

# Minute

## Monitoring and Audit Committee

Thursday, 17 February 2022, 11:00.

Microsoft Teams.



## Present

Councillors John T Richards, David Dawson, Stephen G Clackson, John A R Scott, Steven B Heddle and Heather N Woodbridge.

## Clerk

- Sandra Craigie, Committees Officer.

## In Attendance

- Hayley Green, Interim Executive Director of Environmental, Property and IT Services.
- Gavin Mitchell, Head of Legal Services.
- Colin Kemp, Interim Head of Finance.
- Karen Greaves, Head of Executive Support.
- Frances Troup, Head of Community Learning, Leisure and Housing.
- Andrew Paterson, Chief Internal Auditor.
- Lesley Mulraine, Service Manager (Housing, Homelessness and Schoolcare Accommodation).
- Barrie Hamill, Internal Auditor.
- Peter Thomas, Internal Auditor.
- Andrew Hamilton, Performance and Best Value Officer (for Items 1 to 4.2).

## Audit Scotland:

- Gillian Woolman, Audit Director.
- Alison Turner, Audit Manager.

## Observing

- Lynda Bradford, Head of Health and Community Care (for Items 1 to 4.4).
- Peter Diamond, Head of Education.
- Sarah Kirkness, Registered Manager, Hamnavoe House.
- Fiona Ratter, Business Improvement Manager/Election Manager (for Items 1 to 4.2).
- Ian Rushbrook, Capital Programme Manager (for Items 4.5 to 6).
- Maureen Spence, Democratic Services Manager.
- Kirsty Groundwater, Communications Team Leader.

## **Apology**

- Councillor Andrew Drever.

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor John T Richards.

## **1. Form of Voting**

The Committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll (recorded vote).

## **2. Statutory Performance Information – 2021 Direction**

After consideration of a report by the Executive Director of Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Performance and Best Value Officer, the Committee:

Noted the Accounts Commission's Statutory Performance Information Direction 2021, attached as Appendix 1 to the report by the Executive Director of Education, Leisure and Housing.

## **3. Internal Audit Strategy and Plan**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Resolved to **recommend to the Council** that the Internal Audit Strategy and Plan for 2022/23, attached as Appendix 1 to this Minute, be approved.

## **4. Internal Audit Reports**

### **4.1. Scottish Parliamentary Election – Election Expenses Return**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.1.1.** That Internal Audit had undertaken an audit of processes and controls relating to the election expenses return for the Scottish Parliamentary Election held in May 2021.

**4.1.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to processes and controls operating in respect of expenses for the Scottish Parliamentary Election held in May 2021.

The Committee resolved to **recommend to the Council**:

**4.1.3.** That, having reviewed the audit findings referred to at paragraph 4.1.2 above, assurance was obtained that action had been taken or agreed where necessary.

#### **4.2. Members' Expenses and Allowances**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.2.1.** That Internal Audit had undertaken an audit of procedures and controls relating to members' expenses and allowances.

**4.2.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to procedures and controls in place within the Council in relation to members' expenses and allowances.

The Committee resolved to **recommend to the Council**:

**4.2.3.** That, having reviewed the audit findings referred to at paragraph 4.2.2 above, assurance was obtained that action had been taken or agreed where necessary.

#### **4.3. Non-Domestic Rates**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.3.1.** That Internal Audit had undertaken an audit of governance arrangements, processes and controls in place within the Council in relation to Non-Domestic Rates.

**4.3.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to governance arrangements, processes and controls in place within the Council in relation to Non-Domestic Rates.

The Committee resolved to **recommend to the Council**:

**4.3.3.** That, having reviewed the audit findings referred to at paragraph 4.3.2 above, assurance was obtained that action had been taken or agreed where necessary.

#### **4.4. Rent Arrears**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.4.1.** That Internal Audit had undertaken an audit of processes and controls relating to rent arrears.

**4.4.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to processes and controls relating to rent arrears.

The Committee resolved to **recommend to the Council:**

**4.4.3.** That, having reviewed the audit findings referred to at paragraph 4.4.2 above, assurance was obtained that action had been taken or agreed where necessary.

#### **4.5. Elderly Residential Care Homes – Hamnavoe House**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.5.1.** That Internal Audit had undertaken an audit of operational procedures and controls in place at Hamnavoe House, including administration, financial management, human resource management and security.

**4.5.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to operational procedures and controls in place at Hamnavoe House, including administration, financial management, human resource management and security.

The Committee resolved to **recommend to the Council:**

**4.5.3.** That, having reviewed the audit findings referred to at paragraph 4.5.2 above, assurance was obtained that action had been taken or agreed where necessary.

#### **4.6. St Andrews Primary School – Extension Project**

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

**4.6.1.** That Internal Audit had undertaken an audit of the project and tender documentation to identify reasons for the increase in costs in respect of the proposed extension of St Andrews Primary School, since the original Stage 2 Capital Project Appraisal was approved in 2014.

