



Item: 7

Monitoring and Audit Committee: 4 June 2026.

Internal Audit – Fixed Assets.

Report by Chief Internal Auditor.

1. Overview

- 1.1. This report presents the internal audit report on procedures and controls relating to Fixed Assets, for scrutiny.
- 1.2. The internal audit plan 2025/26 included a review of Fixed Assets. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.3. Fixed Assets are long term tangible property or equipment used by the Council to undertake its operations. The Fixed Asset Register shows assets broadly split into three areas – land, buildings and plant and equipment.
- 1.4. In 2024/25, the Fixed Asset Register contained information for 3022 assets with a total value of over £515 million.
- 1.5. The objective of this audit was to review the controls in place around verifying the accuracy, existence, and valuation of fixed assets, ensuring compliance with financial reporting standards and safeguarding asset integrity.
- 1.6. The audit provides Substantial assurance that procedures and controls relating to Fixed Assets are well controlled and managed.
- 1.7. The internal audit report, attached as Appendix 1 to this report, includes one low priority recommendation regarding the component policy. There are no high or medium recommendations resulting from this audit.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls in place to allow verification of the accuracy, existence and valuation of fixed assets, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

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Implications of Report

- 1. Financial:** None directly related to the recommendations in this report.
- 2. Legal:** None directly related to the recommendations in this report.
- 3. Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
- 4. Human Resources:** None directly related to the recommendations in this report.
- 5. Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
- 6. Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
- 7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our Economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
- 9. Environmental and Climate Risk:** None directly related to the recommendations in this report.
- 10. Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
- 11. Procurement:** None directly related to the recommendations in this report.
- 12. Health and Safety:** None directly related to the recommendations in this report.
- 13. Property and Assets:** None directly related to the recommendations in this report.
- 14. Information Technology:** None directly related to the recommendations in this report.

15. Cost of Living: None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Fixed Assets.



Internal Audit

Audit Report

Fixed Assets

Draft issue date: 9 April 2026

Final issue date: 28 April 2026

Distribution
list:

Director of Enterprise and Resources

Head of Finance

Service Manager (Corporate Finance)

Team Manager (Corporate Finance)

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Audit Opinion

Based on our findings in this review 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 and level of recommendations is shown at the end of this report.

Executive Summary

This audit looked at the governance and risk management of the Fixed Asset Register (FAR) including accuracy of updates to the register, reconciliations to other systems, adherence to accounting standards and compliance with policy.

Overall, good levels of control were observed and testing found only low-risk errors that did not indicate wider control weaknesses.

Several areas of good practice were identified during the audit, including:

- Effective detective controls with zero-life reviews and periodic reconciliations
- Clear, easy to follow component policy
- Suitable IT controls in place

The report includes one recommendation which has arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Ideagen Risk Management system.

| Total | High | Medium | Low |
|-------|------|--------|-----|
| 1 | 0 | 0 | 1 |

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Fixed Asset Register contains information on assets owned by the Council. The assets on the register are from across the Council including properties, infrastructure, vehicles including ferries, plant, heritage assets and IT systems. In 2024/25 the Fixed Asset Register contained information for 3022 assets with a total value of over £515 million.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit included the following:

- Compliance with policy and governance around fixed asset acquisition, retention and disposal.
- Adherence to accounting standards in respect of fixed assets.
- Reviewing the Fixed Asset Register as at 31 March 2025 to verify the completeness of the records for assets.
- Physical verification of assets' existence and condition.
- Acquisition of fixed assets.
- Valuation and depreciation of fixed assets.
- Records of servicing, repairs and replacements of assets.
- Reviewing details of assets sold, scrapped or written off.

Audit Findings

1.0 Governance

- 1.1 The total value of assets in the Fixed Asset Register (FAR) is used as part of the Council's Balance Sheet. Appropriate governance gives assurance that the value is accurate and reflects reality.
- 1.2 Information for the asset register is held on the Fixed Asset Management application which is a module of the Integra system. The system ensures all information is in the same format.
- 1.3 Straight line depreciation is applied to most assets in the register. Assets without a determinable finite useful life do not have depreciation applied, e.g. land. Both practices comply with accounting standards.
- 1.4 Depreciation is calculated by the Fixed Asset Management application. In the register there is a "sense check" calculated which acts as a comparison to ensure the depreciation calculated in the system is correct.
- 1.5 Assets may have different parts that have different life spans and depreciation rates. Where appropriate it may be suitable to split an asset into multiple components, e.g. if a building has its roof replaced, the roof may have a different lifespan to the rest of the building. It may then be suitable to have the roof and building listed separately.
- 1.6 The Council has a component policy. The document sets out rules if assets should be split into multiple components rather than be a single asset. The policy is clear, well laid out and includes a flowchart to help decide if an asset needs components.
- 1.7 There is a check carried out internally to see if assets require different components. A review of the check from 2024/25 showed correct application of the policy.
- 1.8 The component policy sets a materiality level of 0.25% of net book value. The policy uses the net book value of Council assets from 2010 which was £215m, setting the materiality level at approximately £0.5m. A review of the policy would provide assurance that the materiality level is still appropriate.
- 1.9 We recommend that the component policy is reviewed periodically to ensure it remains up to date.

