

Item: 9

Orkney and Shetland Valuation Joint Board: 27 March 2025.

Internal Audit Strategy and Plan.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the Internal Audit Strategy and Plan for 2025/26 for approval.

2. Recommendations

It is recommended:

2.1.

That the Internal Audit Strategy and Plan, attached as Appendix 1 to this report, be approved.

3. Background

3.1.

The Global Internal Audit Standards in the UK Public Sector, which replaces the Public Sector Internal Audit Standards from 1 April 2025, includes the requirement for the Chief Internal Auditor to develop a strategy and prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

3.2.

On 30 June 2022, the Board approved an Internal Audit Strategy and Plan, which included planned areas for audit covering 2022/23 to 2024/25, noting that the plan would be updated annually. The plan was subsequently reviewed and approved by the Board on 2 March 2023 and again on 7 March 2024.

4. Internal Audit Strategy and Plan

4.1.

The internal audit strategy and the audit plan are combined and reviewed annually and updated as required. The plan is a three-year rolling plan which can be adjusted depending on changes in risk or internal procedures.

4.2.

The planning process involves the following:

- Reviewing the Board's risk register.
- Reviewing the Board's strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Reviewing the Board's website and internal policies and procedures.
- Audit work previously undertaken, and the conclusions reached.
- Consultation with the Assessor and Board Officers.

4.3.

Audit planning is a continuous process, and the plan can be reviewed and adjusted as required in response to changes in risks, operations and priorities.

4.4.

Attached as Appendix 1 is the updated internal audit strategy and audit plan for 2025/26.

5. Financial Implications

There are no financial implications associated directly with this report.

6. Governance Aspects

The content and implications of this report have been reviewed and, at this stage, it is deemed that the Board **DOES NOT** require external legal advice in consideration of the recommendations of this report.

7. Contact Officer

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8. Appendix

Appendix 1: Internal Audit Strategy and Plan 2025/26.



Orkney & Shetland Valuation Joint Board



Internal Audit Strategy and Plan

Issue date: 6 March 2025

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Introduction

Purpose of the Internal Audit Strategy

The purpose of this strategy is to outline the direction and focus of the Orkney and Shetland Valuation Joint Board's (the Board) Internal Audit Service, ensuring alignment with the Board's strategy and conformance with the Global Internal Audit Standards in the UK Public Sector. It sets out how Internal Audit will support and promote improvements in governance, risk management and control, underpinned by the Internal Audit Charter which describes the mandate, purpose, authority and responsibility of the Internal Audit Service. The strategy also guides Internal Audit in developing staff, integrating new technology into the audit process and improving the internal audit function as a whole.

Alignment with Board Objectives

This strategy aligns internal audit activity with the overall mission and strategic objectives of the Board by ensuring that internal audit plans and resources are prioritised to provide assurance over areas of strategic importance and highest risk to assist the Board in achieving its objectives.

Global Internal Audit Standards requirements

The Global Internal Audit Standards establish the following requirements regarding an internal audit strategy:

'The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function.

An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate. The chief audit executive must review the internal audit strategy with the board and senior management periodically'.

Internal Audit Resources

The Audit Team consists of 1 Internal Auditor, 2 Trainee Internal Auditors and the Chief Internal Auditor. The annual planning process includes a review of the resourcing requirements of the Internal Audit Team.

Purpose, Vision and Mission

Purpose

The purpose of the Internal Audit Service is to strengthen the Board's ability to create, protect, and sustain value by providing the Board and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Service enhances the Board's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Vision

To be a trusted independent advisor to the Board and management, recognised for delivering, risk-based audit solutions that drive continuous improvement and add value.

Mission

To help the Board achieve its objectives by providing independent and objective assurance, and to improve the effectiveness of risk management, control and governance processes.

Internal Audit Objectives

The table below details the objectives of the Audit Team, these are reviewed annually to ensure they remain relevant.

Objective	Action	Outcome
Enhancing Board governance, risk management and control.	Carrying out independent and objective evaluation and assessment to identify opportunities to improve the effectiveness of governance, risk management and control processes.	Improved Board governance, risk management and control processes through timely implementation of agreed actions.
Improving Internal Audit Processes.	Identify opportunities for process improvements and operational efficiencies across internal audit. Utilising appropriate technology to inform and improve the audit process.	Greater use of appropriate technologies such as data analytics and artificial intelligence to assist the audit process.
Develop Internal Audit skill sets.	Support and fund staff training, development and Continuing Professional Development (CPD). Seek opportunities to increase auditors' digital skills.	Improved staff knowledge, skills and experience.
Raise the profile of Internal Audit through stakeholder engagement.	Improve awareness of internal audit planning, auditing processes, reporting and action tracking.	More informed understanding of the value and benefit of internal audit across the Board.

