

## RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 10

meeting date: 30 JUNE 2010  
 title: INTERNAL AUDIT ANNUAL REPORT 2009/2010  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2009/10.

1.2 Relevance to the Council's ambitions and priorities:

- The Council has a statutory duty to maintain an adequate and effective system of internal audit to ensure the continued efficient running of its services.

### 2 BACKGROUND

2.1 Internal audit ensures that good internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as materiality, audit experience, fraud, etc. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score. All high risk areas we aim to review annually, with medium and low risk areas covered as a minimum every two years.





2.3 The approved Internal Audit Plan for 2009/10 was based on the provision of 663 days of Internal Audit work. The detailed outturn position at 31 March 2010 is attached as Appendix A with a summary of the final position for the year being set out in the following table.

Area of work	Resources (audit days)		
	Planned	Actual	Variance
Fundamental (main) systems	220	208	-12
Other systems work	104	77	-27
Probity and Regularity	129	151	22
Ongoing checks	125	131	6
Risk Management PI's	85	93	8
	<b>663</b>	<b>660</b>	<b>-3</b>

2.4 Twenty-nine new audit reports produced during the year have been taken into account in informing the assurance opinion given later in this report. In addition, there were 5 audits in progress as at 31 March which will culminate in an audit report, and the testing which had been carried out has also been used in informing the opinion.

### 3 REPORTS CARRIED OUT AND ASSURANCE OPINION

3.1 In all cases, completed audits have resulted in the production of a report and action plan. An assurance system is used for all audits, with four levels of opinion as follows:

Level 4	Substantial		The Authority can place high levels of reliance on the arrangements/ controls in place. Best practice is demonstrated in some or all areas.
Level 3	Reasonable		The Authority can place reasonable (i.e. sufficient) reliance on the arrangements/ controls in place. Only relatively minor control weaknesses exist.
Level 2	Limited		The Authority can place only limited reliance on the arrangements/ controls in place. Significant control issues need to be resolved.
Level 1	Minimal		The Authority cannot place sufficient reliance on the arrangements/ controls in place. Substantial control weaknesses exist.

3.2 The table at Appendix B sets out the assurance opinions issued in respect of all audits carried out since 1 April 2009.

3.3 In providing an overall level of assurance of reasonable I have taken into account the results of all individual audit assignments and any follow-up reviews. The following table summarises the assurance opinions from Appendix B.

Assurance Level	Number of Audits
Substantial	9
Reasonable	19
Limited	1
Minimal	0

3.4 Assurance levels on the Council's key financial systems are consistently good with all completed audits having resulted in either 'substantial' or 'reasonable' assurance levels. With regards to uncompleted audits I am confident in issuing a 'reasonable' assurance level, having examined the testing so far completed.

3.5 As regards the only audit where a limited assurance level was given – Visitor Information Centre – this was discussed at the last meeting of this Committee and a follow-up review will be undertaken shortly.

3.6 Work carried out on risk management, contract procedures, etc. are key elements of the Council's governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.

3.7 In all the audit work undertaken during the year we did not identify any control weaknesses of such significance that they would warrant disclosure in the Council's Annual Governance Statement. Where any control weaknesses have been identified,

remedial action has been agreed and arrangements are in place to monitor the implementation of those actions and the level of assurance provided.

#### 4 QUALITY MONITORING

4.1 Customer satisfaction with internal audit work is judged through auditee's responses to a customer feedback questionnaire sent out following the completion of each assignment. The questionnaire seek views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct, reporting etc. Summary results from questionnaires returned over the last 6 months are shown at Appendix C.

4.2 The summary shows the average scores obtained from 9 returned surveys. Against a target level of 4 for all aspects of the audit, all have returned a higher average score. This would appear to demonstrate that we are managing to deliver what our customers want.

#### 5 CONCLUSION










5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2009/10 having regard to appropriate assurances obtained from other internal sources. The opinion based on this work, is that the Council's systems of internal control are generally sound and effective.

#### PRINCIPAL AUDITOR

AA11-10/MA/AC  
15 June 2010

## Internal Audit Plan 2009/10 – Final Outturn

2009/10 Planned Days	Audit	Actuals to 31/03/2010	Status as at 31/3/2010
<b><i>Fundamental (Main Systems)</i></b>			
40	General Ledger	40.3	
25	Creditors	20.3	
25	Debtors	25.9	
25	Payroll	39.7	
40	Council Tax	0.0	C Fwd
40	Housing Benefits	47.7	
25	NNDR	33.7	
<b>220</b>		<b>207.6</b>	
<b><i>Other Systems Work</i></b>			
10	Cash and Bank Reconciliation	8.9	
12	Stores	14.2	
12	Loans and Investments	16.4	
20	Data Protection	8.2	
15	Freedom of Information	0.0	C Fwd
15	Health and Safety	5.0	
20	Enterprise Risk Management	24.1	
<b>104</b>		<b>76.8</b>	
<b><i>Probity and Regularity</i></b>			
10	Flexitime System	17.7	
10	Car Allowances	18.8	
3	Car Leasing	1.8	
6	Land Charges	7.2	
10	Staff Expenses	0.0	C Fwd
5	Fees and Charges	4.6	
10	Renovation Grants	0.0	C Fwd
5	Printing and Stationery	8.5	
5	Rechargeable Works	6.9	
10	Tourist Information Centre	37.4	
5	Cemetery	6.4	
5	Longridge Gym	0.0	C Fwd
15	Ribblesdale Pool	8.8	
5	Platform Gallery	6.3	
5	Private Drain Clearances	4.6	
10	Clitheroe Market	8.4	
10	Planning App's/Building Reg's	14.0	
<b>129</b>		<b>151.4</b>	

