

Report

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	3 June 2024
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Annual Assurance Report 2023/2024
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1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ report on the progress and performance of Internal Audit in the provision of internal audit services to Lanarkshire Valuation Joint Board (LVJB) in 2023/2024
- ◆ provide an independent audit opinion on the adequacy and effectiveness of LVJB's framework of governance, risk management and control arrangements for the year ended 31 March 2024

2. Recommendation(s)

2.1 The Board is asked to approve the following recommendation(s):-

- (1) that the content of this 2023/2024 Internal Audit Annual Report be noted; and
- (2) that it be noted that the opinion expressed within this report informs LVJB's 2023/2024 governance statement.

3. Background

- 3.1 South Lanarkshire Council (SLC) delivers an internal audit service to Lanarkshire Valuation Joint Board (LVJB) in conformance with the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973. This sets out a series of standards to ensure a professional, independent and objective internal audit service is delivered that supports good governance within an organisation.
- 3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal audit activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations. Assessment has confirmed that South Lanarkshire Council's internal audit function continues to generally conform to PSIAS.
- 3.3 The Internal Audit service is governed by the terms and conditions agreed in an annual Service Level Statement (SLS) between 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.
- 3.4 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.

- 3.5 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 regular basis.
- 3.6 The objective of an internal audit service is to evaluate and improve the effectiveness of governance, risk management and control processes. The purpose of this report is to provide an independent audit opinion on the overall adequacy and effectiveness of LVJB's framework of governance, risk management and control arrangements based on audit work undertaken in 2023/2024.

4. Link to LVJB's Objectives and Top Risks

- 4.1 LVJB's objective is to deliver equitable, customer-focused, professional valuation and electoral services for all of its stakeholders. The internal audit service seeks to support this through the delivery of a risk-based plan of internal audit work each year that tests the processes and procedures that deliver this objective.

5. Internal Audit Workload and Performance – 2023/2024

Workload – 2023/2024

- 5.1 One core audit assignment was included in the 2023/2024 Audit Plan for LVJB, as reflected in Table 1.

Table One – Core assignment analysis for 2023/2024

	Total No. Jobs
Core audit assignments planned	1
Audit assignments completed	1

- 5.2 Other areas of work agreed for the 2023/2024 Audit Plan included agreement of an audit plan, preparation and presentation of an annual report on audit findings to this Board and follow-up of audit actions.
- 5.3 All of the audit work concluded during 2023/2024 is listed in Appendix One along with the date the work was issued in draft format to LVJB. This work was conducted in conformance with PSIAS.
- 5.4 PSIAS requires an internal audit function to demonstrate engagement with clients to ensure the Audit Plan agreed at the outset of the year continues, throughout the year, to address known and emerging risks. To satisfy this requirement, feedback was gathered whilst delivering the Plan in year and no amendments were considered necessary. There was no work, in addition to the planned assignment, requested or carried out during 2023/2024.

Performance – 2023/2024

- 5.5 Delivery of an effective and efficient internal audit service requires good performance in three key areas - delivery of audit work within agreed budget days, issue of reports timeously following completion of audit fieldwork and prompt agreement of findings and recommendations with clients.
- 5.6 Internal Audit have met all of these requirements for the 2023/2024 Plan of work in line with the completion date of March 2024. All of the planned audit work has now been delivered within the budget agreed for the 2023/2024 Audit Plan. A final audit

report for the core assignment (I923215 – NDR revaluation – lodging proposals) has been issued, with the findings and recommendations agreed by LVJB.

- 5.7 The Board is asked to note the workload and performance (detailed at Appendix Two) in relation to the delivery of the internal audit service for the 2023/2024 year.

6. Basis of Audit Opinion

- 6.1 The opinion expressed within this report (see 8.4) has been based primarily on:-

- ♦ the output from the audit work included within LVJB's **2023/2024 Internal Audit Plan**

- 6.2 Together with reliance on the following areas of assurance that have also been considered in the expression of an overall audit opinion for the year: -

- ♦ outputs of audits on **shared systems** within SLC
- ♦ the work of LVJB's **External Auditors** in relation to the 2022/2023 financial year

Area of Assurance – Internal Audit Plan 2023/2024

- 6.3 Detailed below are a summary of the key findings from areas which were the subject of internal audit work in 2023/2024:-

