

Report

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Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	26 June 2017
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Annual Report 2016/2017 for Lanarkshire Valuation Joint Board
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1 Purpose of Report

1.1 The purpose of the report is to:-

- ◆ Report on Internal Audit's performance in the provision of audit services to Lanarkshire Valuation Joint Board (LVJB) during 2016/2017;
- ◆ Report on the delivery of Lanarkshire Valuation Joint Board audit recommendations during 2016/2017;
- ◆ Report on Internal Audit findings for Lanarkshire Valuation Joint Board during 2016/2017;
- ◆ Provide an overall opinion of Internal Audit for the year 2016/2017 as to the adequacy and effectiveness of the Board's framework of governance, risk management and control arrangements.

2 Recommendation(s)

2.1 The Board is asked to approve the following recommendations:-

- (1) that the content of this 2016/2017 Internal Audit Annual Report is noted.
- (2) that the opinion of Internal Audit is taken into account in the preparation of the Statement of Governance and Internal Control for LVJB.

3 Background

3.1 Internal Audit delivers a service to Lanarkshire Valuation Joint Board (LVJB) in accordance with the Public Sector Internal Audit Standards.

3.2 The Internal Audit service is governed by the terms and conditions agreed in an annual Service Level Statement (SLS) between South Lanarkshire Council (SLC) and LVJB. The agreement details Internal Audit's service objectives and plans for delivery of the service. Obligations attach to both parties under this agreement, including performance targets.

3.3 On an annual basis, a plan of work derived from a risk evaluation of each suggested audit area is attached to the Service Level Statement.

3.4 Each piece of agreed audit work is discussed with the Assessor and Electoral Registration Officer prior to the issue of a final report and progress with the implementation of actions is monitored by the Assessor and Electoral Registration Officer on a quarterly basis.

4 Current Performance

4.1 The Service Level Statement for 2016/2017 was agreed in March 2016 and issued on 5 April 2016. A copy of the plan of work was attached which detailed the agreed audit work for 2016/2017. It was as follows:

1. Bulk Printing, scanning and mailing supplier arrangements 25 days
2. Follow-up – formal and informal 1 day
3. Annual Report, planning and administration 4 days

4.2 Following discussions with the Assessor in June 2016, the audit assignment identified in the SLS was changed as a result of an interim review of the LVJB Risk Register. The requirement for an audit of bulk printing had receded following the contract award by SLC to a supplier who previously had a positive working relationship with LVJB.

4.3 This change, resulting in the down rating of the risk, was formally reflected in the Risk Register Update 2017, agreed by the Joint Board in March 2017. A replacement assignment of the 'Door to Door Canvass' for the 2016 Electoral Register was identified as a suitable replacement audit, as various strands of this activity were recorded in the 2017 Risk Register.

4.4 Consequently, the final audit report (I923062) was issued in May 2017. For the main audit assignment, actual performance against the target key performance indicators detailed in the Service Level Statement was as follows:

Table One – Summary of Service Level Agreement key performance indicators

Key Performance Indicator	Achieved	Not Achieved	Performance
Draft report issued by SLC within 21 days of completion of fieldwork	0	1	0%
Closing meeting held within 28 days of completion of fieldwork	1	0	100%
Action Plan signed within 7 days of agreement of draft report	1	0	100%
Final report issued by SLC within 7 days of the signed action plan	1	0	100%
Overall joint performance	0.75	0.25	75%

4.5 Audit fieldwork was completed on March 13 and, as a result of the high volume of audit work underway within Internal Audit, the draft report was issued on April 20, nine days beyond the target date.

4.6 Regular communications have taken place between representatives of Internal Audit and LVJB to discuss the progress of the 2016/2017 audit programme, audit planning for 2017/2018 and audit recommendations due for completion. The delivery of audit recommendations is outlined in the next section

5. Delivery of Audit Recommendations

5.1 Delivery of audit actions by due dates contributes to a sound control environment. For LVJB, a system of informal follow-up exists to ensure audit actions are delivered:

1. Reminders are sent by Internal Audit, based on information stored on an Internal Audit database (for actions due that month and for actions outstanding from previous months)
 2. LVJB also monitors audit actions via their regular management team meetings.
- 5.2 Four actions from the 2015/2016 audit assignment were due for completion in 2016/2017. All four were completed on time.
- 5.3 There were no external audit recommendations recorded on the Internal Audit database due for delivery in 2016/2017.
- 5.4 One improvement action was agreed following the completion of the Electoral Register Canvass audit assignment undertaken during 2016/2017. This action is due for completion during 2017/2018.