2009/10 Planned Days	Audit	Actuals to 31/03/2010	Status as at 31/3/2010
<b>Ongoing Checks</b>			
10	HB Cheque Delivery	8.5	
15	HB Tenancy Verification	14.7	
10	Petty Cash/Floats	6.3	
50	CT/HB/ER Checks	71.1	
20	Contingencies	12.1	
20	Income Monitoring	18.1	
<b>125</b>		<b>130.8</b>	
<b>Risk Management, PI's etc.</b>			
45	Risk Management	51.3	
15	Corporate Governance	20.4	
25	Performance Indicators	21.5	
<b>85</b>		<b>93.2</b>	
<b>663</b>	<b>TOTALS</b>	<b>659.8</b>	

**Key:**



Completed



In Progress



Continuous Activity

C Fwd

Carried forward to 2010/11 Plan

## Internal Audit – Assurance Opinion Results 2009/10

Date	Audit	Assurance Level
02/04/09	Housing Benefit Cheque Delivery	✓ ✓ Substantial
12/05/09	Flexitime System	✓ Reasonable
20/05/09	Car Allowances	✓ Reasonable
01/06/09	Council Tax System (c/f from 08/09)	✓ Reasonable
01/06/09	Fees and Charges	✓ Reasonable
23/06/09	Printing and Stationery	✓ Reasonable
03/07/09	Rechargeable Works	✓ Reasonable
17/07/09	NNDR System (c/f from 08/09)	✓ Reasonable
22/07/09	Car Insurances	✓ Reasonable
24/08/09	Car Leasing	✓ Reasonable
03/09/09	Clitheroe Market	✓ Reasonable
03/09/09	Loans and Investments	✓ ✓ Substantial
07/09/09	Employees – CT/HB Check	✓ ✓ Substantial
07/09/09	Housing Benefit Tenancy Verification	✓ Reasonable
10/09/09	Ribblesdale Pool	✓ Reasonable
11/09/09	Private Drain Clearances	✓ ✓ Substantial
14/09/09	Land Charges	✓ ✓ Substantial
18/09/09	Petty Cash/Floats	✓ Reasonable
08/10/09	Housing Benefit Cheque Delivery	✓ ✓ Substantial
23/10/09	Cemetery	✓ ✓ Substantial
10/11/09	Stores	✓ ✓ Substantial
27/11/09	Data Matching HB and Electoral Register	✓ ✓ Substantial
13/01/10	Payroll Deductions	✓ Reasonable
01/02/10	Visitor Information Centre	⚠ Limited
04/02/10	Planning Application/Building Reg. Fees	✓ Reasonable
03/03/10	Platform Gallery	✓ Reasonable
18/03/10	Sundry Debtors System	✓ Reasonable
22/03/10	Payroll System	✓ Reasonable
31/03/10	Creditors System	✓ Reasonable

## Appendix C

Question	Audit Carried Out								
	HB to Electoral Register	Deductions from payroll	Visitor Information Centre	Stores	Building Control	Platform Gallery	Debtors System	Payroll System	Creditors System
1. Sufficient notice given to arrange the visit	N/A	5	5	5	5	5	5	5	5
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	5	5	4	5	4	5	5	5	5
3. Auditors understanding of your systems and current issues	4	3	4	4	3	4	4	5	4
4. Audit carried out efficiently with minimum disruption	5	5	5	4	5	4	5	5	5
5. Level of consultation during audit	4	5	5	4	5	4	5	5	5
6. Audit carried out professionally and objectively	4	4	5	4	5	4	5	5	5
7. Draft report addressed the key issues and was soundly based	5	4	4	4	4	5	5	5	5
8. Opportunity to comment on findings	5	5	5	4	5	5	5	5	5
9. Final report in terms of clarity and conciseness	4	4	4	4	4	5	5	5	4
10. Prompt issue of final report	4	5	5	4	5	5	4	4	4
11. Recommendations will improve control and/or performance	3	4	4	3	4	5	5	5	5
12. Audit was constructive and added value overall	3	4	4	4	4	5	5	5	4
<b>Average</b>	<b>4.2</b>	<b>4.4</b>	<b>4.5</b>	<b>4.1</b>	<b>4.4</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>	<b>4.7</b>