**4.6.2.** The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to a review of project and tender documentation to identify reasons for the increase in costs in respect of the proposed extension of St Andrews Primary School.

The Committee resolved to **recommend to the Council:**

**4.6.3.** That, having reviewed the audit findings referred to at paragraph 4.6.2 above, assurance was obtained that action had been taken or agreed where necessary.

## **5. Conclusion of Meeting**

At 12:10 the Chair declared the meeting concluded.

Signed: John T Richards.



## Internal Audit

# Internal Audit Strategy and Plan 2022/23

Issue date: 26 January 2022

## Contents

Introduction.....	1
Internal Audit Objectives.....	1
Provision of Assurance.....	1
Service Delivery .....	2
Internal Audit Plan 2022 to 2023 .....	3
Financial Systems.....	3
Systems Audits .....	3
Project Reviews .....	4
Annual Audits.....	4
Corporate Reviews .....	5
Follow up of Audit Actions.....	6
Integration Joint Board (IJB) .....	6
Contingency Allocation .....	6

## Introduction

The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The Chief Internal Auditor must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations and priorities.

The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be developed and delivered in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

## Internal Audit Objectives

The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the Council's control environment. Internal audit work is designed to add value and improve an organisation's operations, in particular in evaluating and improving the effectiveness of risk management, control and governance processes. In addition to the provision of assurances, Internal Audit undertakes non-assurance work including consulting services and fraud related work.

While Internal Audit contributes to the internal control environment by examining, evaluating and reporting to management on its adequacy and effectiveness, it should be noted that Executive Directors are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

## Provision of Assurance

The Audit Plan is prepared on an annual basis and is continually reviewed. The plan may be adjusted as necessary in response to changes in the Council's risk profile.

The audit planning process is based on the following contributing factors.

- Consultation with the Chief Executive, Executive Directors and Heads of Service to risk assess all service areas and to identify areas of concern which would merit audit attention.
- Reviewing the Corporate Risk Register and all Service Risk Registers.
- A review of the Corporate Governance self-assessment process for 2018/19 and the Certificates of Assurance completed by each member of the Corporate Management Team.
- A review of service plan actions and service performance indicators.
- Liaison with the external auditors to co-ordinate audit work and avoid duplication of effort.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation and other external factors.
- Known strengths and weaknesses in the internal control system.
- Consultation with the Chair and Vice Chair of the Monitoring and Audit Committee.

The audit plan details specific areas of audit which will be subject to review. Following each review, audit reports are issued in draft format, initially to provide management the opportunity to agree the factual accuracy of the audit findings. Copies of final audit reports are passed to the Executive Director, External Audit and to any other senior officer or manager of the Council who is responsible for acting on the recommendations.

The outcomes of audit reports feed into the Internal Audit Annual Report and Assurance Statement which is presented to the Monitoring and Audit Committee.

The audit plan is prepared each year by the Chief Internal Auditor and is approved by the Council's Monitoring and Audit Committee at the start of the financial year. The plan includes sufficient flexibility to allow the Chief Internal Auditor to direct internal audit resources as required so that new local or national issues and risks can be appropriately reviewed, where considered necessary.

Whilst managing the risk of fraud and corruption is the responsibility of senior management, internal audit work is planned to consider and to minimise the risks and exposures that could allow fraud or corruption to occur.

## Service Delivery

The provision of the Internal Audit Service is through an in-house internal audit team, this method of service delivery maintains a core of in-house knowledge.

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

The Internal Auditors must also have IIA qualifications or be CCAB qualified accountants or equivalent with previous audit experience. The skills and knowledge of internal auditors are kept up to date through a range of in-house and specialist training courses and seminars.

Internal auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and standards included within the PSIAS. Internal auditors must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life.

The Internal Audit Section is an independent section and does not have any operational responsibilities. It does not 'own' any system or have any responsibility for any aspect of work subject to audit. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.



## Internal Audit Plan 2022/23

### Financial Systems

This section covers systems classified as the Council's financial systems. The audit plan is set out with the intention of covering all of these systems over a five-year period. This year we will review the following financial systems:

#### Housing Rents

#### Pension Administration

#### General Ledger

#### Following the Public Pound

### Systems Audits

#### Customer Services Platform

This audit will review the procedures and controls in place to ensure that the customer services platform performs as expected, links with the appropriate back office systems and delivers the expected savings.

#### Early Learning & Childcare Data Returns

This audit will involve checking the systems from which information is produced for the various EL&C returns to the Scottish Government, to assess the reliability of the data included in the returns.

#### School Establishment Audits x 2

These are reviews of the procedures followed within the schools, including areas such as school administration, financial management, human resource management, school funds, risk assessments and security.

#### Scapa Flow Museum and Visitor Centre

This review will provide an independent opinion on the efficiency and effectiveness of project governance, risk management and control throughout the project and review the operational procedures of the museum.

