



Item: 13

Monitoring and Audit Committee: 6 June 2024

Summary of Small Annual Reviews

Report by Chief Internal Auditor

1. Overview

- 1.1. The internal audit plan 2023/24 included reviews of Statutory Performance Indicators, Financial Performance Indicators, Stock Checks and Discretionary and Childcare Funds. These are grouped together for audit purposes as Small Annual Reviews.
- 1.2. The objective of this report is to ensure that these small reviews are presented to the Committee to allow appropriate scrutiny to take place.
- 1.3. This year two of the small schemes, Financial Performance Indicators and Discretionary and Childcare Funds, were not in operation so no audit work was performed on these.
- 1.4. The audit provides Substantial assurance that procedures and controls relating to Statutory Performance Indicators and Stock Checks are well controlled and managed.
- 1.5. The internal audit report, attached as Appendix 1 to this report, does not include any recommendations.

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 procedures and controls in place within the Council relating to Statutory Performance Indicators, Financial Performance Indicators, stock checks and UHI College Discretionary and Childcare Funds, 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:** None.
- 4. Human Resources:** None directly related to the recommendations in this report.
- 5. Equalities:** None directly related to the recommendations in this report.
- 6. Island Communities Impact:** None directly related to the recommendations in this report.
- 7. Links to Council Plan:** Not Applicable.
- 8. Links to Local Outcomes Improvement Plan:** Not Applicable.
- 9. Environmental and Climate Risk:** None directly related to the recommendations in this report.
- 10. Risk:** None directly related to the recommendations in this report.
- 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 2023/24

Appendix

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



Internal Audit

Audit Report

Summary of Small Annual Reviews

Draft issue date: 3 May 2024

Final issue date: 13 May 2024

Distribution list:	<p>Corporate Director for Strategy, Performance and Business Solutions</p> <p>Corporate Director for Enterprise and Sustainable Regeneration</p> <p>Corporate Director for Education, Leisure and Housing</p> <p>Corporate Director for Neighbourhood Services and Infrastructure</p> <p>Head of Finance</p> <p>Head of Improvement and Performance</p>
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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 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 UHI Orkney 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 and Discretionary and Childcare funds are 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 UHI Orkney Discretionary and Childcare Funds.

These reviews were conducted in conformance with the Public Sector Internal Audit Standards.

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 on 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:

- Corporate Asset Management.
- Sport and Leisure Facilities.
- The Gender Pay Gap.

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 and accurate.

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

- Budget Variances.
- Employee Review and Development Meetings.

Audit testing has shown that the majority of indicators are being calculated in accordance with the Data Dictionaries. Following minor adjustments the figures reported for the indicators on the Council's performance management system, as at March 2023 were correct.

When this process was complete, the final version of the LGBF spreadsheet was submitted to the Improvement Service.

CIPFA Finance Performance Indicators

The Scottish Directors of Finance Performance Indicators were previously collated by the Chartered Institute of Public Finance and Accountancy (CIPFA) who manage the collection and subsequent analysis of the data. Results are disseminated via interactive reports.

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

This year we were informed by CIPFA that there was no arrangement in place for the Directors of Finance survey to be conducted, as such there was no work for Internal Audit to perform.

Stock Checks

We carried out checks of the stock held by Roads and Grounds Operations and Fleet Services at Hatston, Quarry Services at Cursiter Quarry, the Orkney Museum, Scapa Flow Museum and Marine Services at Scapa which also covers stock held for the Towage Service.

Stock Certificates state that at 31 March 2024 the total values of stocks held are those in column three in the table below.

Service	Stock Values (£) at 31.3.23	Stock Values (£) at 31.3.24	Movement in Stock (£)	Percentage (%)
Museums	25,034.83	34,995.11	9,960.28	39.78
Fleet	237,708.25	253,020.69	15,312.44	6.44
Roads	301,037.70	339,896.66	38,858.96	12.91
Quarries	1,510,250.88	1,769,954.61	259,703.73	17.20
Marine	978,042.58	1,035,853.60	57,811.02	5.91
Totals	3,052,074.24	3,433,720.67	381,646.43	12.5

As can be seen from the table above there has been an increase of 12.5% in the overall value of the stock held by the Council, this is mainly due to an increase in primary rock and increases in the prices of finished products and at Cursiter quarry.

We checked a sample of stock at each location and performed checks from the stock sheet to the floor and from the floor to the stock sheets. Stock sheet prices were checked to original invoices where possible and any variances investigated. The table below shows the number and value of stock items checked at each location.

Service	Checks Performed	Value (£)
Orkney Museum	30	5,247.58
Scapa Flow Museum	30	4,940.34
Fleet	20	4,008.36
Roads	30	21,614.60
Quarries	7	145,128.61
Marine and Towage	60	79,209.61
Totals	177	260,149.10

Minor discrepancies discovered during our checks were investigated and resolved to our satisfaction. Discrepancies in the stock were rectified prior to the issue of the stock certificates.

UHI Orkney 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 UHI Orkney 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 no claims for Discretionary or Childcare Payments, so no audit work was undertaken.

Key to Opinions

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.