I923215 – NDR revaluation: lodging proposals

- 6.4 The main area of audit work in 2023/2024 related to a review of the process through which businesses lodge non-domestic rate (NDR) “proposals” with LVJB (whereby the business requests that LVJB review the “rateable value” set for their business for the year commencing 1 April 2023).
- 6.5 There are statutory communication and response timescales that LVJB must adhere to when responding to businesses submitting a proposal (timescales relating to issuing acknowledgement letters and requests for additional information) and so the objective of the audit was to seek assurances that LVJB were adhering to those statutory requirements.
- 6.6 Audit work involved a review of the process followed in LVJB to record, process and acknowledge each proposal and review of the audit trail, for a sample of actual proposals received, to obtain assurance LVJB administration and valuation teams were adhering to their own internal guidance as well as the statutory requirements.
- 6.7 There is a good level of systems audit trail to support the steps taken for each proposal received and so Internal Audit were able to utilise a “data analytics” approach in the audit testing, whereby a 100% sample of the proposals received in a sample timeframe (1 April 2023 to 30 June 2023) could be selected for review.
- 6.8 Audit testing successfully obtained assurances, for the sample timeframe tested, that:-
- proposals were being recorded on LVJB systems timeously after receipt
 - the valuation teams were recording that they had reviewed the submissions for completeness
 - the Audit and Information Management team were performing the prescribed checks, recording these and then responding to the businesses submitting the proposals (per valuation team instructions)

- acknowledgement letters or requests for additional information were sent within the statutory timescales to the businesses submitting the proposals

6.9 On the basis of these findings and the level of testing that was possible, it is Internal Audit's opinion that **substantial** assurance has been obtained that the *processes* in place at LVJB support them in adhering to their own defined internal processes and the statutory communication steps / timescales and that decisions are being communicated timeously to proposers.

6.10 No significant audit recommendations were required given the assurances obtained, however, two minor recommendations were agreed that aim to enhance monitoring for future revaluation exercises.

I924216 - Formal Follow-Up

6.11 There were no audit actions from the "canvas reform" audit work undertaken in 2022/2023, but there were two actions falling due in 2023/2024 from the "governance checks" audit during 2022/2023.

6.12 The governance audit focused on the risks raised by the Accounts Commission following their review of Orkney and Shetland Valuation Joint Board back in 2020/2021.

6.13 Internal Audit obtained a reasonable level of assurance that expected controls, to mitigate the risks highlighted in the Accounts Commission report (that could apply to LVJB), were in place in LVJB.

6.14 Nevertheless, some advisory recommendations were made to LVJB that related to the monitoring and reporting of contracts to the LVJB Board.

6.15 Standing Orders on Contracts outline the circumstances in which the Board need to be consulted for approval to seek tenders, to approve the award of a contract or to simply note contracts awarded or extended.

6.16 The original audit found that, generally, LVJB's spend with suppliers falls within the approvals delegated to the Assessor who consults with the Treasurer where necessary and Board approval is generally not required. The significant items of expenditure that LVJB incur relate to annual maintenance costs for systems / software that underpin service delivery and the bulk scanning / mailing contract. This position has not changed in 2023/2024 and there has been nothing significant to report to the Board for noting from a contract award or renewal perspective.

6.17 In addition to reporting to the Board, Internal Audit recommended that LVJB review their contract register and this exercise has been undertaken. The contract register captures the significant areas of spend incurred by LVJB. Through time, it is anticipated that this register will be captured within the contracts module of the new Fusion finance system (with contract details embedded into the register). In the meantime, LVJB should continue to ensure their register reflects all live contracts, with all contract details recorded to facilitate monitoring (contract numbers to assist monitoring actual spend; contract expiry dates to flag action etc).

6.18 Follow-up work has obtained evidence that LVJB continue to take steps to implement audit recommendations made.

I925217 – Shared Systems

- 6.19 LVJB continues to share some financial and Human Resources systems with SLC and the overall audit opinion for LVJB is informed by the assurances obtained from systems' audits carried out by Internal Audit for SLC.
- 6.20 During 2023/2024, this shared systems work continued to relate to the significant project that is ongoing to replace the core finance and HR system, used by SLC and shared with LVJB, with Oracle Fusion cloud. When the new system is implemented in 2024, this will involve changes to some of the financial, procurement and personnel processes currently in place.
- 6.21 The broad scope of Internal Audit's role within the Oracle Fusion project implementation continues to be to contribute to the provision of assurance around:-
- ◆ effective project management and governance
 - ◆ robust internal controls being embedded within system processes
 - ◆ operational readiness of the organisation
- 6.22 Internal Audit work on Oracle Fusion has spanned across both 2022/2023 and 2023/2024. Work across all areas, set out in 6.21 above, remains ongoing at the date of writing this report. In 2024/2025, Internal Audit's focus will move to the testing of a small number of key processes within the new Oracle Fusion system. It is intended that this will seek to provide assurance of robust internal controls within these processes. The outcome of this work will be captured within the 2024/2025 Annual Assurance report that will be reported to the Board in June 2025.

