

Item: 7

Orkney and Shetland Valuation Joint Board: 20 June 2024.

Internal Audit Annual Report and Opinion.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the Internal Audit Annual Report and Opinion for 2023/24.

2. Recommendations

It is recommended:

2.1.

That the Board scrutinise and seek assurance from the Internal Audit Annual Report and Opinion 2023/24, attached as Appendix 1 to this report.

3. Background

The Public Sector Internal Audit Standards state that:

- The Chief Audit Executive must deliver an annual internal audit report and opinion that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

4. Audit Report and Opinion

4.1.

The Annual Audit Report and Opinion, attached as Appendix 1 to this report, details the level of completion of work achieved in respect of the 2023/24 audit plan.

4.2.

The Audit Report provides assurance on the systems examined by Internal Audit during the financial year. In respect of the areas subject to audit review during 2023/24, as well as a review of audit recommendations, it was found that the framework of controls in place provides substantial assurance regarding governance, internal control, and risk management.

5. Financial Implications

The provision of support services from Orkney Islands Council will be apportioned through the established procedure for recharging a share of the centrally provided support services to the client services.

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 Annual Report and Opinion.



Orkney & Shetland Valuation Joint Board



Internal Audit Annual Report and Opinion

Issue date: 21 May 2024

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1. Introduction

1.1. The Public Sector Internal Audit Standards state that:

- The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control

1.2. The purpose of this document is to report on the Internal Audit work completed during 2023/24 and to provide the Chief Internal Auditor's annual internal audit opinion on the Orkney & Shetland Valuation Joint Board's (VJB) framework of governance, risk management and control.

1.3. At its meeting on 3 March 2022 the VJB appointed the Chief Internal Auditor of Orkney Islands Council (OIC) as the Chief Internal Auditor of the VJB.

1.4. The 2023/24 internal audit strategy and plan was approved by the VJB on 2 March 2023. Audit work is undertaken by the OIC Internal Audit Service to allow the Chief Internal Auditor to provide an annual internal audit opinion.

2. Governance

2.1. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times. The core principles and sub-principles of good governance are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.

2.2. Good governance in the public sector also requires effective arrangements for:

- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

3. Risk Management

3.1. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The VJB approved a Risk Management Policy and Strategy on 2 March 2023.

3.2. The aims and objectives of the strategy include:

- Identification of risks.
- Quantification of risks.
- Control of risks.
- Financing of risks.

3.3. Risk management is a continuous process which will incorporate all strategic and operational risks associated with the following:

- Premises.
- Finance.
- Information Technology (IT).
- Staffing (Valuation Service).
- Service.
- Electoral Registration:
- Planning and Organisation.
- Loss of Premises.
- Failure of IT.
- Communication.
- Failure on the part of Contractors.
- Integrity Issues.
- Staffing (Electoral Registration).

4. Control Framework

4.1. The policies, procedures and activities that are part of a control framework are designed and operated to ensure that risks are contained within the level that the organisation is willing to accept.

4.2. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

5. Internal Audit

5.1. The Public Sector Internal Audit Standards define the nature and set the basic principles for carrying out internal audit in the UK Public Sector.

5.2. The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the control environment and the effectiveness of risk management and governance processes.

5.3. The Internal Audit Charter 2022-24, which was approved by the VJB on 30 June 2022, defines the purpose, authority and responsibility for the Internal Audit service. The Charter conforms to the Definition of Internal Auditing, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards updated in March 2017.

5.4. Internal Audit has organisational independence, and this independence was maintained throughout 2023/24. Staff involved in each internal audit review were independent of the VJB and their objectivity was not compromised in any way.

5.5. The Internal Audit Strategy and Plan is reviewed and approved annually. The Strategy for 2023/24 was approved by the VJB on 2 March 2023. A risk-based planning exercise is carried out each year to determine priorities and to establish and achieve objectives. This helps to control and direct audit work and to ensure the efficient and effective use of resources.

5.6. In carrying out the audit planning, consultation is carried out with the Assessor and Board Officers to produce a detailed list of VJB services. Emphasis is also placed on the VJB's risk registers when considering which areas should be subject to audit.

6. Overall Opinion

6.1. On the basis of the audit work performed in 2023/24, my opinion is that the VJB has a framework of controls in place that provides **Substantial** assurance regarding the organisation's governance framework, related internal controls, and the management of key risks.

6.2. The actions identified during the audit work did not impact on the overall governance arrangements of the VJB.

6.3. Furthermore, I confirm that there were no instances of fraud identified from the audit work conducted during the year.

6.4. My opinion has not been limited by any shortfall in resources, absence of skills, or any limitation of scope of internal audit activity that would adversely affect my ability to form an opinion.

