

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 11

meeting date: 2 APRIL 2014
title: INTERNAL AUDIT PROGRESS REPORT 2013/14
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2013/14.

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 audit.

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 resources allocation based on the risk score, with all high-risk areas being covered annually.

2.3 The full internal audit plan for 2013/14 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2013/14 Planned Days
Fundamental (Main) Systems	265
Other Systems	55
Probity and Regularity	150
On-going checks	27
Risk Management, Performance Indicators	65
Non-Audit Duties (Insurance)	30
College	38
Contingencies/unplanned work	25
Vacant Post	15
	670

2.4 The position with regards to audit work carried out as at the end of February 2014 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

3 ISSUES

- 3.1 During the year we aim to review all of the Council's main fundamental systems. The majority of this work is carried out later in the year, in order that there are sufficient current year transactions to test to provide the necessary level of assurance. Testing in relation to systems audit work is currently on-going for main accounting, creditors, sundry debtors, payroll and housing benefits systems.
- 3.2 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.
- 3.3 Insurance services fall under the remit of the internal audit team. In May/June a tendering exercise was carried out for the procurement of our insurance cover. A considerable amount of work was involved in providing the information required by prospective tenderers, and the opportunity was also taken to review our existing levels of cover. Following the exercise, Zurich Municipal were appointed as our insurers on a five year long term agreement. This procurement exercise inevitably impacts on the audit plan.
- 3.4 At present we use an assurance system for all audits carried out. Each completed 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

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

- 4.1 This report covers audit work and reports issued since the last report to Committee on 28 November 2013. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
20.12.13	Substantial 	Pay and Display Car Parking – Administration and Income. Looked at cash collection and banking procedures, issuing of long stay and staff permits, and the issuing and payment of penalty notices. Discrepancies were found with regards to the payments made to ourselves by Chipside, who administer the penalty notice payment system. Payments received from Chipside were not being verified and the Engineering Services Manager was asked to go back through all payments received to identify any under/over payments.

Date of Report	Assurance Opinion	Report Details
08.01.14	Substantial 	Grants Paid and Received – looked at a sample across the whole authority of received and paid grants to ensure transparency. A number of minor recommendations, but in general controls in place were effective.
16.01.14	Full 	Council Tax System – controls were sound and working effectively. No recommendations arising.
11.02.14	Full 	Clitheroe Market – checking to ensure all income collected is paid in promptly and that all payments via the sundry debtor system are up to date. No recommendations arising.
05.03.14	Minimal 	Platform Gallery and Visitor Information Centre – all areas looked at including stock control, stocktaking, banking of monies and payments to artists. Overall lack of stock control with inaccurate and unreliable records. Stocktakes not being carried out. Recommendations agreed following the previous audit in 2011 no longer being adhered to. Action Plan produced with recommendations agreed to improve efficiency of operation. A follow-up audit will be carried out early in the new audit year to ensure improvements have been made.
17.03.14	Substantial 	NNDR System – controls were sound and working effectively. Minor recommendation with regard to the frequency of inspection of unoccupied properties.

5 QUALITY MONITORING

5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees view on the work that has been undertaken. Summary results are shown at Annex 2 for the latest returned questionnaires, and it is pleasing to notice that the majority show an average score above our target level of 4.

6 RECOMMENDATION

6.1 Progress with the 2013/14 audit plan is slightly behind schedule due to the insurance tendering exercise and significant additional days spent on the Car Parking and Gallery/VIC audits.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA2-14/MA/AC
18 March 2014

For further information please ask for Mick Ainscow.

2013/14 Planned Days	Audit	Actual days to 28/02/14	Status as at 28/02/14
<i>Fundamental (Main) Systems</i>			
45	Main Accounting	16	
25	Creditors	8	
25	Sundry Debtors	8	
30	Payroll and HR	29	
45	Council Tax	47	✓
45	Housing Benefits	23	
30	NNDR	33	✓
20	Cash Receipting	8	Hazards Identified
265		172	
<i>Other Systems Work</i>			
20	VAT	8	Hazards Identified
5	Stores	9	✓
10	Treasury Management	11	✓
20	Procurement	8	Hazards Identified
55		36	
<i>Probity and Regularity</i>			
10	Asset Mgmt/Register	3	Hazards Identified
10	HR and Recruitment	3	Hazards Identified
10	Insurance	12	
10	Licences	16	✓
10	Business Continuity Mgmt	3	Hazards Identified
5	Car Parking	28	✓
10	VIC/Platform Gallery	54	✓
10	Trade Refuse	4	Hazards Identified
10	Recycling	4	Hazards Identified
10	Partnership Arrangements	2	Hazards Identified
10	Grants received	14	✓
10	Grants paid	14	✓
10	Sustainability	4	Hazards Identified
10	Section 106 Agreements	3	Hazards Identified
5	Ribblesdale Pool	7	✓
5	Building Regulations	0	Not started
5	Planning Applications	0	Not started
150		171	

2013/14 Planned Days	Audit	Actual days to 28/02/14	Status as at 28/02/14
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collections Procedures	6	
5	Fees and Charges	9	
12	Income Monitoring	11	
27		26	
25	Contingencies/unplanned work	25	
25		25	
40	Risk Management	37	
20	Corporate Governance	23	
5	Performance Indicators	8	
65		68	
30	Insurance	54	
30		54	
38	Training	40	
38		40	
15	Vacant post	15	
15		15	
	Available audit days to 31/3/2014	63	
670		670	

Key:



In Progress



Continuous Activity



Completed

Question	Audit Carried Out				
	Members Allowances	Ribblesdale Pool	Licensing	Treasury Management	Platform Gallery & Visitor Information Centre
1. Sufficient notice given to arrange the visit	4	5	3	4	5
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	4	5	4	4	5
3. Auditors understanding of your systems and current issues	3	4	4	4	4
4. Audit carried out efficiently with minimum disruption	4	5	5	5	5
5. Level of consultation during audit	3	4	5	5	3
6. Audit carried out professionally and objectively	4	4	4	5	5
7. Draft report (where applicable) addressed the key issues and was soundly based	4	4	4	4	4
8. Opportunity to comment on findings	4	5	5	5	5
9. Final report in terms of clarity and conciseness	4	5	5	5	4
10. Prompt issue of final report	3	5	4	4	5
11. Recommendations will improve control and/or performance	3	4	3	3	5
12. Audit was constructive and added value overall	3	4	4	3	4
Average	3.6	4.5	4.3	4.2	4.5