Recommendation 1

2.0 Updates to the Fixed Asset Register (FAR)

- 2.1 The FAR is updated each year with new values. Appropriate controls will help ensure the FAR remains accurate through this process.
- 2.2 The primary ways the FAR is updated are by:
 - Additions – New assets being added, or values of existing assets changing due to capital works.
 - Disposals – Items being removed from the register after being sold or disposed of.
 - Revaluations – Assets having their value and remaining life estimated.

- 2.3 Sample testing was carried out on additions, disposals and revaluations to give assurance over controls while updating the FAR.
- 2.4 A sample of additions to assets on the FAR was selected and supporting evidence was requested. Evidence was received for all items. There was one item that had costs applied to an incorrect asset, all other additions sampled had an accurate amount and were applied to the correct asset.
- 2.5 When queried we were advised that this had been identified late in the process of producing the 2024/25 register, but it was not changed due to being a small amount. The overall value of Council assets was unaffected as the correct value had been applied to a different asset.
- 2.6 Due to the discrepancy found, a further sample of additions was reviewed and all items had appropriate evidence, amounts were accurate and applied to the correct asset. The single error found points to this being an isolated error rather than a wider control issue.
- 2.7 A list of assets disposed of in 2024/25 was obtained and a sample was selected for review. All assets disposed of had evidence and justification for being disposed of.
- 2.8 One asset that was disposed of was a property that was disposed of prior to 2024/25, this had been flagged by the Finance team during a zero-life review, a review of assets when they reach 0 years useful life. This acts as a back-up control and can help provide assurance over the overall accuracy of the FAR.
- 2.9 The revaluation lists for ferries and heritage assets were obtained and a sample was reviewed against the fixed asset register to ensure values were updated accurately. Of the initial sample, one entry appeared to be incorrect, we were advised this was a clerical error that would be updated for the following year's register. Note that the register is only produced once per year, so errors are amended on the next year's register.
- 2.10 Similar to 2.6, further testing was carried out and all items in the additional sample were appropriate.

3.0 Reconciliation of the Fixed Asset Register

- 3.1 The asset register is produced annually at the end of the financial year. Continuity in values between years ensures there is evidence for any changes in values.
- 3.2 The closing value and depreciation of assets in the FAR 2023/24 were compared to the opening value and depreciation in the FAR 2024/25. Values for all assets in both FARs were found to match indicating continuity of the asset record.
- 3.3 Periodic reconciliations of the register are carried out. Information is received from different areas of the Council and compared to the FAR.
- 3.4 Information on the FAR should match information held on other systems.
- 3.5 Assets on the FAR were compared to information held by other systems within the Council. Information on properties held on Concerto, the estates management system, was compared to the FAR. A sample was taken from both Concerto and the FAR and reviewed to ensure the two systems held the same information. All properties sampled were on both systems.

- 3.6 A similar exercise was done for vehicles, a Fleet list containing information on Council vehicles was obtained and compared against the FAR. All items on the Fleet list were identified on the FAR.
- 3.7 For vehicles on the FAR compared to the Fleet list, one item identified was not on the Fleet list and the Service Manager (Fleet) advised they did not have a current record of this vehicle. Note that due to depreciation the net book value of the vehicle was £1 so the material impact of this is low.
- 3.8 We were advised there was a piece of ongoing work to reconcile the FAR with the Fleet list.
- 3.9 Given the low material impact and that there is ongoing work in this area, we feel there is no recommendation required.

4.0 IT Controls

- 4.1 The Fixed Asset Management application holds information on each asset and is used to help produce the asset register each year.
- 4.2 The application currently has several IT access controls, including:
- Users have varying levels of access depending on how they need to use the application.
 - Audit logs are available.
 - There are a low number of users with access to the application.
 - The application can only be accessed on the Council's network.
- 4.3 A review of users with access to the application was carried out and all users were found to be current employees and in roles where access to the application is appropriate.
- 4.4 For certain IT systems it is suitable to have a User Access Policy and have a periodic review of user access. Currently the application does not have a user access policy and user access is reviewed on an ad hoc basis. Given the controls mentioned in 4.2 and 4.3 this is deemed to be an appropriate level of governance for the system.

Action Plan

| Recommendation | Priority | Management Comments | Responsible Officer | Agreed Completion Date |
|--|----------|--|-------------------------------------|------------------------|
| 1 We recommend that the component policy is reviewed periodically to ensure it remains up to date. | Low | The componentisation policy used by the Corporate Finance team annually when updating the Fixed Asset Register will be reviewed and updated where necessary. | Service Manager (Corporate Finance) | 31 December 2026 |

Key to Opinion and Priorities

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. |

Recommendations

| Priority | Definition | Action Required |
|---------------|--|---|
| High | Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk. | Remedial action must be taken urgently and within an agreed timescale. |
| Medium | Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk. | Remedial action should be taken at the earliest opportunity and within an agreed timescale. |
| Low | Scope for improvement in governance, risk management and control. | Remedial action should be prioritised and undertaken within an agreed timescale. |