



# Orkney and Shetland Valuation Joint Board



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## Item: 7

**Orkney and Shetland Valuation Joint Board: 23 June 2026.**

**Internal Audit of Financial Controls.**

**Report by Chief Internal Auditor.**

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## 1. Overview

- 1.1. The internal audit plan 2025/26 included a review of Financial Controls. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.2. Strong financial controls prevent misuse, fraud and errors, and protect taxpayers' money.
- 1.3. The objective of this audit was to provide assurance that financial controls within the VJB are adequate, effective, and operating as intended to safeguard assets, ensure accurate financial reporting, and comply with statutory requirements.
- 1.4. The audit provides Substantial assurance that processes and controls relating to financial transactions are well controlled and managed.
- 1.5. The internal audit report, attached as Appendix 1 to this report includes one low priority recommendation regarding petty cash reconciliations.

## 2. Recommendations

- 2.1. It is recommended that members of the Board:
  - i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to procedures and controls operating in respect of financial transactions, in order to obtain assurance that action has been taken or agreed where necessary.

### **For Further Information please contact:**

Andrew Paterson, Chief Internal Auditor, 01856 873535 extension 2107, Email

[andrew.paterson@orkney.gov.uk](mailto:andrew.paterson@orkney.gov.uk)

## **Implications of Report**

1. **Financial** - None directly related to this report.
2. **Corporate Governance** – The Board’s consideration of Internal Audit recommendations and review of the actions taken, contributes to the continuing effectiveness of the governance framework.
3. **Human Resources** - None directly related to this report.
4. **Equalities** - None directly related to this report.
5. **Island Communities Impact** - None directly related to this report.
6. **Environmental and Climate Risk** - None directly related to this report.
7. **Risk** - None directly related to this report.
8. **Procurement** - None directly related to this report.
9. **Health and Safety** - None directly related to this report.

## **List of Background Papers**

Internal Audit Plan 2025/26.

## **Appendix**

Appendix 1: Internal Audit Report – Financial Controls.



# Orkney & Shetland

Valuation Joint Board



## Internal Audit

### Audit Report

### O&SVJB Financial Controls

Draft issue date: 27 March 2026

Final issue date: 9 April 2026

Distribution list:	<p>O&amp;SVJB Assessor</p> <p>O&amp;SVJB Treasurer</p> <p>O&amp;SVJB Clerk</p>
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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 reviewed financial controls for the Orkney & Shetland Valuation Joint Board (O&SVJB), focussing on accuracy of financial records, authorisation, cash management and statutory compliance. The control environment is strong.

The audit noted the following areas of good practice:

- Effective governance framework
- Controls around income and expenditure are operating satisfactorily.
- There is compliance with procurement and payment processes.
- Controls around petty cash are effective.

There was one area for improvement in respect of evidencing the petty cash reconciliation.

The report includes one recommendation which has arisen from the audit, as 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 provide an update on progress with agreed actions.

Total	High	Medium	Low
1	0	0	1

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

## Introduction

The Orkney and Shetland Valuation Joint Board (the Board / O&SVJB) was established in 1996, under The Valuation Joint Boards (Scotland) Order 1995, and its primary purpose is to discharge all the functions of its two constituent authorities, Orkney Islands Council (OIC) and Shetland Islands Council (SIC), as valuation authorities under the Valuation Acts.

The Board is responsible for appointing the Assessor for Orkney and Shetland, an independent statutory official responsible for the preparation and maintenance of the Valuation Roll and the Council Tax Valuation List. The Assessor has also been appointed as Electoral Registration Officer for both Orkney and Shetland and is, therefore, also responsible for the preparation and maintenance of the Register of Electors or Electoral Roll.

Strong financial controls prevent misuse, fraud and errors, and protect taxpayers' money.

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

## Audit Scope

The objective of this audit was to provide assurance that financial controls within the VJB are adequate, effective, and operating as intended to safeguard assets, ensure accurate financial reporting, and comply with statutory requirements.

The scope of this audit included, but was not limited to, a review of the following:

- Budgetary control and financial planning.
- Income and expenditure processes.
- Procurements and payments.
- Bank and cash management.
- Financial reporting and reconciliations.
- Fraud prevention and risk management.

# Audit Findings

## 1.0 Governance and Financial Planning

- 1.1 VJB officers regularly report to the Board on aspects of Financial Management. Draft Budgets are approved annually, and Revenue Expenditure Monitoring reports are presented each March and September. The annual outturn is reported to the Board each September.
- 1.2 Budget setting and budgetary control processes were audited in financial year (FY) 2024-25. The framework, risk management and controls were found to be comprehensive and effective. No further audit work was required.
- 1.3 Financial transactions are governed by the OSVJB Financial Regulations and the OSVJB Contract Standing Orders, which were both issued in June 2024.

