and deadline for submission dates were blank. This was investigated by a Divisional Valuer, but no reasonable explanation could be provided other than it was a system glitch that they had been unaware of, and it had happened with other properties (see action plan M2). There were other means to check if a return was late or not which involved case officers periodically checking on CAS to see if a return had been made and at various times throughout the year, reports would be run of cases which had exceeded the 56-day deadline. However, there was no automated system notification or way of highlighting SCU audit cases which had exceeded the 56-day deadline on CAS

(see action plan H1). All of the sampled returns had been submitted within the 56-day time period.

A sample of 10 SCUs from each SCU audit exercise where returns had not been provided or were not received within the 56-day deadline (Year 2 only) was examined. Results were as follows:

#### Year 1

- 8 out of 10 had been removed from the VR and transferred to CT and this took between 100 to 375 days from the date the communication was issued. The impact of this would be to delay the early collection of CT. None had appealed the decision but 2 had voluntarily submitted a return on the SAA Portal and were subsequently transferred back to the VR.
- The 2 which had not yet been transferred to CT were included on a list of 383 open/unresolved Year 1 cases, 128 of which were due to be transferred to CT (see action plan H2).

#### Year 2

- 4 out of 10 had been transferred to CT and this took between 74 and 154 days from the date the communication was issued. 2 had appealed the decision by submitting a CT Proposal and were subsequently transferred back to the VR.
- 5 had been reviewed by the case officer who had confirmed that they should be transferred to CT, but this had not yet been actioned. In total there were 609 SCUs which had been marked for transfer to CT but not yet actioned (see action plan H3).
- 1 was included on a list of 625 open/current survey cases which case officers had been asked to review and update CAS with the outcome (see action plan H3).

The Regulations state that a local authority may determine that an SCU can remain on the VR despite not meeting the stated requirements where there are exceptional circumstances. There were 33 such cases in the Highland Council area and a sample of 5 was examined. In all cases, a formal request had been submitted by an appropriate Highland Council Officer, but the request had only been uploaded to CAS as supporting evidence in 3 out of 5 cases (see action plan M3).

A master record/reconciliation of the following had not been kept and updated regularly for either SCU audit exercise:

- All SCUs at the start of the exercise

- Whether they had been included and sent a communication or excluded and therefore not sent a communication
- The outcome of the SCU audit exercise.

A2K/CAS did not fully support the provision of this information and therefore completion of such a reconciliation would be a manual and time-consuming process (see action plan H1). This meant that senior management and meetings of the HWIVJB had not been provided with consistent reporting on the progression of each SCU audit exercise (see action plan M4).

2.2 *Adequacy of supporting lettings evidence and the prompt notification/actioning of SCU decisions*

This audit objective was partially achieved. The communications issued for both SCU audit exercises included guidance on lettings evidence which the respondent should provide, and this was in line with SAA guidance. Assessors staff involved in the SCU audit process were provided with examples of the type of evidence that would be acceptable, and 2 training days were held. A CAS procedural document was produced for Year 2 and included information on how decisions/progress should be recorded on the system.

A sample of 10 returns from each SCU audit exercise was examined and appropriate evidence had been obtained to confirm that both letting requirements had been met in 19 cases. In 1 case, a handwritten list of bookings had been provided which was not sufficient to evidence that the letting requirements had been met for 2023/24. The owner/operator was not contacted to request further evidence, but a reasoned judgement was made by the reviewer that the property met the requirements based on a combination of booking patterns, pricing data and platform practices, (see action plan M5).

The sampled records were examined in CAS to identify who had reviewed the return and therefore determined the outcome of the SCU audit for each property. The Divisional Valuers who oversaw the process confirmed that the staff identified were appropriately qualified and trained to undertake this task. Staff were able to submit cases for review by a senior team member on CAS if they were uncertain about the information provided by operators. Supervisors occasionally checked cases handled by junior valuation

and technical staff but there was no set process or regularity for this (see action plan M6).

**3. Conclusion**

3.1 Whilst a huge amount of work had been undertaken by the Assessors to date, there was still work to be done to complete the Year 1 and Year 2 audit exercises and the Year 3 audit (2024/25) had not yet started. There were a number of factors which impacted on their effectiveness in undertaking these audits, not least the exceptionally high volume of SCU audit returns that have to be issued and processed. Only 2 SCU audits had been undertaken so far, using a system which had not been specifically designed for this purpose, and processes were still developing. Further engagement with the IT system provider (CAS system) is essential in order to improve system functionality and therefore better support the process.

Two additional staff had been recruited to assist with the SCU audit process but given the volume of SCUs in the area and other competing legislative deadlines staff time had to be prioritised accordingly. The current focus was on delivery of the 2026 Revaluation exercise, a draft of which had to be completed by 30/11/25, and disposal of proposals from the 2023 Revaluation which has a deadline for completion of 30/09/25.

Although there was no timescale specified in the legislation by which SCUs which had not met the requirements of the SCU audit had to be transferred from the VR to CT, it is important that bills are issued in a timely manner to facilitate prompt collection of monies due.