7. Achievement of Annual Audit Plan

7.1. The internal audit plan for 2023/24 included audits of Council Tax, Non-Domestic Rates and the Electoral Register. The table below shows the auditable areas considered as part of the annual planning process. All audits from this year's plan have been completed.

Auditable Areas	22/23	23/24	24/25	Scope of Audit
Performance Reporting			5	To consider the format, content, accuracy and timeliness of management information, both financial and non-financial, provided to the Joint Board in terms of the Annual Public Performance Report.
Council Tax		5		Adequacy and effectiveness of the controls relating to the accuracy of records relating to domestic property including property bandings, new entries, deletions, amendments, proposals and appeals.
Non-Domestic Rates		5		The adequacy and effectiveness of the controls and procedures in place to ensure that: records relating to property values are up to date and accurate, valuations and appeals are dealt with appropriately and timeously, and entries and amendments are made to the Valuation Roll accurately and timeously.
Electoral Register		5		The adequacy and effectiveness of the controls and procedures in place to ensure that the Registers of Electors published annually for the Orkney and Shetland Council areas are up to date and accurate.
Workforce Planning			5	To consider whether the Board is making best use of its staff included a review of workforce planning, recruitment, training, and succession planning.
Budget Setting & Budgetary Control			5	The adequacy and effectiveness of the processes and controls in place for budget setting and budgetary control within the Valuation Joint Board.
Corporate Governance & Risk Management	5			That the Board's corporate governance arrangements are in accordance with best practice as set out in the CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016) and accompanying guidance notes. This audit would review the processes in place for the maintenance of policies and procedures and review of the Board's procedures for assessing, monitoring and mitigating risk.
Financial Controls	5			Review the financial systems documentation to ascertain the current processes and procedures and review the financial controls in place to ensure that they are adequate and effective. This will include a review of procurement, Contract Standing Orders and Financial Regulations.
IT Network and Security	5			To review of the VJB's IT network and cyber security arrangements including Data Governance and compliance with GDPR legislation.

Summary of Internal Audit Recommendations and Current Status

7.2. Reports were prepared and presented to the VJB for reviews completed this year. The recommendations from the reports and the current status of the actions from these and any outstanding from previous audits are summarised in the table below.

Review Title	Recommendations	Target Date	Status
IT Network and Security 2022/23	2. Service level agreements with the constituent councils should provide for regular confirmation statements of compliance to be provided to the VJB.	31 March 2023	In progress
	3. The VJB's suite of data security and protection policies should be reviewed and updated to current legislation and provide required timescales for their regular review.	30 June 2023	In progress
	6. The VJB should review whether each of the commitments made within, and as a result of the records management plan have been embedded and develop an action plan to implement the remaining required improvements.	31 March 2023	In progress
	7. Following revision of Policies and Procedures within the VJB, staff should be updated on any significant revisions made and reminded of required practices to data security and protection.	31 August 2023	In progress
Electoral Roll 2023/24	1. A request to withdraw access rights to the Council systems and Idox 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 is shared across both Electoral and Valuation Services.	When required	Complete
	2. Wherever possible ITR forms should be issued within 2 months of receiving notification from the Valuation operations, and that any remaining backlog of ITR forms to be issued be cleared as soon as possible.	30 September 2024	Ongoing
Council Tax 2023/24	1 We recommend that a plan is put in place to align the information requested from the Local Authorities in Orkney and Shetland.	30 November 2024	Ongoing
	2 It is recommended that clarification is sought from the Scottish Assessors Association on the question of whether invalid proposals should be	N/A	Complete

Review Title	Recommendations	Target Date	Status
	acknowledged, and procedures adopted to reflect their guidance.		
	3 We recommend that Standard procedures and standard wording paragraphs are adopted for all Invalid Proposal letters.	N/A	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.	30 November 2024	Ongoing
Non- Domestic Rates 2023/24	1 It is recommended that separation of duties is implemented, so that the valuers undertaking the valuations are no longer entering the details within the Valuation Roll.	30 September 2024	Ongoing
	2 We recommend that monthly monitoring of the control spreadsheet of proposals is established, to identify any cases where deadlines are at risk of being missed.	30 September 2024	Ongoing
	3 We recommend that there is a review of appropriate KPIs for the rating valuation review process prior to the revaluation in 2026.	31 March 2026	ongoing

8. Quality Assurance and Improvement Plan

8.1. Internal Audit monitors its performance to gauge the effectiveness of the service and to inform future service improvements.

8.2. The PSIAS introduces a specific requirement for the Internal Audit Service to have in place a quality assurance and improvement programme. The purpose of the programme is to “enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunity for improvement.”

8.3. Conformance with the standards is confirmed through cyclical internal and external assessments of our methodology and practice.

Andrew Paterson MSc CMIIA

Chief Internal Auditor

Annex 1 – Definition of Opinions

Audit Opinions

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.