Area of Assurance – External Audit

- 6.23 LVJB's external auditors, Audit Scotland, undertook the 2022/2023 financial audit during 2023/2024 and provided an unqualified opinion in relation to LVJB's financial statements. Findings from external audit work in relation to the year ended 31 March 2024 will be considered in due course when interim output becomes available.

7. LVJB Performance – Delivery of Audit Actions 2023/2024

- 7.1 PSAIS places a responsibility for monitoring progress with the delivery of audit actions with the Chief Internal Auditor to ensure that recommendations are effectively implemented. Two audit actions were due to be completed by LVJB during 2023/2024 and follow-up work (6.11 – 6.18) has confirmed that action has been taken to implement these as applicable. There were no external audit actions.
- 7.2 Two improvement actions have been recommended following the completion of the NDR revaluation proposals audit. Although both actions relate to the next revaluation exercise, preparation for the recommended changes fall due before this during 2024/2025.

8. Summary of Overall Assurance and Audit Opinion

- 8.1 Internal control remains, primarily, a management responsibility to ensure that LVJB conducts its business in a manner that has due regard to the principles of good governance. The procuring of an internal audit service to test and report on control arrangements does not negate the importance of management continually monitoring the effectiveness of internal controls that are in operation. The internal audit service cannot be expected to give total assurance that control weaknesses or irregularities do not exist. The audit opinion is based upon the audit work undertaken during the

year and knowledge of LVJB's wider governance, risk management and control arrangements.

8.2 LVJB activities are closely governed by statute, and as a result, there is little scope for LVJB to select what activities it undertakes in the financial year. External pressures that can put a strain on LVJB's resources are acknowledged.

8.3 All of 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.

8.4 **In 2023/2024, the Internal Audit opinion is that, overall, reasonable assurance can be placed on the adequacy and effectiveness of LVJB's framework of governance, risk management and control arrangements for the year ending 31 March 2024 (see 3.6).**

8.5 The Board is asked to note the audit findings and consider the opinion expressed above during preparation of LVJB's Annual Governance Statement.

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.

9.2 Feedback received in relation to audit assignments is used to highlight areas for training and development. These are progressed on an individual basis as part of the performance development review process. Best practice information is shared, and learning points discussed throughout the year.

10. Financial Implications

10.1 The total charge to LVJB for the Internal Audit service is based on the work plan agreed in the SLA. The total charge for services delivered in 2023/2024 was £9,550.

11. Climate Change, Sustainability and Environmental Implications

11.1 There are no climate change, sustainability or environmental implications in terms of the information contained in this report.

12. Other Implications

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

13. Equality Impact Assessments and Consultation Arrangements

13.1 There is no requirement to carry out an impact assessment in terms of the information contained within this report.

13.2 The Assessor and Electoral Registration Officer is consulted in advance of every planned audit assignment and following completion of fieldwork.

Jackie Taylor

Executive Director (Finance and Corporate Resources)

9 April 2024

Link(s) to Council Values/Ambitions/Objectives

- Achieve results through leadership, good governance, and organisational effectiveness

Previous References

- Internal Audit Annual Assurance Report 2022/2023 (5 June 2023)

List of Background Papers

- Service Level Statement for Lanarkshire Valuation Joint Board 2023/2024

Contact for Further Information

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

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Internal Audit assignments completed during 2023/2024**Appendix One**

Job No.	Assignment name	Draft Issue
I921213	Audit Plan	28 February 2024
I923215	NDR revaluation – lodging proposals	9 January 2024
I924216	Follow-up 2023/24	Concluded in this annual report

In addition to this work above, there is the completion of this Annual Report for reporting to the Board.

Internal Audit performance during 2023/2024

Appendix Two

Performance Indicator	Target
Completion of plan	100% planned assignments complete to draft report stage by agreed deadline (31 March 2024)
Completed plan within budget	100% of plan completed within budget
Draft reports issued on time	80% of drafts prepared within 42 days of completion of fieldwork

2023/2024	2022/2023
100%	100%
100%	100%
100%	100%