

# Agenda Item

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**CENTRAL SCOTLAND VALUATION JOINT BOARD**

**Subject:** Internal Audit Annual Assurance Report 2016/17  
**Meeting:** Central Scotland Valuation Joint Board  
**Date:** 29 September 2017  
**Author:** Internal Audit Manager

**1. Introduction**

- 1.1 This paper reports on Internal Audit work undertaken during 2016/17, and provides an assurance on arrangements for risk management, governance, and control based on that work.
- 1.2 It is the responsibility of the Assessor to establish and maintain a robust framework of internal control, and to ensure the continuing effectiveness of that framework. It is the role of the Internal Audit Manager to provide an annual report that includes:
- a statement on the overall adequacy of the control environment, along with any qualifications to that opinion; and
  - a summary of Internal Audit work undertaken during the year, including a comparison of work undertaken to work planned.

**2. Overall Opinion**

- 2.1 Internal Audit use a set of Assurance Categories to provide an opinion on the level of assurance that can be placed on the adequacy of arrangements for risk management, governance, and control. A summary of these Assurance Categories is set out at **Appendix 1**.
- 2.2 On this basis, Internal Audit is able to provide **Significant Assurance** in respect of Central Scotland Valuation Joint Board's arrangements for risk management, governance, and control for the year to 31 March 2017.
- 2.3 The above opinion is based on the findings arising from reviews of:
- Register of Electors – Overseas Vote Applications; and
  - Procurement.
- 2.4 We have also taken account of the outcomes of the Annual Governance Statement Assurance Questionnaire process.

### **3. Operational Activity Considered in Providing Overall Assurance**

- 3.1 Annual Internal Audit work is based on discussion with the Assessor and review of relevant documentation. As outlined at paragraph 2.3, Internal Audit undertook two assignments during 2016/17.
- 3.2 We were able to provide significant assurance in relation to the processes for the administration of Overseas Electors. The scope of this assignment was to assess the adequacy and effectiveness of the controls and procedures in place to ensure that the records relating to Overseas Electors are accurate, and that they are processed timeously in line with relevant policies and procedures.
- 3.3 We found there to be clear written guidance in place for staff, drawing on national guidance issued by the Electoral Commission. Our sample checking confirmed that applications for Overseas Elector status were accurately processed and reflected on the electoral register. An annual reconciliation process is in place to identify (and correct) any anomalies, and systems are in place to monitor and challenge electoral register information.
- 3.4 Our work on Procurement focussed on reviewing procurement strategies, policies, and procedures, and on ensuring that Contract Standing Orders were being applied.
- 3.5 We found that, in general, procurement processes were operating effectively. Financial limits are in place for authorising officers, and sample testing confirmed that proper use was being made of existing (local and national) contracts, with invoices matched to purchase orders. Regular budget monitoring reports are received from, and meetings held with, Clackmannanshire Council's Accountancy Team.
- 3.6 Purchasing activity is underpinned by Financial Regulations and Contract Standing Orders. Both require to be updated to reflect current procurement regulations and best practice, and there was some scope for improving the procurement procedure notes for staff. In addition, we noted several contracts that have been in place for 7-10 years.
- 3.7 In overall terms, though, we were able to provide reasonable assurance, with action agreed to address the recommendations made.
- 3.8 The Annual Governance Statement Assurance Questionnaire process is based around an assessment of the arrangements in place in relation to:
  - Leadership, ethics, and a culture committed to good public sector governance;
  - Relationships with internal and external stakeholders;
  - Risk management;
  - Internal control and compliance;
  - Planning and performance monitoring;
  - External compliance and accountability;

- Information management to support informed decision making; and
- Review and evaluation of governance arrangements.

3.9 The aim of this annual process is not to demonstrate full compliance in all areas, but broad and proportionate compliance and incremental improvement where necessary. The annual process is well established, and the outputs for 2016/17 continue to demonstrate the adequacy of the Board's governance arrangements.

#### **4. Internal Audit Compliance with Public Sector Internal Audit Standards**

4.1 Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards (PSIAS). The Standards, which have applied since April 2013, have 4 objectives, namely:

- to define the nature of Internal Auditing within the UK public sector;
- to set basic principles for carrying out Internal Audit in the UK public sector;
- to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

4.2 One of the requirements of the Standards is that the Internal Audit Manager establishes a Quality Assurance and Improvement Programme (QAIP). The aim of the QAIP is to enable evaluation of compliance with the Standards. This comprises an annual self assessment, and five yearly external assessment.

4.3 The most recent self assessment was undertaken during 2014/15. Given the requirement that self assessments are done annually, attention will be given to ensuring that this is done during 2017/18. In addition, as part of a peer review process arranged via the Scottish Local Authorities Chief Internal Auditors' Group, an external quality assessment of the Internal Audit function will be undertaken by Argyll and Bute Council's Chief Internal Auditor later this year. The outputs of both of these assessments will be included in progress reports to the Board in due course.

#### **5. Recommendation**

5.1 **The Board is asked to note:**

**5.1.1 that sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;**

**5.1.2 that Internal Audit is able to provide significant assurance in respect of Central Scotland Valuation Joint Board's overall arrangements for risk management, governance, and control for the year to 31 March 2017; and**

**5.1.3 that Internal Audit seeks to operate in compliance with PSIAS.**

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**Internal Audit Manager**  
**Date: 15 September 2017**

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**Appendices:**

Appendix 1 – 2016/17 Internal Audit Assurance Categories

**List of Background Papers:**

No papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973.

## 2016/17 INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Significant Assurance</b>	There is an adequate and effective system of risk management, governance, and control to address risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
<b>Reasonable Assurance</b>	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy / effectiveness of risk management, governance, and control.
<b>Limited Assurance</b>	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, governance, and control.
<b>No Assurance</b>	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.