

# HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

11 September 2014

Agenda Item	6
Report No	VAL 16/14

## Internal Audit Report – Matters Arising from the Statement of Internal Control 2013/14

### Report by Head of Internal Audit & Risk Management, Highland Council

#### Summary

This report refers to the audit work undertaken since the last report to the Board on 1st May 2014. In addition, details are provided of the audits being undertaken as part of the 2014/15 plan of work.

#### 1. Introduction

1.1 Whilst the normal reporting method is to provide the Report Summary and Action Plan only, which are attached for consideration by Members, it should be noted that full copies of reports are available if requested.

Each Internal Audit report 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.

#### 2. Internal Audit Report – Matters Arising from the Statement of Internal Control 2013/14

2.1 The Statement on Internal Control 2013/14 has been provided in the previous agenda item and the audit opinion stated that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for

the year to 31st March 2014. In order to provide this opinion, an audit was undertaken of the Assessor's systems of internal control and the attached report contains details of the matters arising from this work.

This report has an audit opinion of Full Assurance and no audit recommendations were made, as a result there is no Action Plan.

2.2 Work is progressing with regard to the Accounts Payable review and a meeting has been arranged with the Assessor to discuss the audit findings.

**Recommendation**

Members are asked to consider the information attached and discuss any other matters of interest with the Head of Internal Audit & Risk Management.

Designation: Head of Internal Audit & Risk Management, Highland Council

Date: 15<sup>th</sup> August 2014

Ref:

Background Papers

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# AUDIT REPORT SUMMARY

## Report Title

**Assessors Department - Matters Arising from the Statement of Internal Control 2013/14**

Report No.	Type of Audit	Issue Date	
AT19/003	Systems	<b>Draft Report</b>	11/07/14
		<b>Final Report</b>	26/08/14

## 1. Introduction

- 1.1 In order to inform the Head of Internal Audit & Risk Management's annual Statement of Internal Control, work was undertaken to examine the systems of internal control operated within the Assessor's Department. This consisted of:
- (i) A high level review of the Assessor's Department system of internal control by way of an evidence-based checklist comprising six key areas:
    - Control environment.
    - Identification and evaluation of risk and control objectives.
    - Information and reporting.
    - Control processes.
    - Monitoring and corrective action.
    - Assessment of whether the key controls have been applied during the year.
  - (ii) A sample of transactions was also selected for detailed testing to verify that the controls were operating as expected. This sample covered the Council, Pension Fund and organisations which use some or all of the Council's financial systems (NHS, High Life Highland, Assessor's Department and HITRANS).

A separate audit of Accounts Payable which covers the processing of orders and invoices for goods and services has been undertaken and will be reported separately.
  - (iii) A follow-up review to ensure that the agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

## 2. Main Findings

- 2.1 Other than the matters identified in (ii) below, the main finding of the review is that the systems of internal control are reliable.
- (i) Internal Control Checklist  
There were no issues identified.
  - (ii) Review of Key Controls  
The key controls were found to be operating satisfactorily and only a minor issue was noted as detailed below.

Two debtor invoices were examined. There was a minor issue with one where the invoice raised to claim grant funding was issued two months after the funds were available. However, and as the funds were guaranteed, the delay in collection did not represent a significant risk.
  - (iii) Follow-up Review  
The previous audit report contained three medium grade recommendations all of which were accepted by management. To date, two of the actions have been completed, with the other one due by 30/09/14.

## 3. Conclusion

- 3.1 There are adequate and effective systems of internal control in operation within the Assessor's Department. Some minor issues were identified as detailed above, but, no audit recommendations were required.

#### 4. Audit Opinion

4.1 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 **Full Assurance** can be given in that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.