

Item: 6.7

Monitoring and Audit Committee: 10 June 2021.

Internal Audit Report: Summary of Small Annual Reviews.

Report by Chief Internal Auditor.

1. Purpose of Report

To present a summary of small annual reviews carried out by Internal Audit.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken reviews of the procedures and controls in place within the Council relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls in place within the Council relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

The reviews of Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds have been performed for a number of years but have not previously been reported to Committee.

3.2.

The Audit Scotland Management Report 2019/20 presented to the Monitoring and Audit Committee on 4 June 2020 highlighted this as an issue. Management therefore proposed that an annual report or briefing note be presented to the Monitoring and Audit Committee covering several of the smaller annual reviews carried out by Internal Audit.

4. Audit Findings

4.1.

The report provides substantial assurance that the processes and procedures relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, does not include any recommendations.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officer

Andrew Paterson, Chief Internal Auditor, email andrew.paterson@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Summary of Small Annual Reviews.



Internal Audit

Audit report

Summary of Small Annual Reviews

Draft issue date: 18 May 2021

Final issue date: 19 May 2021

Distribution list:	Head of Finance
	Head of HR and Performance
	Performance and Best Value Officer

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Audit Opinion

Based on our findings in these reviews we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions is shown at the end of this report.

Executive Summary

This summary of the small annual reviews has resulted from an External Audit recommendation and ensures that the results of all Internal Audit work are subject to appropriate levels of scrutiny by Members.

The report covers reviews of Statutory Performance Indicators (SPIs) and Cross Council Performance Indicators, the Chartered Institute of Public Finance and Accountancy (CIPFA) Scottish Directors of Finance Performance Indicators (FPIs), stock checks and Orkney College Discretionary and Childcare Funds.

These procedures are well established, and our audit work in these areas has confirmed that the supporting processes are well controlled and managed. The returns that are required for SPIs, FPIs and Discretionary and Childcare funds are all completed in compliance with the guidance issued.

The report does not include any recommendations.

The assistance provided by officers contacted during these reviews is gratefully acknowledged.

Introduction

This report gives a summary of the smaller annual reviews that are carried out by Internal Audit. It covers reviews of Statutory Performance Indicators, Finance Performance Indicators, stock checks and Orkney College Discretionary and Childcare Funds.

These reviews were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

SPIs and Cross Council Performance Indicators

In order to meet the requirements of the Local Government Act 1992 and the Local Government in Scotland Act 2003, the Council is directed by the Accounts Commission to report a range of information. The Commission requires this information to allow comparison, both over time and with other similar bodies, as well as how best value is demonstrated.

The data is submitted to the Council's SPI co-ordinator who collates the information within the Local Government Benchmarking Framework (LGBF) performance indicators. This data is then passed to Internal Audit who carry out an initial check to ensure the indicator figures correlate with the supporting evidence. A sample of these indicators are subject to detailed testing to verify that each indicator is reliable.

The indicators sampled for detailed testing this year were:

- The percentage of the highest paid 5% employees who are women.
- The proportion of operational buildings that are suitable for their current use and in satisfactory condition.
- The net cost per visit to libraries.

Audit testing has shown that the figures provided for these indicators are being compiled according to the guidelines issued. On the basis of the testing carried out it is considered that the figures provided for these indicators are reliable.

Similar checks are carried out on a sample of cross Council performance indicators, this year the sample included:

- The number of staff accidents within the service, per 30 staff per year.
- Age of the Local Development Plan/Number of years since formal adoption.
- The percentage of Calibration Requests carried out on time.

Audit testing has shown that the indicators are being calculated in accordance with the Data Dictionaries, the figures reported for the indicators on Aspireview, the Council's performance management system, as at March 2020 were correct.

When this process is complete, the spreadsheet is submitted to the external auditors and the final version of the LGBF spreadsheet submitted to the Improvement Service.

CIPFA FPIs

The Scottish Directors of Finance Performance Indicators are collated by CIPFA who manage the collection and subsequent analysis of the data, results are disseminated via interactive reports.

The performance indicators are primarily developed for internal use within each authority, to be used for comparative purposes over time and also against set targets.

Internal audit reviews the figures supplied by services to ensure that they align with the CIPFA guidance, any discrepancies are investigated and rectified prior to the submission of the return.

Stock Checks

We carried out checks of the stock held by Roads and Environmental Services, Fleet Services, Marine Services and at the Orkney Museum.

Stock Certificates state that at 31 March 2021 the total values of stocks held are in the table below.

Service	Stock Total
Roads and Environmental	£243,327.23
Fleet	£201,584.19
Marine	£793,689.70
Museum	£15,129.27
Total	£1,253,730.39

We checked a sample at each location and performed checks from the stock sheet to the floor and from the floor to the stock sheets. The table below shows the number and value of items checked.

Service	Checks Performed	Value
Roads and Environmental	30	£20,462.37
Fleet	20	£3,715.18
Marine	50	£27,806.70
Museum	30	£1,231.53
Totals	130	£53,215.78

Minor discrepancies discovered during our checks were investigated and resolved to our satisfaction.

Orkney College Discretionary and Childcare Funds

The Scottish Funding Council (SFC) requires that the data return for student support funds is verified by an independent auditor and that there are systems in place at the college to cover the following areas:

- Receipt of funds from SFC.
- Assessment of student eligibility for payments.
- Disbursement of funds to students.
- Compilation of annual return to SFC.

During the period covered by the audit there were two students who received Discretionary payments and two who received Childcare Payments.

Audit testing confirmed that the figures included in the Student Support Funding Return were correct and were supported by robust evidence. We were satisfied that Orkney College used these funds in accordance with the Scottish Funding Council conditions.

Key to Opinion

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.