

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 8

meeting date: 26 JUNE 2013
title: INTERNAL AUDIT ANNUAL REPORT 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit report for 2012/13.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities - the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal.

2 BACKGROUND

2.1 Internal audit ensure that sound 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 financial value and audit experience. 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, with all high risk areas being covered annually.

2.3 The approved Internal Audit Plan for 2012/13 was based on the provision of 666 days of Internal audit work. The detailed outturn position at 31 March 2013 is attached at Annex 1 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	250	165	-85
Other systems work	55	20	-35
Probity and Regularity	228	62	-166
On-going checks	28	24	-4
Risk Management PI's	55	52	-3
Non-audit duties (insurance)	30	28	-2
Contingencies/Unplanned work	20	100	+80
Training	0	105	+105
Vacant post	0	110	+110
	666	666	-

2.4 As can be seen from the table above, the results of the 2012/13 financial year have been greatly impacted by staff vacancies within the section and training being undertaken within the accountancy team. Furthermore, there was substantial work carried out on the unplanned depot investigation.

2.5 All 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 a number of 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 ISSUES

3.1 In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

Level 1	Full		The Council can place full reliance on the levels of control in operation
Level 2	Substantial		The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable		Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited		Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal		System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

3.2 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2012.

3.3 In providing an overall level of assurance of 'substantial' 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 Annex 2.

Assurance Level	Number of Audits
Full	3
Substantial	6
Reasonable	0
Limited	0
Minimal	1

3.4 Assurance levels on the Council's key financial systems are consistently good with all completed audits having resulted in 'substantial' assurance levels. With regards to the systems audits in progress at 31 March I am confident in issuing a 'substantial' assurance level, based on the testing already carried out.

3.5 Work carried out on risk management, council policies, 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.

3.6 In the majority of audit work undertaken during the year we did not identify any significant control weaknesses. However, the unplanned audit investigation carried out at the depot did raise serious concerns regarding adherence to council policies, procedures and Financial Regulations. Whilst the issues arising did not impact on the Council's Annual Governance Statement, they have been highlighted in the Corporate Governance Review to Management Team, which has recently been carried out.

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 the majority of audit assignments. The questionnaire seeks views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct and reporting. Summary results from questionnaires returned over the last 12 months are shown at Annex 3.
- 4.2 The summary shows the average scores obtained from 4 returned surveys. Against a target level of 4 for all aspects of the audit, all of the questionnaires returned a higher average score.

5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2012/13 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

DIRECTOR OF RESOURCES

AA7-13/MA/AC
13 June 2013

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow, extension 4540.

Internal Audit Progress against 2012/13 – Final Outturn

2012/13 Planned Days	Audit	Actual days to 31/03/13	Status as at 31/03/13
<i>Fundamental (Main) Systems</i>			
30	Main Accounting	22	
20	Creditors	26	✓
20	Sundry Debtors	0	C/Fwd
40	Payroll and Human Resources	25	
45	Council Tax	32	
45	Housing Benefits	27	
30	NNDR	23	✓
20	Cash Reciepting	10	
250		165	
<i>Other Systems Work</i>			
20	VAT	5	
5	Stores	1	C/Fwd
10	Treasury Management	8	∞
20	Procurement	6	C/Fwd
55		20	
<i>Probity and Regularity</i>			
15	Asset Management/Register	5	C/Fwd
10	HR and Recruitment	2	∞
15	Insurance	15	
10	Licences	2	C/Fwd
15	Business Continuity Management	0	C/Fwd
5	Car Parking	1	∞
10	VIC/Platform Gallery	3	∞
10	Trade Refuse	2	C/Fwd
10	Recycling	3	C/Fwd
20	Partnership Arrangements	2	C/Fwd
10	Grants received	2	C/Fwd
10	Grants paid	2	C/Fwd
15	Sustainability	2	C/Fwd
10	Section 106 Agreements	0	C/Fwd
5	Members' Allowances	8	✓
10	Ribblesdale Pool	2	C/Fwd
5	Clitheroe Market	2	∞
10	Data Protection	2	C/Fwd
5	Land Charges	3	✓
8	Cemetery	0	C/Fwd
10	Building Regulations	2	∞
10	Planning Applications	2	∞

2012/13 Planned Days	Audit	Actual days to 31/03/13	Status as at 31/03/13
228		62	
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collection Procedures	6	
8	Fees and Charges	8	∞
10	Income Monitoring	10	∞
28		24	
20	Contingencies	100	∞
20		100	
30	Risk Management	34	∞
20	Corporate Governance	14	∞
5	Performance Indicators	4	∞
55		52	
30	Insurance	28	∞
30		28	
0	Training	105	
0		105	
	Vacant Post	110	
658		666	

Key:



Completed



In progress



Continuous Activity

C/Fwd

Carried Forward to 2013/14 Plan

Internal Audit – Assurance Opinion Results 2012/13

Audit	Assurance Level
Sundry Debtors System	Substantial ✓ ✓
Land Charges	Substantial ✓ ✓
Payroll and Human Resources System – Follow Up	Substantial ✓ ✓
Corporate Governance Review	Substantial ✓ ✓
NNDR System and Procedures	Substantial ✓ ✓
Depot Investigation	Minimal ⚠ ⚠
Car Insurances/Driving Licences	Full ✓ ✓ ✓
Housing Benefit Tenancy Verification	Full ✓ ✓ ✓
Creditors System and Procedures	Substantial ✓ ✓
Members' Allowances	Full ✓ ✓ ✓

Annex 3

Question	Audit Carried Out			
	Sundry Debtors Systems	Land Charges	NNDR System and Procedures	Housing Benefit Tenancy Verification
1. Sufficient notice given to arrange the visit	5	4	5	4
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	5	4	5	4
3. Auditors understanding of your systems and current issues	4	4	5	4
4. Audit carried out efficiently with minimum disruption	4	5	5	3
5. Level of consultation during audit	5	5	4	3
6. Audit carried out professionally and objectively	5	5	5	5
7. Draft report addressed the key issues and was soundly based	5	4	4	5
8. Opportunity to comment on findings	5	4	5	5
9. Final report in terms of clarity and conciseness	4	5	5	4
10. Prompt issue of final report	4	5	5	5
11. Recommendations will improve control and/or performance	4	3	4	4
12. Audit was constructive and added value overall	4	4	4	4
Average	4.5	4.3	4.7	4.2