**No recommendation made**

## 2.0 Income and Expenditure Processes

### 2.1 Income for the O&SVJB is derived from:

- A £50k charge made for providing valuations of OIC land and property assets, as well as vacant domestic property inspections relating to Council Tax relief.
- Charges for copies of the electoral register and updates, £3,954 in FY 2025/26 up to the end of February 2026.
- Requisitions from the partner authorities.

- 2.2 Audit testing confirmed all income was legitimate, lawful and accurately recorded. Sales invoices are only issued in respect of the provision of copies of the electoral register and only in response to requests for these from third parties.
- 2.3 Sales are recorded in the financial system, Integra, by the VJB business support staff. The OIC financial system processes receipts. O&SVJB staff have no role within the receipt of cash or bank transfers.
- 2.4 As part of the audit, we tested the process around ordering goods and services. Purchase orders are raised through the OIC financial system and authorised by O&SVJB staff members with appropriate signing authority.
- 2.5 In the course of the audit testing we identified that there was some inconsistency in the use of purchase orders. On review, we understand that the exceptions to the use of purchase orders related to specialist bulk printing and mailing services which react to data provided by the services. The variable data prevents identifying order values upfront.
- 2.6 Invoices in respect of goods and services are matched to purchase orders where available. Invoices require approval in the Integra system before payment. Audit testing confirmed that these controls are operating satisfactorily.

**No recommendation made**

### **3.0 Procurement and Payments**

- 3.1 Under Contract Standing Orders, contracts over £10,000 for Supplies and Services or Works require a Procurement Plan. During the audit period, two suppliers exceeded this threshold. One transaction related to the SIC ICT Service Level Agreement; the other had an appropriate procurement plan and direct award request in place.
- 3.2 Audit review confirmed that payments were legitimate, accurate and free from duplicates or errors.
- 3.3 Over 96% of invoices were paid within 30 days. Segregation of duties is maintained; O&SVJB staff approve payments, which are then processed by the OIC Payments team.
- 3.4 A small sample of invoices was tested to ensure that the details were correctly recorded in the Integra financial system, returning 100% accuracy. Figures within the statutory accounts for FY 2024/25 were agreed to the underlying records.

**No recommendation made**

### **4.0 Bank and cash management**

- 4.1 The Board operates without a separate bank account, with all transactions processed through Integra.
- 4.2 Petty cash floats of £150 (Orkney) and £100 (Shetland) are used for minor expenses and held securely.
- 4.3 All petty cash payments tested were supported by sales vouchers. There are between 12 and 20 transactions in the year in each office. Reconciliations are performed at reimbursement and at year-end, but are not initialled by staff completing them. We recommend that reconciliations should be initialled and dated by the staff performing and reviewing them.

**Recommendation 1**

- 4.5 Petty cash vouchers are prepared by Business Support staff and authorised by the Assessor or Depute ERO. Once authorised the vouchers and supporting receipts are submitted to the OIC finance team.
- 4.6 Reimbursements are processed promptly. Orkney receives cash from the OIC Cash Office, while Shetland receives cheques cashed locally. Controls were operating effectively.

**No recommendation made**

### **5.0 Financial reporting and reconciliations**

- 5.1 Annual accounts are prepared in accordance with International Accounting Standards Board framework and the UK Code of Practice on Local Authority Accounting.

- 5.2 The accounts include an Annual Governance Statement (AGS) which is formally approved as part of the approval of the accounts, and which includes an annual review of the effectiveness of internal controls. The details of the AGS were reviewed in the recent audit of Corporate Governance and Risk Management and no further action is required here.
- 5.3 The Board formally approves and publishes audited accounts via its formal Board meetings. Statutory deadlines for the production and approval of audited accounts, were met, with approval completed by 30 September.

**No recommendation made**

## Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1. Petty cash reconciliations should be initialled and dated by the staff performing and reviewing them.	Low	This will be implemented. While it will only be put into effect at the next reconciliations, the relevant staff have been made aware and understand the requirement.	Assessor & ERO	Immediate effect.

## Key to Opinion and Priorities

### Audit Opinion

Opinion	Definition
<b>Substantial</b>	The framework of governance, risk management and control were found to be comprehensive and effective.
<b>Adequate</b>	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
<b>Unsatisfactory</b>	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
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.