

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 25 JUNE 2014  
 title: INTERNAL AUDIT ANNUAL REPORT 2013/14  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To submit to Committee the internal audit report 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.

### 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 2013/14 was based on the provision of 670 days of Internal audit work. The detailed outturn position at 31 March 2014 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	265	200	-65
Other systems work	55	36	-19
Probity and Regularity	150	185	+35
On-going checks	27	27	0
Risk Management PI's	65	80	+15
Non-audit duties (insurance)	30	58	+28
Contingencies/Unplanned work	25	25	0
Training	38	44	+6
Vacant post	15	15	0
	670	670	-

2.4 In respect of the variances in the table above, a great deal of additional time had to be spent carrying out the audit at the Platform Gallery and Visitor Information Centre. New stock control and stocktaking procedures are now in place and an Action Plan has been agreed with management aimed at improving the overall operation. A considerable amount of additional time was also spent in May/June 2013 in carrying out a tendering exercise for the procurement of our insurance cover. These areas of additional work have inevitably impacted on other areas, mainly in respect of work on the Council's main systems. Work is currently in progress however on a number of these systems.

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 2013.

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	6
Substantial	9
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 either 'full' or '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, the vast majority of 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 2013/14 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

AA10-14/MA/AC  
9 June 2014

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

## Internal Audit Progress against 2013/14 – Final Outturn

2013/14 Planned Days	Audit	Actual days to 31/03/14	Status as at 31/03/14
<i>Fundamental (Main) Systems</i>			
45	Main Accounting	20	
25	Creditors	15	
25	Sundry Debtors	20	
30	Payroll and Human Resources	29	
45	Council Tax	50	
45	Housing Benefits	25	
30	NNDR	33	
20	Cash Receipting	8	Hazards identified
<b>265</b>		<b>200</b>	
<i>Other Systems Work</i>			
20	VAT	8	Hazards identified
5	Stores	9	
10	Treasury Management	11	
20	Procurement	8	Hazards identified
<b>55</b>		<b>36</b>	
<i>Probity and Regularity</i>			
10	Asset Management/Register	3	Hazards identified
10	HR and Recruitment	5	Hazards identified
10	Insurance	16	
10	Licences	16	
10	Business Continuity Management	3	Hazards identified
5	Car Parking	28	
10	VIC/Platform Gallery	62	
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

2013/14 Planned Days	Audit	Actual days to 31/03/14	Status as at 31/03/14
5	Ribblesdale Pool	7	✓
5	Building Regulations	0	Not started
5	Planning Applications	0	Not started
<b>150</b>		<b>185</b>	
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collection Procedures	6	
5	Fees and Charges	9	✓
12	Income Monitoring	12	∞
		<b>27</b>	
25	Contingencies	25	∞
40	Risk Management	47	∞
20	Corporate Governance	25	∞
5	Performance Indicators	8	∞
		<b>80</b>	
30	Insurance	58	∞
38	Training	44	
15	Vacant post	15	
<b>670</b>		<b>670</b>	

**Key:**



**Completed**



**In progress**



**Continuous Activity**

**Hazards identified**

**Initial work undertaken to identify key controls and the hazards which may affect the system operation.**

**Not started**

**No work has been undertaken during the year on these audits.**

## Internal Audit – Assurance Opinion Results 2013/4

Audit	Assurance Level
Housing Benefit Tenancy Verification	Full ✓✓✓
Council Tax SPD checks	Full ✓✓✓
Licensing	Substantial ✓✓
Fees and Charges	Full ✓✓✓
Ribblesdale Pool	Substantial ✓✓
Car Insurances/Driving Licences	Substantial ✓✓
Treasury Management	Full ✓✓✓
Petty Cash	Substantial ✓✓
Car Parking	Substantial ✓✓
Grants Paid/Received	Substantial ✓✓
Council Tax System	Full ✓✓✓
Clitheroe Market	Full ✓✓✓
Platform Gallery and Visitor Information Centre	Minimal ⚠️⚠️
NNDR System	Substantial ✓✓
Salthill Depot Stores	Substantial ✓✓
Members' Allowances	Substantial ✓✓

## Annex 3

Question	Audit Carried Out								
	Members Allowances	Ribblesdale Pool	Licensing	Treasury Management	Platform Gallery and Visitor Info Centre	Clitheroe Market	Pay and Display Car Parking	NNDR System	Council Tax System
1. Sufficient notice given to arrange the visit	4	5	3	4	5	5	4	5	5
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	4	5	4	4	5	5	5	5	5
4. Audit carried out efficiently with minimum disruption	3	4	4	4	4	5	4	5	5
5. Level of consultation during audit	3	4	5	5	3	5	5	5	5
6. Audit carried out professionally and objectively	4	4	4	5	5	5	5	5	5
7. Draft report addressed the key issues and was soundly based	4	4	4	4	4	5	4	5	5
8. Opportunity to comment on findings	4	5	5	5	5	5	4	5	5
9. Final report in terms of clarity and conciseness	4	5	5	5	4	5	5	5	5
10. Prompt issue of final report	3	5	4	4	5	5	5	5	5
11. Recommendations will improve control and/or performance	3	4	3	3	5	5	4	3	5
12. Audit was constructive and added value overall	3	4	5	3	4	5	4	5	5
<b>Average</b>	<b>3.6</b>	<b>4.5</b>	<b>4.3</b>	<b>4.2</b>	<b>4.5</b>	<b>5</b>	<b>4.4</b>	<b>4.8</b>	<b>5</b>