

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

10 June 2025

Agenda Item	12b
Report No	VAL/13/25

Internal Audit Annual Report 2024/25

Report by Strategic Lead (Corporate Audit), Highland Council

Summary

The attached report includes an assessment of the Board's framework of governance, risk management and control, and the associated opinion which provides information for the Board's Annual Governance Statement.

The Public Sector Internal Audit Standards requires that the Chief Audit Executive (the Strategic Lead (Corporate Audit)):

“Must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

These requirements have been met by the report provided at **Appendix 1** with section 2 of the report used to inform the Board's Annual Governance Statement.

Recommendation

The Board is invited to consider the content of the report, the audit opinion provided and to raise any relevant points with the Strategic Lead (Corporate Audit).

Designation: Strategic Lead (Corporate Audit)

Date: 30th May 2025

Author: Donna Sutherland, Strategic Lead (Corporate Audit), Highland Council



Highlands and Western Isles Valuation Joint Board

Internal Audit Annual report 2024/25

1. INTRODUCTION

1.1 The purpose of this report is to provide an annual Internal Audit opinion for the period 1st April 2024 to 31st March 2025, and a report that can be used by the Highlands and Western Isles Valuation Joint Board to inform its Annual Governance Statement (see section 2).

1.2 This report has been produced in accordance with the requirements of the Public Sector Internal Audit Standards (the PSIAS) which came into effect from 1st April 2013 and apply to all internal audit service providers. These were developed in collaboration between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The PSIAS were reviewed and updated periodically with the most recent update issued in 2017.

1.3 Section 2450 of the Standards states that:

- The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

This last point was addressed within the Highland Council's Internal Audit Annual Report 2024/25 which was presented to their Audit Committee on 28/05/25.

1.4 The PSIAS have now been replaced by the new Global Internal Audit Standards (GIAS) which came into effect in January 2025. CIPFA subsequently issued "The Application Note: Global Internal Audit Standards in the UK Public Sector" which changed this date to 01/04/25. In accordance with the application note, this is the final annual report under the PSIAS.

2. ANNUAL GOVERNANCE STATEMENT

2.1 Internal Control

Internal control is defined as *"the whole system of checks and controls, financial or otherwise, established by management in order to provide reasonable assurance"* regarding the achievement of one or more of the following objectives:

- The reliability and integrity of information.
- Compliance with policies, plans, procedures, laws, regulations and contracts.
- The safeguarding of assets.
- The economical and efficient use of resources.
- The accomplishment of established objectives and goals for operations or plans.

Any system of control can only provide reasonable, and not absolute assurance that control weaknesses or irregularities do not exist, or that there

is no risk of material errors, losses, fraud or breaches of laws and regulations. Accordingly, the Board should seek continual improvement in the effectiveness of its systems of internal control.

It is the responsibility of senior management to establish an appropriate and sound system of internal control, and to monitor the continuing effectiveness of that system.

2.2 Internal Audit

The Standards define internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

The work undertaken by Internal Audit is documented in an audit report and issued to management. Any areas of concern together with the management agreed actions and target dates for implementation are summarised in an Action Plan within the report. It is the responsibility of management to ensure that implementation of these actions takes place as agreed. The Internal Audit Section will undertake periodic follow-up (action tracking) reviews to ensure that the management agreed actions have been satisfactorily implemented and the results are reported to the Valuation Joint Board.

2.3 Internal Audit work

The 2024/25 Internal Audit Annual Plan was approved by the Board on 20/04/24. This comprised of the following audits:

- Review of the Individual Electoral Registration (IER) process, which was carried forward from the previous year. The final report was issued on 28/10/24 and concluded that the electoral registration activities examined were fully compliant with the IER requirements set out in the Electoral Registration and Administration Act 2013 and Electoral Commission guidance. The report had the opinion of “Substantial Assurance” and contained 2 medium grade recommendations.
- Maintenance of self-catering units on the valuation roll. This audit is still in progress and has been carried forward into the 2025/26 audit work.
- Review of use of CiA financials. The final report was issued on 26/02/25 and contained 1 medium grade audit recommendation. As a result, the audit opinion of “Substantial Assurance” was provided.

2.4 Action Tracking

As part of the audit process, all audit recommendations are action tracked to ensure that the associated management actions were implemented as agreed. Monthly tracking is undertaken whereby individual actions are then tracked once their due date has passed. The action tracking process also allows for revision of the agreed action target dates. Again, these are tracked once the revised target date has passed.

During the year there were five medium priority actions tracked across three audits as detailed overleaf.

(1) Information Management Arrangements

This audit had two medium grade actions. The first action had the original target date of 31/10/24 and it was agreed that a review of the way in which mandatory training is delivered and monitored would be undertaken. The second action was in respect of ensuring that there were appropriate security measures in place for a cloud-based system. This had the target date of 31/05/24.

Both actions have revised target dates, originally 01/06/25, now amended to 31/07/25.

(2) Review of IER Arrangements

One action relating to the update and regular review of the Public Engagement Strategy and Registration Plan was due to be completed by 30/04/25. This was revised to 01/07/25 as whilst this was in progress, the action had not been completed by the target date. The other medium grade action has been completed.

(3) CiA Financials

There was one medium grade action which has been completed.

2.5 Governance arrangements

The Assessor has a Local Code of Corporate Governance which follows the format set out in the CIPFA/ SOLACE Guidance Note for Scottish Authorities – Delivering Good Governance in Local Government (2016). This guidance sets out the seven core principles and their associated sub-principles designed to demonstrate good governance. This has been adapted to reflect the Board's duties which are less wide-ranging than local authorities.

The Code of Corporate Governance 2024/25 was approved by the Board on 23/09/24 and contains a number of actions in place to ensure compliance with the above principles. An update was also provided in respect of the actions relating to the 2023/24 Code. It was stated that the majority of actions have been completed and where appropriate, some actions have been carried forward to the 2024/25 Code.

2.6 Risk Management

During the year, the format of the risk register was revised. This considers the activities undertaken by the Assessor and ERO and assesses the risk likelihood and impact. A 3*3 matrix is used to score the inherent (gross) risk. Actions are then identified to address the risks, and these are scored between 1 (poor) and 3 (good). The inherent risk is divided by the control action score thereby providing the residual risk score. These are then scored as Red, Amber or Green.

Updates on the risk are provided annually with the most recent report provided to the Board on 20/11/24. The risk register contained 7 risk headings, with a number of different risks listed below each heading. A risk may contain more than one mitigating action/ control, and the residual scores ranged between 1 (green) and 3 (amber). Further actions, together with Lead Officers and dates are recorded on the register for any amber scores.

2.7 Audit Opinion

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control for the year to 31st March 2025.