6 Internal Audit Findings

6.1 Electoral Register Canvass (I923062)

- 6.1.1 The audit objective was to provide assurance that LVJB are meeting their legislative duty to ensure the registration of everybody entitled to be on the Electoral Register in North and South Lanarkshire and that the process is conducted in accordance with statutory obligations.
- 6.1.2 The introduction of Individual Electoral Registration, which took effect in Scotland from September 2014, has resulted in the need for a comprehensive programme of household visits as part of the annual canvass of electors. This is a consequence of the move away from household registration and the restrictions placed on the use of data matching with Council Tax records.
- 6.1.3 LVJB has a recruitment strategy in place to ensure that there are adequate resources available to carry out the door to door canvass. Full disclosure records are held for canvass staff and a comprehensive range of training activities underpins the canvass process.
- 6.1.4 Well documented guidance and procedures support the overall performance of the canvass which is monitored and reported to the Management Team. In addition, budget monitoring and reporting arrangements are in place for the canvass, including door to door activities.
- 6.1.5 There was good assurance that the controls are in place to meet LVJB's legislative duties for electoral registration including the door to door canvass operations. There was one minor action arising from this audit regarding the retention of photographic identification for canvassers.

6.2 Formal follow-up (I924060)

- 6.2.1 Four improvement actions were agreed following the completion of the 'House Sales and Council Tax Amendments' audit assignment undertaken in 2015/2016. These actions, completed between March and October 2016, ensured that the number of house sales handled annually by LVJB, in addition to the number of band changes, is included in the annual Public Performance Report.
- 6.2.2 A categorisation coding for Sold House Cards has been developed to ensure that house sales in both North and South Lanarkshire are consistently processed by Domestic Valuation Teams. In addition, the reporting of Council Tax banding changes at management meetings ensures that any Council Tax banding changes are authorised and subsequently programmed for collection by both Councils.

6.3 Shared Systems

6.3.1 LVJB shares some financial and HR systems with South Lanarkshire Council. The overall audit opinion for LVJB is also informed by the assurances obtained from systems audits carried out by Internal Audit for SLC on these shared systems.

6.3.2 Shared systems include some functionality from Oracle FMS (financial ledgers) and HRMS (personnel and Human Resources).

7 **Summary of Internal Audit Findings**

7.1 The findings from this year's audit work indicate that procedures and processes are being followed and effectively managed. LVJB do not need to make any major improvements resulting from audit work.

8 **Internal Audit Opinion**

8.1 LVJB activities are closely governed by statute and, as a result, there is little scope for the Board to select what activities it undertakes in the financial year. Continued pressure from external sources is anticipated, which will put a significant strain on the Board's budget and time in the successive year.

8.2 All the work undertaken by Internal Audit, including any shared system audits, and the reports produced by External Audit, whether of an investigative or routine nature, help to inform whether the internal controls which LVJB has in place are adequate. Audit work covers both financial and operational risk and in 2016/2017 Internal Audit completed one main assignment.

8.3 The overall opinion of Internal Audit for the year 2016/2017, based on the work undertaken in the last year, indicates that a good level of assurance can be provided over the adequacy and effectiveness of the Board's framework of governance, risk management and control arrangements. It is recommended that this report is considered in preparation of the LVJB Statement of Governance and Internal Control.

8.4 Following on from the work undertaken in 2016/2017, the audit work planned for 2017/2018 will continue to focus on key operational areas.

9 **Employee Implications**

9.1 The Internal Audit Section within SLC covers the planned audit work but employees in LVJB also contribute to the work by supplying documentation and information as requested and by discussing and agreeing recommendations.

10 **Financial Implications**

10.1 The total charge to LVJB for the Internal Audit service is based on the work plan agreed in the Service Level Statement, although there is scope to alter the allocation or to charge for extra days on an 'ad hoc' basis. The days booked for each assignment during 2016/2017 are shown in Table Two below:

Table Two - Days booked to Audit Assignments in 2016/2017

Assignment	Job Number	2016/17 planned days	2016/17 actual days
Electoral Register and D2D Canvass	I923062	25	25
Follow-up – Formal & Informal	I924060	1	2
Annual Report 2016/17	I928061	2	1.5
Audit planning and Administration	I921059	2	1.5
Total:		30	30

10.2 Total payment for services delivered in 2016/2017 was £9,550.

11 Other Implications

11.1 LVJB's external auditors may consider the findings of Internal Audit in forming an opinion on the organisation as part of their annual audit.

11.2 There are no implications for risk or sustainability in terms of the information contained in this report.

12 Equality Impact Assessment and Consultation Arrangements

12.1 This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no impact assessment is required.

12.2 Consultation is undertaken with the Assessor and Electoral Registration Officer in the preparation of the Audit Plan and in any amendments to the plan throughout the year.

Paul Manning

Executive Director (Finance and Corporate Resources)

5 June 2017

Previous References

- ◆ Internal Audit Annual Report 2015/2016 for Lanarkshire Valuation Joint Board (6 June 2016)

List of Background Papers

- ◆ Service Level Statement for Lanarkshire Valuation Joint Board 2016/2017

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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