

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

Agenda Item No 7

meeting date: 13 FEBRUARY 2019
title: INTERNAL AUDIT ANNUAL PLAN 2019/20
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to committee the internal audit plan for 2019/20.

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 All local authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2015. The Public Sector Internal Audit Standards require the proper planning of all audit activity.

3 RISK SCORING

3.1 Internal Audit ensures that good internal controls are inherent in all the Council's systems. All services have been identified into auditable areas and then subjected to a risk assessment process. This risk assessment scores each area against 4 key factors, based on the table shown below:

Risk Factor	Description	Scoring Methodology
Financial Impact	Based on the monetary value of the transactions involved	Highest score given to those areas with substantially monetary value transactions
Primary Objectives	Based on service links to the primary objectives in the Corporate Strategy	Highest score given to those areas that are key to the council achieving its primary objectives
Audit Experience and Assurance	Based on recommendations and assurance levels at past audits	Highest scores given to those areas which have a poor audit experience or low levels of assurance. (New areas automatically score high)
Time since last audit	Based on the time that has elapsed since an audit was last undertaken on the service area	Highest scores given to those areas which have not been audited in the past three years

3.2 Scores are given across these four factors for each auditable area to arrive at a total risk score, from which it is determined whether the area in question is high, medium or low risk. A total score of 4 to 6 is regarded as low risk, of 7 to 9 as medium, and 10 and over as high.

3.3 Using this risk based approach to scoring the Council's service areas, as shown at Annex 1, an operational audit plan is then produced which prioritises resource allocation based on those areas scored as higher risk. All high risk areas are covered annually with the medium risk areas covered at least twice over a three year period. The number of days allocated to each area is based on past experience and level of testing required. Low risk areas are aimed to be covered over the longer term where resources allow.

4 CONSULTING ON THE ANNUAL AUDIT PLAN

- 4.1 Directors and Heads of Service were also consulted, asking for any comments on proposals. They are also asked for information on any new and emerging risks that the audit team should be aware of, and for any information on service changes.
- 4.2 Importantly, there has also been consultation with our external auditors on our proposed audit plan. In undertaking their work, there are areas where the external auditors place reliance on the work of the internal audit section. Consulting with external audit also helps avoid areas of duplication in both external and internal audit work over the course of the forthcoming financial year, enabling better and more efficient planning.

5 INTERNAL AUDIT ANNUAL AUDIT PLAN 2019/20

- 5.1 Using the risk scoring exercise above, we are able to construct a better informed risk based audit plan for the coming year. The proposed audit plan for 2019/20 is attached at Annex 2.
- 5.2 Within the 2019/20 year all high risk category audit areas have been included in the audit plan. As there would be available resources after inclusion of the high risk areas, the majority of medium risk areas have also been included. Should resources allow as the year progresses, it may be possible to include the remaining medium risk areas and some of the low risk.
- 5.3 The Annual Audit Plan 2019/20 has been produced on the assumption that we are successful in recruiting to the post of Senior Auditor when interviews take place on 22 February. If we are not successful we will seek alternative arrangements to satisfy the audit plan.
- 5.4 With regard to risk management, internal audit will continue to have a monitoring role during 2019/20. Risk owners are asked to review all their risks periodically in accordance with agreed timescales, and we will monitor all risks to ensure this is being done with any red risks being reported to this Committee.
- 5.5 We will continue to allow a number of days in the audit plan for contingencies. This is to account for any work carried out that is unplanned e.g. possible fraud investigations, complaints from members of the public or pieces of work carried out following specific requests from Directors or Heads of Service.
- 5.6 Further work will also be programmed for computer audit reviews, however, this will fall outside the audit plan as we do not have the necessary expertise in house for this area of audit work. The Council have an earmarked reserve for use in the procurement of such external provision. A procurement framework has recently been established by Lancashire County Council in this area, and we will look to call off some of these services in 2019/20.

