

Item: 10

Orkney and Shetland Valuation Joint Board: 30 June 2022.

Internal Audit Strategy and Plan.

Report by Chief Internal Auditor.

1. Purpose of Report

To consider the Internal Audit Strategy and Plan.

2. Recommendations

The Board is invited to note:

2.1.

That a comprehensive internal audit planning process has been undertaken by the Chief Internal Auditor.

It is recommended:

2.2.

That the Internal Audit Strategy and Plan, attached as Appendix 1 to this report, be approved.

3. Background

3.1.

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

3.2.

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

4. Internal Audit Strategy and Plan

4.1.

The internal audit strategy and the audit plan are combined and reviewed annually and updated as required.

4.2.

The planning process involves the following:

- Reviewing the Board's risk register.
- Reviewing the Board's strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Reviewing the Board's website and internal policies and procedures.
- Audit work previously undertaken, and the conclusions reached.
- Consultation with the Assessor and Board Officers.

4.3.

Audit planning is a continuous process, and the plan can be reviewed and adjusted as required in response to changes in risks, operations and priorities.

5. Financial Implications

5.1.

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

5.2.

The cost for the programme of work set out in the Audit Plan for financial year 2022/23 is estimated to be between £4000 and £4500.

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 Strategy and Plan.



Orkney & Shetland Valuation Joint Board



Internal Audit Strategy and Plan

Issue date: 01 June 2022

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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 organisation'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 management are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

Audit Needs Assessment

There are a number of regulatory, operational and financial risks faced by any organisation. The purpose of an Audit Needs Assessment is to identify these risks and assess the audit coverage required to give the Joint Board and Assessor assurances that the control environment is effective in reducing the risks to an acceptable level.

The Audit Needs Assessment involved the following activities.

- Reviewing the Board's risk register.
- Reviewing the Board's strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Reviewing the Board's website and internal policies and procedures.
- Audit work previously undertaken, and the conclusions reached.
- Consultation with the Assessor and Board Officers.

The above process has resulted in a Strategic Plan which has been prepared on the basis of a three year cycle but will be revised on an ongoing basis to take account of any changes in the Board's risk profile.

Internal Audit Strategic Plan

The strategic plan details specific areas of audit which will be subject to review each year and gives an outline scope and the number of days allocated for each audit.

Auditable Areas	22/23	23/24	24/25	Scope of Audit	Link to Risk register
Performance Reporting			5	To consider the format, content, accuracy and timeliness of management information, both financial and non-financial, provided to the Board in terms of the Annual Public Performance Report.	Risks 2.2 and 1.2 (ERO)
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.	Risk 5.2
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.	Risk 5.2
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.	Risks (ERO) 1.1, 2.1, 6.1 to 6.3, 7.4 and 8.1
Workforce Planning			5	To consider whether the Board is making best use of its staff including a review of workforce planning, recruitment, training, and succession planning.	Risks 4.1 to 4.9 and 7.1 to 7.5 (ERO)
Budget Setting & Budgetary Control			5	The adequacy and effectiveness of the processes and controls in place for budget setting and budgetary control within the Board.	Risks 2.1 to 2.3
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	

Auditable Areas	22/23	23/24	24/25	Scope of Audit	Link to Risk register
				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 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.	Risks 2.3 to 2.5
IT Network and Security	5			To review the Board's IT network and cyber security arrangements, including Data Governance and compliance with GDPR legislation.	Risks 3.1 to 3.9, 6.2 and 6.3
Follow Up Reviews	1	1	1	To assess whether recommendations made in previous internal audits have been appropriately implemented.	
Internal Audit Management	4	4	4	Audit needs assessment, annual planning, annual report, quality assurance and attendance at Board meetings	
Total Number of Days	20	20	20		

Internal Audit Methodology

Each year the Strategic Plan will be reviewed and presented to the Board for approval. Once approved, an audit timetable will be agreed, and detailed planning will be carried out for each area. The audit process will include:

- Producing an audit brief.
- Identifying the expected controls.
- Reviewing systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Discussion of findings and recommendations with the relevant managers involved with the systems.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.

- Recommendations will be graded to help management prioritise their importance.
- Issue of a final report which will include an action plan with areas for improvement, responsibility for the implementation and a timeframe for completion.
- A follow up process to assess whether recommendations made have been appropriately implemented.

The outcomes of individual audit reports feed into the Internal Audit Annual Report and Assurance Statement which will be presented to the Board.

Internal Audit is independent, and the service complies with the Public Sector Internal Audit Standards.

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.