

Report

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Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	4 June 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Annual Report 2017/2018 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 2017/2018;
- ◆ Report on the delivery of Lanarkshire Valuation Joint Board audit recommendations during 2017/2018;
- ◆ Report on Internal Audit findings from a programme of audit assignments for Lanarkshire Valuation Joint Board during 2017/2018;
- ◆ Provide an overall opinion of Internal Audit for the year 2017/2018 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 2017/2018 Internal Audit Annual Report is noted.
- (2) the opinion of Internal Audit is taken into account in preparation of the Governance Statement for Lanarkshire Valuation Joint Board.

3 Background

- 3.1 Internal Audit delivers a service to Lanarkshire Valuation Joint Board (LVJB) in conformance with the revised Public Sector Internal Audit Standards (2017).
- 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 (ERO) 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 regular basis.

4 Current Performance

4.1 The Service Level Statement for 2017/2018 was agreed and issued on 20 March 2017. A copy of the plan of audit work was attached which detailed the agreed work for 2017/2018. It was as follows:

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|---|---------|
| 1. Electoral Register – Integrity Checks | 25 days |
| 2. Follow-up – formal and informal | 1 day |
| 3. Annual Report, planning and administration | 4 days |

4.2 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	1	0	100%
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	1	0	100%

4.3 Regular communications have taken place between representatives of Internal Audit and LVJB to discuss the progress of the 2017/2018 audit programme, audit planning for 2018/2019 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. A system of informal follow-up exists with LVJB 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 One action from the 2016/2017 audit assignment was due for completion in 2017/2018. It was completed on time.

5.3 In addition, there were three External Audit recommendations recorded on the Internal Audit database due for delivery in 2017/2018. LVJB advised that these actions were all completed on time.

5.4 One improvement action was agreed following the completion of the Electoral Register Integrity Checks audit assignment undertaken during 2017/2018. This action is due for completion during 2018/2019.

6 Internal Audit Findings

6.1 Electoral Register – Integrity Checks (I923077)

- 6.1.1 The audit objective was to provide assurance that LVJB is effectively delivering its electoral registration commitments to ensure the register is as accurate and complete as possible. The audit was aligned with the Electoral Commission's Performance Standards for Electoral Registration Officers.
- 6.1.2 Audit testing established the ERO recognises the electoral registration challenges in Lanarkshire and has developed strategies and partnership arrangements to support the compilation of a fully comprehensive Electoral Register.
- 6.1.3 An Integrity Plan and an associated Task List has been developed which shapes the processes that identify patterns of registration activity that could possibly indicate an integrity concern. The Plan also specifies the appropriate counter fraud measures to be deployed by LVJB.
- 6.1.4 Overall, there was good assurance that LVJB has arrangements in place that ensures it is effectively delivering its electoral registration commitments and, consequently, that the residents of North and South Lanarkshire and other stakeholders can have confidence in the quality of the service being delivered.

6.2 Formal follow-up (I924078)

- 6.2.1 One improvement action was agreed following the completion of the 'Electoral Register–Canvass' audit assignment undertaken in 2016/2017. This action, rated as "medium priority", was completed in September 2017, ensuring that photo id records are returned and destroyed for all part-time door-to-door canvassers when the canvass is completed.

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 does 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 resources in the following 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 an opinion on whether the internal controls that LVJB has in place are adequate. Audit work covers both financial and operational risks and, in 2017/2018, Internal Audit completed one main assignment.

8.3 The overall opinion of Internal Audit for the year 2017/2018, based on the work undertaken in the last year, indicates that a reasonable level of assurance can be placed on the adequacy and effectiveness of the Board’s framework of governance, risk management and control arrangements for the year ended 31 March 2018. 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 2017/2018, the audit work planned for 2018/2019 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. However, 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 2017/2018 are shown in Table Two below:

Table Two - Days booked to Audit Assignments in 2017/2018

Assignment	Job Number	2017/18 planned days	2017/18 actual days
Electoral Register – Integrity Checks	I923077	25	25
Follow-up – Formal & Informal	I924078	1	1.2
Annual Report 2017/18, planning and administration	I928079	4	3.8
Total:		30	30

10.2 Total payment for services delivered in 2017/2018 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 ERO 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
17 May 2018

Previous References

- ◆ Internal Audit Annual Report 2016/2017 for Lanarkshire Valuation Joint Board (26 June 2017)

List of Background Papers

- ◆ Service Level Statement for Lanarkshire Valuation Joint Board 2017/2018

Contact for Further Information

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

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