6 RECOMMENDED THAT COMMITTEE

- 6.1 Approve the 2019/20 internal audit plan.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA2-19/MA/AC
31 January 2019

Scoring for all Service Areas for Risk 2019/20

ANNEX 1

	Audit Area	RISK FACTOR				Total
		Financial Impact	Primary Objectives	Audit Experience and Assurance	Time Since Last Audit	
Fundamental Systems	Main Accounting	3	3	1	1	8
	Creditors	3	3	1	1	8
	Sundry Debtors	3	3	1	1	8
	Payroll	3	3	1	1	8
	Council Tax	3	3	1	1	8
	Housing Benefits/CT Support	3	3	1	1	8
	NNDR/Business Rates Pooling	3	3	1	1	8
	Cash Receipting	3	3	1	1	8
Non-fundamental Systems	VAT	3	3	1	1	8
	Stores	2	2	1	1	6
	Procurement	3	3	1	2	9
	Treasury Management	3	3	1	2	9
	Business Continuity	2	3	3*	3*	11
	Asset Management	3	3	1	1	8
Resources	Car Allowances/Staff Expenses	2	1	1	3	7
	Car Loans/Leasing	1	1	1	3	6
	Petty Cash/Floats	1	1	1	3	6
	Members' Allowances	2	3	1	1	7
	HR Recruitment/Safeguarding Arrangements	2	3	1	2	8
	Insurance	3	2	1	1	7
	Data Protection/GDPR	1	2	2	3	8
Chief Executive's	Land Charges	3	2	1	1	7
	Clitheroe Market	2	2	1	1	6
	Cemetery	2	2	1	1	6
	Licences	2	2	1	1	6
	Building Control	3	2	1	1	7
	Land and Property Leases	2	2	3*	3*	10
	Environmental Health	3	3	1	2	9
Community	Car Parking	3	2	2	1	8
	VIC/Platform Gallery	2	3	2	2	9
	Trade & Domestic Refuse Collection	2	3	1	1	7
	Museum/Café	2	2	1	2	7
	Healthy Lifestyles/Up and Active	3	3	1	1	8
	Ribblesdale Pool	2	3	1	1	7
	Parks and Outdoor Recreation	1	2	3*	3*	9
Economic Development and Planning	Homelessness	2	3	1	1	7
	Planning Applications	3	2	1	1	7
	Section 106 Agreements/Planning Enforcement	3	2	1	2	8
Other Areas	Grants Received	3	3	1	1	8
	Grants Paid	3	3	2	1	9
	Working Time and Leave	1	1	2	3	7
	Transparency/Open Data	1	1	1	1	4
	Fees and Charges/Cash Collection Procedures	3	2	1	1	7
	Externally Contracted Provision of RVBC Services	2	2	2	2	8
	ICT General Controls	3	3	3*	3*	12

Health and Safety	3	2	2	1	8
Partnership Arrangements	3	3	1	2	9

* Scored high as not previously included as a separate audit area

PROPOSED INTERNAL AUDIT ANNUAL PLAN 2019/20

Operational Audit Plan 2018/19			Days
	Number of days available		780
	Less:		
	Bank Hols/Statutory	36	
	Annual Leave	71	
	Non-Audit Duties (Insurance, etc.)	35	
	College	30	(172)
	Actual auditing days available		608
Risk Score	Area Of Activity		
	<i>Fundamental Systems</i>		
8	Main Accounting	25	
8	Creditors	20	
8	Sundry Debtors	20	
8	Payroll	30	
8	Council Tax	40	
8	Housing Benefits/Council Tax Support	40	
8	NNDR/Business Rates Pooling	40	
8	Cash Receipting	15	230
	<i>Non Fundamental Systems</i>		
8	VAT	15	
9	Treasury Management	12	
9	Procurement	15	
11	Business Continuity	20	
8	Asset Management	2	74

Risk Score	Area of Activity		
	<i>Probity/Regularity</i>		
8	Recruitment/Safeguarding Arrangements	15	
7	Insurance	15	
7	Land Charges	5	
7	Fees and Charges/Cash Collection Procedures	10	
8	Health and Safety	12	
8	Car Parking	10	
9	VIC/Platform Gallery	5	
7	Trade and Domestic/Refuse Collection	12	
7	Ribblesdale Pool	5	
9	Partnership Arrangements	12	
8	Grants received	12	
9	Grants paid	12	
7	Museum and Museum Café	3	
7	Licences	5	
9	Environmental Health	10	
8	Section 106 Agreements/Planning Enforcement	15	
7	Building Control	10	
7	Planning Applications	10	
8	Data Protection/GDPR	12	
8	Healthy Lifestyles/Up and Active	5	
10	Land and Property Leases	5	
9	Parks and Outdoor Recreation	5	
8	Externally Contracted Provision of RVBC services	15	
12	ICT Audit	12	227
	<i>Continuous Activity/Ongoing Checks</i>		
	Income Monitoring	12	12

	Contingencies	25	25
	Risk Management	15	
	Corporate Governance	20	
	Performance Indicators	5	40
	Total Planned Audit Work		608