

RENFREWESHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 10 June 2022

Report by: Chief Auditor

Heading: INTERNAL AUDIT ANNUAL REPORT 2021/22

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 2021/22 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 2021-2022

**Renfrewshire Council
Internal Audit**

June 2022

Renfrewshire Valuation Joint Board
Internal Audit Annual Report 2021/2022

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

1 April 2021 – 31 March 2022

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 2021/22 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 2022/23;
- 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 are 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 2021/2022

- 3.1 One specific engagement was undertaken during 2021/22, which related to the internal controls in operation over records management. The main findings in relation to this review is summarised in table 1 below:

Table 1

Audit Area	Conclusion
Records Management	<ul style="list-style-type: none">• Substantial Assurance <p>The audit identified that satisfactory arrangements are in place which ensure adequate progress of the Records Management Plan.</p>

- 3.2 The Annual Report for 2020/2021 was submitted to the Authority on 28 May 2021.
- 3.5 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2021/22, 3 recommendations were followed up and all were found to be fully implemented.
- 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
Payroll - Overpayments	<ul style="list-style-type: none"> • Reasonable Assurance • Although there is a Salary Adjustment Policy in place, recovery action does not always strictly comply with the policy and recommendations were made to strengthen controls in this area. • There are satisfactory arrangements in place to ensure that employees and managers are aware of their responsibilities in relation to payroll processing and salary overpayments. • The introduction of monthly overpayment reports to services to inform them of employee overpayments has enabled services to address any issues that may lead to further overpayments. A dedicated team within the Council has been established to concentrate on overpayment recoveries.
Supporting Attendance	<ul style="list-style-type: none"> • Reasonable Assurance • The audit review identified that, the level of sickness absence monitoring in place was found to be adequate and that management are provided with adequate information to ensure that the supporting attendance policy is being followed.
Budgetary Controls	<ul style="list-style-type: none"> • Substantial Assurance • The audit identified that there were clear budgetary control roles and responsibilities for accounting staff and budget holders. Budget holders get the information they need from accounting staff. • The main findings from the review were in relation to having formal procedures i.e. an updated Budget Holders Manual and council specific budget monitoring procedures for accountants.

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 2021/22		
Performance measure	Target 2021/22	Actual 2021/22
% of audit assignments completed by target date	95%	98.4%
% of audit assignments completed within time budget	95%	96.8%
% completion of audit plan for the year*	95%	92.1%

* 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 The percentage completion of the audit plan is slightly below the target set for the year. This was due, in the main, to a higher than anticipated level of unplanned absence. It should be noted that this had no effect on the planned reviews for the RVJB for 2021/22 which are 100% complete. The actual performance for the year for the two other indicators, is above the target performance level.
- 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. The review did not identify any areas of non-conformance that require to be addressed.
- 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.

5. Planned Work for 2022/23

- 5.1 Following a risk based assessment of the activities of the Renfrewshire Valuation Joint Board, the audit plan for 2022/2023 provides for a review of risk management processes and ad-hoc internal control 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 over financial management and compliance with overarching governance arrangements, 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 The audit plan is always intended to be flexible and contingency time was utilised to undertake additional work on areas of emerging risk. Additionally, the gross operational internal audit days were reduced by 14% overall due to unplanned absence and no audit engagements were outsourced as was planned due to the pandemic. 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 2021/22 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's 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

Asst. Chief Auditor

Date 10 June 2022