Audit Needs Assessment

There are a number of regulatory, operational and financial risks faced by any organisation. The purpose of an Audit Needs Assessment is to identify these risks and assess the audit coverage required to give the Board and the Assessor assurances that the control environment is effective in reducing the risks to an acceptable level.

The Audit Needs Assessment involved the following activities.

- Reviewing the Board's risk register.
- Reviewing the Board's strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Reviewing the Board's website and internal policies and procedures.
- Reviewing audit work previously undertaken, and the conclusions reached.
- Consultation with the Assessor and Board Officers.

The above process has resulted in a Strategic Plan which has been prepared on the basis of a rolling three year cycle which will be revised annually to take account of any changes in the Board's risk profile.

Internal Audit Plan

The strategic plan details specific areas of audit which will be subject to review each year and gives an outline scope and the number of days allocated for each audit.

The table below shows which audits have been completed (shaded green) and which are planned for the coming year. For 2025/26, we will focus on controls and procedures relating to Corporate Governance and Risk Management, Payroll and Financial Controls, which was postponed awaiting completion of the Board specific Financial Regulations and Contract Standing Orders.

Auditable Areas	22/23	23/24	24/25	25/26	Scope of Audit	Link to Risk register
Performance Reporting			5		To consider the format, content, accuracy and timeliness of management information, both financial and non-financial, provided to the Board in terms of the Annual Public Performance Report.	Risks 2.2 & 1.2 (ERO)
Council Tax		5			Adequacy and effectiveness of the controls relating to the accuracy of records relating to domestic property including property bandings, new entries,	Risks 5.1 & 5.2

Auditable Areas	22/23	23/24	24/25	25/26	Scope of Audit	Link to Risk register
					deletions, amendments, proposals and appeals.	
Non-Domestic Rates		5			The adequacy and effectiveness of the controls and procedures in place to ensure that: records relating to property values are up to date and accurate, valuations and appeals are dealt with appropriately and timeously, and entries and amendments are made to the Valuation Roll accurately and timeously.	Risks 5.1 & 5.2
Electoral Register		5			The adequacy and effectiveness of the controls and procedures in place to ensure that the Registers of Electors published annually for the Orkney and Shetland VJB areas are up to date and accurate.	Risks (ERO) 1.1, 2.1, 6.1 to 6.3, 7.4 and 8.1
Workforce Planning			5		To consider whether the Board is making best use of staff included a review of workforce planning, recruitment, training, and succession planning.	Risks 4.1 to 4.9 and 7.1 to 7.5 (ERO)
Budget Setting & Budgetary Control			5		The adequacy and effectiveness of the processes and controls in place for budget setting and budgetary control within the VJB.	Risks 2.1 to 2.3
Corporate Governance & Risk Management	5			5	That the Board's corporate governance arrangements are in accordance with best practice as set out in the CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016) and accompanying guidance notes. This audit	

Auditable Areas	22/23	23/24	24/25	25/26	Scope of Audit	Link to Risk register
					reviews the processes in place for the maintenance of policies and procedures and review of the Board's procedures for assessing, monitoring and mitigating risk.	
Financial Controls	5			5	Review the financial systems documentation to ascertain the current processes and procedures and review the financial controls in place to ensure that they are adequate and effective. This will include a review of procurement, Contract Standing Orders and Financial Regulations.	Risks 2.1 to 2.5
IT Network and Security	5				To review the VJB's IT network and cyber security arrangements including Data Governance and compliance with data protection legislation.	Risks 3.1 to 3.9, 6.2 & 6.3 (ERO)
Payroll				5	To review the controls in place around the input and update employee information, the calculation of remuneration and deductions and to test payroll transactions for accuracy.	
Follow Up Reviews	1	1	1	1	To assess whether recommendations made in previous internal audits have been appropriately implemented.	
Internal Audit Management	4	4	4	4	Audit needs assessment, annual planning, annual report, quality assurance and attendance at Board meetings	
Total Number of Days	20	20	20	20		

Service Delivery

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The Global Internal Audit Standards in the UK Public Sector require that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

Internal Auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and Standards included within the Global Internal Audit Standards in the UK Public Sector. Internal Auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

The Internal Audit Team is independent and does not have any operational responsibilities. It does not 'own' any system or have any responsibility for any aspect of work subject to audit. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.

Internal Audit Methodology

Each year the Strategic Plan will be reviewed and presented to the Board for approval. Once approved, an audit timetable will be agreed, and detailed planning will be carried out for each area. The audit process will include:

- Producing an audit brief.
- Identifying the expected controls.
- Reviewing systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Discussion of findings and recommendations with the relevant managers.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Recommendations which will be graded to help management prioritise their importance.
- Issue of a final report, including an action plan with areas for improvement, responsibility for the implementation and a timeframe for completion.

The outcomes of individual audit reports feed into the Internal Audit Annual Report and Assurance Statement which will be presented to the Board.