#### Roads Operations

This audit will review the work of roads operations, roads support and contractors, focusing on the requirements of the Construction (Design and Management) Regulations 2015.

#### Health & Safety

This audit will review the procedures and policies in place regarding health and safety for Waste and Environmental Services and Lone Working.

## **Fleet Management**

This audit will review the procedures and processes in place around best value procurement of vehicles and the fleet management systems in place to ensure that the Council achieves best value and operates according to industry best practice and relevant legislation.

## **Climate Change Reporting**

Given the increasing importance of climate change issues, this audit will provide assurance on the reliability of the information contained within the Public Sector Report on Compliance with Climate Change Duties.

## **Contract Managed Services**

OHAC commissions various specialist groups to provide support and care through a framework agreement. This audit will review governance processes and procedures, contracts and review processes in place.

## **Fostering**

This audit will review the policies and procedures in place for the fostering service and that the service is operating in accordance with these policies, procedures and relevant Codes of Practice. The review will also ascertain if the financial policies and procedures in place are being applied equitably and that financial controls are robust and operating well and that the service is operating within budgetary control.

## **Disaster Recovery (IT)**

This audit will review whether there are effective disaster recovery arrangements in place which cover all key systems operating within the Council and that roles and responsibilities of Officers in relation to disaster recovery are documented and understood. It will also ascertain if appropriate monitoring and reporting mechanisms are in place.

## **Project Reviews**

### **Strategic Projects**

Failure of a project can have a significant impact on the Council's reputation and the confidence of its stakeholders. These reviews will provide an independent opinion on the efficiency and effectiveness of project governance, risk management and control at stages throughout the strategic projects.

### **The Electronic Document and Record Management System (EDRMS) Project**

Failure of a project can have a significant impact on the Council's reputation and the confidence of its stakeholders. This review will provide an independent opinion on the efficiency and effectiveness of project governance, risk management and control throughout the EDRMS project.

## **Annual Audits**

### **Orkney College – Credits Audit**

Orkney College is required to provide a Further Educational Statistical (FES) return to the Scottish Funding Council (SFC) annually. The FES return details student activity data for the academic

year, which is used to determine the activity which is fundable by the SFC and then to calculate the grant-in-aid allocation for the next academic year.

An audit certificate and audit report must be prepared annually for the FES return to comply with SFC requirements.

### **Orkney College – Discretionary and Childcare Funding**

Orkney College submits an annual return to the SFC for the Discretionary Fund and Childcare Fund expenditure. This return must be checked to confirm that the information included agrees with the underlying records. Internal Audit must also provide an opinion on whether the funds have been used in accordance with the Scottish Funding Council conditions of grant.

### **LEADER**

The LEADER programme is part of the Scottish Rural Development Programme and is primarily aimed at promoting economic and community development within rural areas. Orkney was awarded £2.5 million for LEADER funding for the period 2014-2020. The scheme opened for applications in spring 2016 and was extended to December 2021. The audit will review procedures followed to the end of the programme. The audit is completed in accordance with the scheme guidelines.

### **Statutory Performance Indicators**

This audit involves checking the systems from which information is produced for a sample of indicators, to assess the reliability of the data included. An analytical review of all indicators is also performed.

### **Finance Performance Indicators**

This includes gathering, reviewing and submitting the performance measures for finance services to the Chartered Institute of Public Finance Accountants (CIPFA).

### **Stock Checks**

Each year, as part of the financial year end procedures, stock takes are carried out to confirm that stocks have been correctly counted and recorded for the financial year end. This includes stock takes carried out at the Hatston depot, the Marine Services store, Cursiter Quarry and The Orkney Museum.

### **Cash, asset and security spot checks**

Checks shall be carried out on cash handling, inventories or security arrangements for buildings, as required.

### **Miscellaneous Grant Claims**

Audit work includes the checking and certification of grant claims as required by grant agreements.

### **Corporate Reviews**

### **Corporate Governance and Risk Management**

The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Whilst all audit work contributes to providing this opinion, this review will focus on the Local Code of Corporate Governance self-assessment and risk management arrangements throughout the Council.

### **Follow up of Audit Actions**

Performance Management and Risk Software (Pentana Risk) is used to track the implementation of agreed internal audit recommendations. The progress on implementing agreed actions will be checked via this system on a three-monthly basis and actions assessed as not complete and overdue are reported to the Corporate Management Team.

The Internal Audit Section will review the assessments provided by responsible officers and where any recommendations have been marked as complete, will complete checks to confirm the assessments. Where it is confirmed that actions have been completed, the recommendations will be archived on the system.

### **Integration Joint Board (IJB)**

The role of IJB Chief Internal Auditor will be fulfilled by the OIC Chief Internal Auditor for a five-year period from April 2021.

OIC Internal Audit Section and NHS Orkney Internal Audit will provide internal audit resource to support completion of the IJB internal audit plan.

### **Contingency Allocation**

A contingency allowance has been included for any unplanned audit work required during the year.