

**AGENDA ITEM 6
REPORT NO. VAL/2/20**

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Date: 18th September 2020

Report Title: **Internal Audit Annual Report 2019/20**

Report By: Corporate Audit Manager, The Highland Council

1. Purpose/Executive Summary

- 1.1 The attached report includes an assessment of the Board's framework of governance, risk management and control, and the associated opinion which provides information for the Board's Annual Governance Statement.

2. Recommendations

- 2.1 The Board is invited to note the content of the report, the audit opinion provided and to raise any relevant points with the Council's Corporate Audit Manager.

3. Annual Report 2019/20

- 3.1 The Public Sector Internal Audit Standards requires that the Chief Audit Executive (the Corporate Audit Manager):

“Delivers 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.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

These requirements have been met by the report provided at **Appendix 1** with section 2 of the report used to inform the Board’s Annual Governance Statement.

Designation: Corporate Audit Manager

Date: 7th September 2020

Author: Donna Sutherland

Background Papers:

Appendix 1



Highlands and Western Isles Valuation Joint Board

Annual report 2019/20

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an annual Internal Audit opinion for the period 1st April 2019 to 31st March 2020, and a report that can be used by the Highlands and Western Isles Valuation Joint Board to inform its Annual Governance Statement (see section 2).
- 1.2 This report has been produced in accordance with the requirements of the Public Sector Internal Audit Standards (the Standards) which came into effect from 1st April 2013 and apply to all internal audit service providers. These Standards were developed in collaboration between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).
- 1.3 Section 2450 of the Standards states that "*the annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In addition, the annual report must incorporate:*
- *The opinion;*
 - *The summary of work that supports that opinion; and*
 - *A statement on conformance with the Standards and the results of the quality assurance and improvement programme."* As the Internal Audit service is provided by the Highland Council, this statement is provided within the Council's annual report.

2. ANNUAL GOVERNANCE STATEMENT

2.1 Internal Control

Internal control is defined as "*the whole system of checks and controls, financial or otherwise, established by management in order to provide reasonable assurance*" regarding the achievement of one or more of the following objectives:

- The reliability and integrity of information.
- Compliance with policies, plans, procedures, laws, regulations and contracts.
- The safeguarding of assets.
- The economical and efficient use of resources.
- The accomplishment of established objectives and goals for operations or plans.

Any system of control can only provide reasonable, and not absolute assurance that control weaknesses or irregularities do not exist, or that there is no risk of material errors, losses, fraud or breaches of laws and regulations. Accordingly, the Board should seek continual improvement in the effectiveness of its systems of internal control.

It is the responsibility of senior management to establish an appropriate and sound system of internal control, and to monitor the continuing effectiveness of that system.

2.2 Internal Audit

The Standards define internal auditing as "*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*".

The work undertaken by Internal Audit is documented in an audit report and issued to management. Any areas of concern together with the management agreed actions and target dates for implementation are summarised in an Action Plan within the report. It is the responsibility of management to ensure that implementation of these actions takes place as agreed. The Internal Audit Section will undertake periodic follow-up reviews to ensure that the management agreed actions have

been satisfactorily implemented and the results of this will be reported to the Valuation Joint Board.

The Internal Audit Section operates in accordance with the Standards and as required, a risk based tactical audit plan is produced each year and submitted for approval to the Valuation Joint Board.

2.3 Internal Audit work

The work undertaken by the Internal Audit Section during the year to 31 March 2020 consists of that undertaken directly for the Board and indirectly where the Highland Council's financial systems are used. For this year, the work included:

- A review of the systems of internal control to inform the Board's Annual Governance Statement and the Internal Audit Annual Report.
- Review of the authorisation of process for changes to the Valuation Roll & Council Tax List. This work has been completed but the report has not yet been issued.

In addition, 2 planned audit reviews have not yet been completed: the Individual Electoral Registration (IER) process and the purchase to pay process. This work was due to be completed in March but was put on hold due to the Covid-19 pandemic. This is still the case for the first audit as a site visit will be required but the second audit is now nearing completion. Therefore, the audit opinion at 2.7 below is limited to the work completed.

All audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. All actions have been completed and there are presently no outstanding recommendations.

2.4 Governance arrangements

The Assessor has a Local Code of Corporate Governance which follows the format set out in the CIPFA/ SOLACE Guidance Note for Scottish Authorities – Delivering Good Governance in Local Government (2016). This guidance sets out the seven core principles and their associated sub-principles designed to demonstrate good governance. This has been adapted to reflect the Board's duties which are less wide-ranging than local authorities.

The 2019/20 Code was approved by the Board on 22/11/19 and contains a number of actions in place to ensure compliance with the above principles.

2.5 Risk Management

A Risk Profile review report should be provided annually to the Board or more frequently if there is a significant change to the risk profile. The last report provided to the Board was on 21/06/18 and nothing was reported during 2019/20. The Assessor has advised that this was due to be considered at the cancelled March 2020 Board meeting. The risk profile review is now on the agenda of the meeting of 18/09/20.

2.6 Effect of Covid-19

The Scottish Government declared a National Emergency on 19/03/20 as a result of the Covid-19 pandemic. In accordance with their instructions all Board offices were closed, and staff deployed to home working. As a result, the Senior Management Team meet informally and virtually three times a week.

The planned Board meetings of 24/03/20 and 29/06/20 (due to take place in Stornoway) were also cancelled.

Further details of how Covid-19 affected the Board's operations are provided within the management commentary section of the draft annual accounts which are due to be considered by the Board at its meeting on 20/11/20. Furthermore, the Assessor has confirmed that there was no change to the systems of internal control or risk management as a result of Covid-19.

2.7 Audit Opinion

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control for the year to 31st March 2020.