



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 23 AUGUST 2019

SUBJECT: INTERNAL AUDIT ANNUAL REPORT 2018/19

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 This report advises the Board of the internal audit work completed on the Assessor's Service for the financial year ended 31st March 2019, and provides an opinion on the adequacy of the control systems reviewed.

2. RECOMMENDATION

- 2.1 That the Board considers this report for 2018/19 and notes the satisfactory audit opinion derived from audit work completed.**

3. BACKGROUND

- 3.1 In terms of the Public Sector Internal Audit Standards (PSIAS) applicable to Local Government, it is good practice to develop an internal audit plan for each financial year. The plan is agreed with senior management and is presented to the Board to enable it to consider and comment on the proposed audit coverage. The planned work for 2018/19 as reported to the meeting of the Board in January has been completed and informs the internal audit opinion.
- 3.2 As the Board will be aware, the main financial systems of the Assessor's Service replicate those of the Moray Council, hence audit assurances provided in terms of the controls within the Council systems can be relied upon as being applicable to financial systems relating to the Service. There remains a need, however, to test transactions specific to the Assessor's Service annually to provide the Treasurer with an opinion on the adequacy and effectiveness of the internal control systems and procedures. This work includes confirming the administrative processes for reporting revisions to the council tax and non domestic rating lists by the Assessor to the constituent Authorities.
- 3.3 Audit testing reviewed budget setting and monitoring, payroll costs which utilise a major element of the budget, non payroll expenditure covering issues

including office rentals and ICT costs, and assessment of income received (mainly contributions from central Government to meet development costs relative to electoral registration). There are no matters to report to the Board in relation to this testing.

- 3.4 Separately, the audit considered the latest version of the risk register the Assessor and his Senior Management Team had developed. It was noted that a comprehensive suite of risks had been considered with a confidence expressed that these were being effectively managed. Notable were three risk areas where the residual risk remained high, one relating to the need for improved environmental controls for ICT equipment; the others around the future shape of the service (which will be predicated on developments nationally on local taxation and electoral reform), and securing future funding which is subject to requisition payable by the three constituent Authorities from which members of the Board are drawn.
- 3.5 The audit opinion informs the Annual Governance Statement which is certified by the Board's Convener and the Assessor and is published within the Board's annual accounts.
- 3.6 As noted above internal audit carries out its work in line with established internal audit standards. These standards include a requirement for an External Quality Assessment (EQA) of internal audit to be carried out at least once every five years and for the findings to be considered at a meeting of a council committee. The information is also relevant to the internal audit work carried out for the Valuation Board.
- 3.7 The EQA was carried out through a peer review process, which required each audit manager to undertake an assessment at another council and receive an assessment in return. Potential conflicts of interest were avoided and Fife Council was selected to undertake the assessment of Moray Council's internal audit service. The review concluded that the internal audit service generally conforms to the PSIAS with areas of good practice described in the following terms:
- Good overall level of compliance with PSIAS and IPPF (International Professional Practices Framework), on which the PSIAS are based;
 - The Internal Audit Charter is clear, concise and easy to follow. The purpose, authority and responsibility of Internal Audit, Senior Management and the Council is appropriately set out;
 - Functional and administrative reporting lines for the CAE are appropriate;
 - The Internal Audit team is appropriately qualified and experienced. It was acknowledged by key stakeholders that the team was knowledgeable and professional. All members of the team are aware of the professional and ethical standards required;
 - Working papers system is effective for recording the Internal Audit work and reaching conclusions;
 - Reports are concise and easy to follow.

3.8 Specific actions highlighted that pertain to internal audit work for the Valuation Board were restricted to:

- The Internal Audit Charter (Audit Terms of Reference) approved by the council makes no reference to audit engagements with parties outside the Council (including the Valuation Board);
- Audit reports should make it clear that audit work has been carried out in compliance with the Standards. This has been the case in respect of prior reports to the Board and is now affirmed through the EQA process;
- Audit reports should be issued in the name of the Internal Audit Manager. Reports are currently prepared by the Internal Audit Manager albeit reporting protocols currently in place mean the reports are issued in the name of the Treasurer.

These points have been noted and a plan of action developed for consideration during the current financial year.

4. CONSULTATIONS

4.1 The Assessor and Treasurer have been consulted during the audit review process.

5. CONCLUSION

5.1 The Internal Audit Manager is of the opinion, based on audit work completed, that reasonable assurance can be placed on the adequacy of and effectiveness of the system of internal financial control established within the Assessor's Service.

Author of Report: Atholl Scott, Internal Audit Manager
Background Papers: Internal Audit working paper file