

# **RENFREWSHIRE VALUATION JOINT BOARD**

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**To: Renfrewshire Valuation Joint Board**

**On: 31 May 2019**

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**Report by: Chief Auditor**

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**Heading: INTERNAL AUDIT ANNUAL REPORT 2018/19**

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## **1. SUMMARY**

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of the Renfrewshire Valuation Joint Board's internal control environment.
- 1.3 The Annual Report for Renfrewshire Valuation Joint Board is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2018/19, and contains an audit assurance statement.

## **2. RECOMMENDATIONS**

- 2.1 Members are invited to consider and note the contents of the Annual Report.
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# **Renfrewshire Valuation Joint Board Internal Audit Annual Report 2018-2019**

**Renfrewshire Council  
Finance & Resources  
Internal Audit**

**May 2019**



**Renfrewshire Valuation Joint Board**  
**Internal Audit Annual Report 2018/2019**

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**Renfrewshire Valuation Joint Board**  
**Internal Audit Annual Report**

**1 April 2018 – 31 March 2019**

## **1. Introduction**

- 1.1 As host Authority, Renfrewshire Council provides an internal audit service to Renfrewshire Valuation Joint Board. This includes:
  - The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Assessor and Electoral Registration Officer, Renfrewshire Valuation Joint Board;
  - Delivery of the planned audit assignments;
  - Follow up of previous audit recommendations;
  - Provision of any ongoing advice and support on audit and risk management related matters;
  - Provision of an Annual Report and Assurance Statement, and presentation to elected members at the board of Renfrewshire Valuation Joint Board.
- 1.2 The Service operates in accordance with the Public Sector Internal Audit Standards which defines Internal Audit's role 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.”
- 1.3 In line with the Standards, the purpose of this Annual Report is to report on:
  - The outcome of the planned Internal Audit reviews 2018/19 relating to Renfrewshire Valuation Joint Board;
  - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
  - Internal audit performance;
  - Planned audit work for 2019/20;
  - The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the Board’s internal control environment.

## **2. Responsibilities of Management and Internal Audit**

- 2.1 It is the responsibility of management to ensure that the areas under their control is adequate and effective and that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

## **3. Internal Audit Activity during 2018/2019**

- 3.1 One specific engagement was undertaken during 2018/19, which related to the internal controls in operation over the non domestic rates valuation system. The main findings in relation to this review is summarised in table 1 below:

**Table 1**

<b>Audit Area</b>	<b>Conclusion</b>
Valuation System – Non Domestic Rates	<ul style="list-style-type: none"><li>• <b>Substantial Assurance</b></li><li>• The audit has identified that satisfactory arrangements are in place for managing the RVJB non domestic rates valuation system.</li></ul>

- 3.2 The Annual Report for 2017/2018 was submitted to the Authority on 1 June 2018.
- 3.3 The Joint Board's financial regulations were reviewed and updated in June 2018.
- 3.4 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2018/19, 8 recommendations were followed up. Of these 3, (37%) had been completed, 2 (25%) partially complete and 1 (13%) not yet been implemented, subject to completion at a later date. Two (25%) recommendations were also closed off as 1 was no longer applicable as the process had been superseded and 1 as it had been duplicated in another audit report.
- 3.5 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support the Board's activity. The main findings in relation to these are summarised in Table 2 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

**Table 2**

Audit Area	Conclusion
Key Financial Controls	<ul style="list-style-type: none"><li>• <b>Reasonable Assurance</b></li><li>• The audit identified that debtors and creditors invoices were raised correctly but were delayed in being issued/paid on some occasions. Recommendations were made in the report to address issues with feeders not being reconciled to the Business World ledger and suspense accounts not being cleared. If implemented, these will help strengthen the controls in place.</li></ul>
Payroll	<ul style="list-style-type: none"><li>• <b>Reasonable Assurance</b></li><li>• The audit identified that reasonable procedures are in place for employee new starts and terminations. Appropriate segregation of duties and independent checks are in place. Some issues were identified in relation to service departments not notifying payroll services on time to effect correct payments to some employees, this issue is known to management.</li></ul>

#### **4. Review of Internal Audit Performance**

- 4.1 Internal Audit produces regular reports on its performance during the year to the Renfrewshire Council, Audit, Risk and Scrutiny Board, against a range of measures set annually by the Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal audit services. Table 3 shows the actual performance against targeted performance for the year.

**Table 3**

Internal Audit Performance 2018/19		
Performance measure	Target 2018/19	Actual 2018/19
% of audit assignments completed by target date	95%	95.6%
% of audit assignments completed within time budget	95%	98.8%
% completion of audit plan for the year*	95%	96.4%

\* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

- 4.2 Actual performance for the year, is above the target performance level. All RVJB specific audit engagements were completed by 31 March 2019.
- 4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the PSIAS. All actions arising from the external quality assessment have been completed during 2018/19.

#### 4.4 External Audit

External Audit's review of the internal audit service concluded that overall the service operates in accordance with the PSIAS.

#### 4.5 Risk Management

The internal audit service through the Risk Manager, provides advice and support to the RVJB officers, as required. An annual risk management report is provided to the Council's Audit, Risk and Scrutiny Board.

### 5. Planned Work for 2019/20

- 5.1 Following a risk based assessment of the activities of the Renfrewshire Valuation Joint Board, the audit plan for 2019/2020 provides for a review of budget monitoring arrangements and ad-hoc financial advice, reactive investigative work, follow-up of previous audits and risk management advice.

## **6. Audit Assurance Statement**

- 6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed has been reported to the Assessor and Electoral Registration Officer, and to the Board. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.
- 6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over expenditure, and this area will continue to receive due internal audit attention.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 In this context, it is considered that, reasonable assurance can be placed upon the adequacy and effectiveness of the Renfrewshire Valuation Joint Board's internal control, risk management and governance arrangements, as evidenced by:-
  - The results of the audit work in 2018/19 in relation to the corporate systems which supported the Renfrewshire Valuation Joint Board's activities, and to specific work carried out in relation to those activities.
  - Management action in response to audit recommendations.
  - Management self assessment of internal control, risk management and governance arrangements.
  - The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the CIPFA/SOLACE framework for corporate governance requirements, and of the corporate governance arrangements within Renfrewshire Valuation Joint Board.

Signed *Andrea Monahan*

Chief Auditor

Date 31 May 2019