#### 4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	<p><u>System Functionality</u></p> <p>(i) The option to issue bulk email communications in CAS was being explored but it had not yet been implemented.</p> <p>(ii) There was no automated system notification or way of highlighting SCU audit cases which had exceeded the 56-day deadline on CAS.</p> <p>(iii) CAS did not fully support the provision of management information for reporting to senior management and meetings of the HWIVJB.</p>	<p>Further engagement should take place with the IT system provider (CAS system) in order to improve system functionality and therefore better support the process.</p>	<p>(i) Discussions to take place with ICT at THC for IT requirements for the implementation of bulk issue of emails through CAS.</p> <p>(ii) Reporting to be explored and developed with the software supplier. A single date issue would make the deadline non-variable.</p> <p>(iii) Expansion of management information to be explored with the software supplier.</p>	Depute Assessor and ERO	31/12/25
H2	High	<p><u>Year 1 SCU Audit (2022/23)</u></p> <p>(i) It was not possible to confirm that all SCUs, apart from those which had purposely been excluded from the SCU audit exercise, had been issued with a communication.</p> <p>(ii) There were 383 open/unresolved cases.</p>	<p>All outstanding tasks relating to the Year 1 SCU audit exercise should be completed:</p> <p>(i) Check that all SCUs included on the VR on 01/04/23, other than those excluded for specified reasons, had been issued with a communication and take appropriate action where gaps are identified.</p> <p>(ii) Resolve all open/unresolved cases and action all outstanding transfers to CT.</p>	<p>(i) Identify any outstanding tasks including</p> <p>(ii) the processing of cases which are presently displaying as unresolved.</p>	Assistant Assessor	31/01/26

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H3	High	<p><u>Year 2 SCU Audit (2023/24)</u></p> <p>(i) The SCU audit had not yet been completed but work was being undertaken to pull together a list of SCUs which had yet to be issued with a communication.</p> <p>(ii) There were 625 open/current cases which case officers had been asked to review and update CAS with the outcome and 609 SCUs which had been marked for transfer to CT but not yet actioned.</p>	<p>All outstanding tasks relating to the Year 2 SCU audit exercise should be completed:</p> <p>(i) Establish which SCUs included on the VR on 01/04/24, other than those excluded for specified reasons, and issue them with a communication. This should include those previously excluded due to open/unresolved Year 1 cases.</p> <p>(ii) Resolve all open/unresolved cases and then action all outstanding transfers to CT.</p>	<p>As for H2 but:</p> <p>The regulations governing the SCU audit changed from those applied for the 2022/23 audit. The initial audit was open-ended whereas the 2023/24 had a cut-off date which acted as a guillotine, and as such late returns or non-returns were placed on the council tax list even if they were operated as a SCU. The Scottish Government is currently drafting amending regulations to address this issue. This will allow the audit for 2023/24 to be completed by the end of January 2026.</p>	Assistant Assessor	31/01/26
M1	Medium	<p>If the wrong code was entered in error on the SAA Portal, it was possible to access the return form for a different property and potentially complete and submit it with the wrong details.</p>	<p>System changes should be implemented to ensure that it is not possible to access and complete the incorrect property return on the SAA Portal.</p>	<p>Consultation with software supplier to use a randomised access code to avoid erroneous access to the wrong return or sequential guessing.</p>	Depute Assessor and ERO	30/09/25
M2	Medium	<p>In 1 case, the return submission date was recorded on CAS but the issue and deadline for submission dates were blank. This was investigated by a Divisional Valuer, but no reasonable explanation could be provided other than it was a system glitch that they had been unaware of, and it had happened with other properties.</p>	<p>This issue should be investigated with the IT system provider (CAS), and a resolution found to ensure that it does not occur again in the future.</p>	<p>Issue raised with software supplier with view to understanding whether a software glitch or user error. Steps will be taken to remove glitch or update training documentation.</p>	Assistant Assessor	31/12/25

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M3	Medium	The formal request from Highland Council to retain an SCU on the VR despite not meeting the stated requirements had only been uploaded to CAS as supporting evidence in 3 out of 5 sampled cases.	All local authority requests to retain an SCU on VR should be uploaded to the property record on CAS as supporting evidence of the decision.	Review training notes and amend to ensure this is being met. If necessary, liaise with software developer.	Assistant Assessor	31/12/25
M4	Medium	Senior management and meetings of the HWIVJB did not receive consistent reporting on the progression of each SCU audit exercise.	A more structured approach should be taken to reporting on the progression of each SCU audit exercise to senior management and the VJB. This should be facilitated by improved reporting from CAS and the information should be presented to senior management and the VJB in a consistent manner.	To be implemented in tandem with H1(iii).	Depute Assessor and ERO	31/12/25
M5	Medium	In 1 case, a handwritten list of bookings had been provided which was not sufficient to evidence that the letting requirements had been met for 2023/24.	In future, a handwritten list of bookings should not be accepted as evidence that letting requirements had been met. Ideally, the owner/occupier should be contacted for further information or alternatively the property could be deemed to have failed to meet the requirements.	Such matters will always require an element of judgement. Each case will be treated on its own merits within the legislative framework. The quality of return does vary from fully digital to written returns. Where there is any doubt, the matter will be referred to a senior colleague. Guidance to be updated.	Assistant Assessor	30/09/25
M6	Medium	Supervisors occasionally checked the cases handled by junior valuation and technical staff but there was no set process or regularity for this.	A process should be put in place which sets out a consistent method by which supervisors will check cases handled by junior members of staff and these checks should be carried out on a regular basis and the results recorded.	Processes to be updated to ensure regular checking of each member of staff's handling of cases. Training documentation to be updated.	Assistant Assessor	30/09/25

