

Item: 7.3

Monitoring and Audit Committee: 8 June 2023.

Internal Audit Report: Summary of Small Annual Reviews.

Report by Chief Internal Auditor.

1. Purpose of Report

To present a summary of small annual reviews carried out by Internal Audit.

2. Recommendations

The Committee is invited to scrutinise:

2.1.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to procedures and controls in place within the Council relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds, in order to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

The reviews of Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds are small reviews carried out annually and brought together in this summary report.

3.2.

The Audit Scotland Management Report presented to the Monitoring and Audit Committee on 4 June 2020 highlighted that some of the work carried out by Internal Audit was not subject to proper scrutiny. The objective of this audit is to ensure that these small reviews are presented to the Committee to allow appropriate scrutiny to take place.

4. Audit Findings

4.1.

The audit provides substantial assurance that procedures and controls relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, does not contain any recommendations.

4.3.

The Committee is invited to scrutinise the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officer

Andrew Paterson, Chief Internal Auditor, extension 2107, email andrew.paterson@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Summary of Small Annual Reviews.



Internal Audit

Audit Report

Summary of Small Annual Reviews

Draft issue date: 27 April 2023

Final issue date: 10 May 2023

Distribution list:	<p>Corporate Director for Strategy, Performance and Business Solutions</p> <p>Corporate Director for Enterprise and Sustainable Regeneration</p> <p>Corporate Director for Education, Leisure and Housing</p> <p>Head of Finance</p> <p>Performance and Best Value Officer</p>
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Audit Opinion

Based on our findings in these reviews 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 is shown at the end of this report.

Executive Summary

This summary of the small annual reviews has resulted from an External Audit recommendation and ensures that the results of all Internal Audit work are subject to appropriate levels of scrutiny by Members.

The report covers reviews of Statutory Performance Indicators (SPIs) and Cross Council Performance Indicators, the Chartered Institute of Public Finance and Accountancy (CIPFA) Scottish Directors of Finance Performance Indicators (FPIs), stock checks and Orkney College Discretionary and Childcare Funds.

These procedures are well established, and our audit work in these areas has confirmed that the supporting processes are well controlled and managed. The returns that are required for SPIs, FPIs and Discretionary and Childcare funds are all completed in compliance with the guidance issued.

The report does not include any recommendations.

The assistance provided by officers contacted during these reviews is gratefully acknowledged.

Introduction

This report gives a summary of the smaller annual reviews that are carried out by Internal Audit. It covers reviews of Statutory Performance Indicators, Finance Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds.

These reviews were conducted in conformance with the Public Sector Internal Audit Standards.

SPIs and Cross Council Performance Indicators

In order to meet the requirements of the Local Government Act 1992 and the Local Government in Scotland Act 2003, the Council is directed by the Accounts Commission to report a range of information. The Commission requires this information to allow comparison, both over time and with other similar bodies, as well as how best value is demonstrated.

The data is submitted to the Council's SPI co-ordinator who collates the information within the Local Government Benchmarking Framework (LGBF) performance indicators. This data is then passed to Internal Audit who carry out an initial check to ensure the indicator figures correlate with the supporting evidence. A sample of these indicators are subject to detailed testing to verify that each indicator is reliable.

The indicators sampled for detailed testing this year were:

- Council Tax Collection.
- Museum Services.
- Refuse Collection.

Audit testing has shown that the figures provided for these indicators are being compiled according to the guidelines issued. On the basis of the testing carried out it is considered that the figures provided for these indicators are reliable and accurate.

Similar checks are carried out on a sample of cross Council performance indicators, this year the sample included:

- Recruitment and Retention.
- Building Warrants.
- Consumer Complaints.

Audit testing has shown that the indicators are being calculated in accordance with the Data Dictionaries, the figures reported for the indicators on the Council's performance management system, as at March 2023 were correct.

When this process was complete, the data was forwarded to the external auditors and the final version of the LGBF spreadsheet submitted to the Improvement Service.

CIPFA Finance Performance Indicators

The Scottish Directors of Finance Performance Indicators are collated by the Chartered Institute of Public Finance and Accountancy (CIPFA) who manage the collection and subsequent analysis of the data, results are disseminated via interactive reports.

The performance indicators are primarily developed for internal use within each authority, to be used for comparative purposes over time and also against set targets.

Internal audit reviewed the figures supplied by services to ensure that they aligned with the CIPFA guidance, any discrepancies were investigated and rectified prior to the submission of the collated spreadsheet to CIPFA.

Stock Checks

We carried out checks of the stock held by Roads and Grounds Operations and Fleet Services at Hatston, Quarry Services at Cursiter Quarry, the Orkney Museum and Marine Services at Scapa which also covers stock held for the Towage Service.

Stock Certificates state that at 31 March 2023 the total values of stocks held are those in column three in the table below.

Service	Stock Values (£) at 31.3.22	Stock Values (£) at 31.3.23	Movement in Stock (£)	Percentage (%)
Museum	12,295.41	25,034.83	12,739.45	103.6
Fleet	216,373.75	237,708.25	21,334.50	9.86
Roads	263,717.85	301,037.70	37,319.85	14.15
Quarries	1,125,670.50	1,510,250.88	384,580.38	34.16
Marine	799,496.16	978,042.58	178,546.42	22.33
Totals	2,417,553.67	3,052,074.24	634,520.60	26.25

As can be seen from the table above there has been an increase of 26.25% in the overall value of the stock held by the Council, this is mainly due to increases in the prices of finished products at the quarry and increases in the stock at Marine Services which is mainly spare parts and servicing items for the three new tugs.

We checked a sample of stock at each location and performed checks from the stock sheet to the floor and from the floor to the stock sheets. Stock sheet prices were checked to original invoices where possible and any variances investigated. The table below shows the number and value of stock items checked at each location.

Service	Checks Performed	Value (£)
Museum	30	1689.26
Fleet	20	2864.81
Roads	30	18,510.82
Quarries	5	83,329.75
Marine	50	56,966.69
Totals	135	163,361.33

Minor discrepancies discovered during our checks were investigated and resolved to our satisfaction. We did not identify any material discrepancies in the stock that would impact on the figures stated in the stock certificates.

Orkney College Discretionary and Childcare Funds

The Scottish Funding Council (SFC) requires that the data return for student support funds is verified by an independent auditor and that there are systems in place at the college to cover the following areas:

- Receipt of funds from SFC.
- Assessment of student eligibility for payments.
- Disbursement of funds to students.
- Compilation of annual return to SFC.

During the period covered by the audit there was one student who received Discretionary payments, no one received Childcare Payments.

Audit testing confirmed that the figures included in the Student Support Funding Return were correct and were supported by robust evidence. We were satisfied that Orkney College used these funds in accordance with the Scottish Funding Council conditions.

Key to Opinions

Audit Opinion

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