

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 12

meeting date: 26 JULY 2017
title: INTERNAL AUDIT ANNUAL REPORT 2016/17
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2016/17.

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 2016/17 was based on the provision of 670 days of internal audit work. The detailed outturn position at 31 March 2017 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	245	249	+4
Other systems work	68	74	+6
Probity and Regularity	225	200	-25
On-going checks	12	12	-
Risk Management PI's	40	41	+1
Non-audit duties (insurance)	25	31	+6
Contingencies/Unplanned work	25	26	+1
Training	30	37	+7
	670	670	-

2.4 With regard to the variances between planned and actual days on probity and regularity work, initial testing and controls evaluation was carried out in respect of Environmental Health, Transparency/Open Data, Museum/Café and Section 106 Agreements/Planning Enforcement. However, due to prioritizing systems work and also another year of substantial numbers of insurance claims, the completion of these audits has been carried forward into 2017/18.

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.

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 2016.

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	20
Substantial	4
Reasonable	3
Limited	0
Minimal	0

3.4 Assurance levels on the Council’s key financial systems are consistently good. Reviews on all systems has been completed and all audit reports issued with full assurance levels.

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.

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 twelve months are shown at Annex 3.

- 4.2 The summary shows the average scores obtained from 15 returned surveys. Against a target level of 4 for all aspects of the audit, the majority of questionnaires returned a higher than average score.

5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2016/17 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

AA16-17/MA/AC
11 July 2017

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

Annex 1

2016/17 Planned Days	Audit	Actual days to 31/03/17	Status as at 31/03/2017
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	25	✓
25	Creditors	25	✓
25	Sundry Debtors	26	✓
30	Payroll and HR	30	✓
40	Council Tax	42	✓
45	Housing Benefits/CT Support	45	✓
40	NNDR/Business Rates Pooling	40	✓
15	Cash Receipting	16	✓
245		249	
<i>Other Systems Work</i>			
20	VAT	22	✓
12	Treasury Management	14	✓
20	Procurement	22	✓
6	Stores	5	✓
10	Asset Management	11	✓
68		74	
<i>Probity and Regularity</i>			
5	Cemetery	5	✓
5	Members Allowances	6	✓
15	HR and Recruitment/Staff Expenses	16	✓
15	Insurance	15	Testing completed
5	Land Charges	5	✓
10	Fees and Charges/Cash Collection Procedures	10	✓
15	Business Continuity Mgmt	9	C/f to 2017/18
10	Car Parking	10	✓
5	VIC/Platform Gallery	7	✓
10	Trade and Domestic Refuse Collection	10	✓
15	Externally contracted Provision of RVBC Services	15	✓
10	Environmental Health	6	C/f to 2017/18
10	Transparency/Open Data	2	C/f to 2017/18
5	Healthy Lifestyles	6	✓
5	Ribblesdale Pool	6	✓
10	Museum/Café	3	C/f to 2017/18
10	Partnership Arrangements	10	✓
10	Grants received	12	✓
10	Grants paid	12	✓

2016/17 Planned Days	Audit	Actual days to 31/03/17	Status as at 31/03/2017
10	Data Protection	12	✓
15	Section 106 Agreements/Planning Enforcement	3	C/f to 2017/18
10	Building Control	10	✓
10	Planning Applications	10	✓
225		200	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	12	∞
25	Contingencies/unplanned work	26	Driving Licence/Car Insurance Check, Election Duties and Jury Service
15	Risk Management	15	∞
20	Corporate Governance	20	∞
5	Performance Indicators	6	∞
40		41	
25	Insurance	31	∞
30	Training	37	∞
670		670	

Key:



Completed



In progress



Continuous Activity

Not started

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

Internal Audit- Assurance Opinion Results 2016/17

AUDIT	ASSURANCE LEVEL
Section 106's	Full ✓✓✓
Insurances/Driving Licences	Substantial ✓✓
Healthy Lifestyles	Reasonable ✓
Procurement	Full ✓✓✓
Fees and Charges	Full ✓✓✓
Car parking	Reasonable ✓
Grants	Full ✓✓✓
Members Allowances	Full ✓✓✓
Cemetery	Full ✓✓✓
Countryside Grants	Reasonable ✓
Gallery/VIC	Full ✓✓✓
Asset Management	Substantial ✓✓
Land Charges	Full ✓✓✓
Ribblesdale Pool	Full ✓✓✓
Housing Benefits System	Full ✓✓✓
Cash Receipting, Banking and Collection	Full ✓✓✓
Trade and Domestic Refuse Collection	Full ✓✓✓
Payroll System	Full ✓✓✓
Treasury Management	Full ✓✓✓
Partnerships	Substantial ✓✓
Creditors System	Full ✓✓✓
Sundry Debtors System	Full ✓✓✓
Salthill Depot Stores	Substantial ✓✓
Council Tax System	Full ✓✓✓
NNDR System	Full ✓✓✓
Building Control	Full ✓✓✓
Main Accounting System	Full ✓✓✓

Annex 3

Question	Audit Carried Out														
	Platform Gallery	Clitheroe Cemetery	Members Allowances	Countryside Grants	Treasury Management	Land Charges	Ribblesdale Pool	Payroll System	Healthy Lifestyles	Procurement System	Salthill Depot Stores	Creditors System	Sundry Debtors System	Housing Benefits System	Council Tax System
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	3	3	5	5	5	5	5	5	5	5	4	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	5	5	4	3	5	5	5	4	5	5	5	5	5	5	5
The auditors understanding of your systems and any operational issues	3	5	3	2	4	3	4	5	5	3	4	5	2	5	5
The audit carried out efficiently with minimum disruption	5	5	4	2	4	4	3	5	5	5	4	4	4	5	5
The level of consultation during the audit	4	4	3	3	3	4	3	4	5	2	4	5	5	5	5
The audit was carried out professionally and objectively	5	5	3	2	4	4	4	5	5	4	4	5	5	5	5
The draft report addressed the key issues and was soundly based	4	5	4	2	5	5	5	5	5	5	4	5	5	5	5
Your opportunity to comment on findings	5	5	4	3	5	5	5	5	5	5	4	5	5	5	5
The final report in terms of clarity and conciseness	4	5	4	2	5	5	5	5	5	5	4	5	5	5	5

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	Platform Gallery	Clitheroe Cemetery	Members Allowances	Countryside Grants	Treasury Management	Land Charges	Ribblesdale Pool	Payroll System	Healthy Lifestyles	Procurement System	Salthill Depot Stores	Creditors System	Sundry Debtors System	Housing Benefits System	Council Tax System
The prompt issue of final report	5	5	4	3	5	4	4	5	5	3	4	5	5	5	5
The recommendations will improve control and/or performance	4	5	3	3	4	4	3	5	5	3	4	3	3	5	5
Audit was constructive and added value overall	4	3	3	3	4	4	3	5	5	3	4	4	4	5	5
Average	4.4	4.7	3.5	2.6	4.4	4.3	4.1	4.8	5	4	4.2	4.7	4.3	5	5