

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 11

meeting date: 25 NOVEMBER 2020
 title: INTERNAL AUDIT ANNUAL REPORT 2019/20
 submitted by: DIRECTOR OF RESOURCES
 principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To submit to Committee the internal audit annual report for 2019/20. This report includes the Audit opinion for the 2019/20 financial year.
- 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 control.

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 2019/20 was based on the provision of 673 days of internal audit work. The detailed outturn position at 31 March 2020 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	230	206	-24
Other systems work	74	42	-32
Probity and Regularity	232	137	-95
Continuous Activity/On-going checks	107	77	-30
Staff Training and Development	30	28	-2
Staffing Levels (ie vacancies)	0	183	183
	673	673	0

- 2.4 With regard to the large variances between planned and actual days this is due to the level of staff vacancies experienced within the team throughout the financial year. This has impacted on each of the three posts within the team and has had an inevitable impact on the work able to be completed.
- 2.5 Priority has been given to undertaking the Fundamental Systems work and adequate audit coverage has been provided to enable the audit opinion to be reached.

- 2.6 All audit work undertaken in the year has been considered in informing the assurance opinion given later in this report. The purpose of the annual internal audit opinion is to contribute to the assurances available to those charged with governance, which supports the council's own assessment of the effectiveness of the council's system of internal control, in line with the requirements of the Accounts and Audit Regulations 2015.
- 2.7 This annual internal audit opinion will assist committee in its consideration of the Annual Governance Statement, which is included elsewhere on the agenda. The Annual Governance Statement pulls together various strands to conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

3 ANNUAL INTERNAL AUDIT OPINION

- 3.1 The role of Head of Financial Services is responsible for producing the annual internal audit opinion. Ordinarily this would be reported by the role of Principal Auditor; however, the role of Principal Auditor is currently vacant following recruitment difficulties.
- 3.2 In giving this opinion, assurance can never be absolute. The audit work that has been completed in the 2019/20 financial year is summarised below, together with the assurance levels gained. 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:

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

- 3.3 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2019. The table below gives a summary of the assurance levels overall.

Assurance Level	Number of Audits
Full	21
Substantial	5
Reasonable	0
Limited	0
Minimal	0

- 3.4 In my role as Head of Financial Services I am satisfied that sufficient assurance work has been carried out to allow the provision of a 'substantial' conclusion on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.

- 3.5 My opinion is that the overall control environment of the Council is 'substantial', however it is recognised that the recurring issue of staffing vacancies and difficulties in recruiting to roles within the section has impeded the ability to fully complete the full audit plan. Notwithstanding this, adequate coverage has been able to be undertaken to allow this opinion to be formed.
- 3.6 It is also recognised that the Covid-19 pandemic has impacted on the control environment by way of changes having been made in March onwards, although this is to a minimum extent in the 2019/20 financial year. This is due to the need for changing working practices in some service areas and also new work and procedures such as the processing of the many support grants.
- 3.7 Any weaknesses or areas for review that have been identified during the year have been discussed with the relevant management and remedial actions and a timescale for improvement agreed.
- 3.8 Assurance levels on the Council's key financial systems are consistently good. Testing on the main systems was complete and all audit reports issued with full assurance levels. An assurance level of 'Full' has been provided based on the testing work that was completed in year for the Main Accounting and Sundry Debtors audits.
- 3.9 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.
- 3.10 In all of the audit work undertaken during the year we did not identify any significant control weaknesses.

4 STAFFING ISSUES

- 4.1 Due to internal audit staff leaving the Council during 2019/20, all 3 posts have at some point been vacant. We successfully recruited to the Internal Auditor and Internal Audit Assistant posts, yet have a continuing vacancy in the role of Principal Auditor. A further attempt to recruit to the post is currently underway.
- 4.2 The situation regarding recruitment difficulties for audit roles is a national one, and is certainly being experienced by neighbouring authorities. The situation has also been exacerbated in the 2020/21 financial year by the Covid-19 pandemic.

5 UPDATE ON RED RISKS

- 5.1 All Heads of Services are required to ensure that a review of the risks that fall in their service areas is undertaken. As members will be aware, risks are graded on a red, amber and green rating, with any red risk requiring to be reported to CMT and also to this committee.
- 5.2 This requirement is in respect of risks that are scored as red after all mitigating action and controls have been put in place.
- 5.3 At the time of writing this report there are no net red risks identified for reporting to members. In respect of Covid-19 this is on the basis that government financial support continues and that other current and future local and national controls are adhered to.

6 CONCLUSION

- 6.1 Having reviewed the work of the internal audit team it is concluded that sufficient assurance work has been carried out to allow the provision of a 'substantial' conclusion on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.
- 6.2 The internal audit function has been impacted by recruitment difficulties, but it is recognised that this is a national issue and one that is also shared by neighbouring authorities.
- 6.3 Work is ongoing to successfully recruit to the post of Principal Auditor

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA9-20/LO/AC
11 November 2020

BACKGROUND PAPERS: None

For further information please ask for Lawson Oddie.

Annex 1

Internal Audit Work Completed in the 2019/20 Financial Year

Planned Days 2019/20	Actual Days 2019/20	Audit Area	Status as at 31 March 2020	Assurance Level
Fundamental (Main) Systems				
25	15	Main Accounting	Testing completed	FULL (Based on testing)
20	20	Creditors	Completed in full	FULL
20	18	Sundry Debtors	Testing completed	FULL (Based on testing)
30	30	Payroll and HR	Completed in full	FULL
40	40	Council Tax	Completed in full	FULL
40	40	Housing Benefits/CT Support	Completed in full	FULL
40	27	NNDR/Business Rates Pooling	Testing Largely Completed	FULL
15	15	Cash Receipting	Completed in full	FULL
230	206			
Other Systems Work				
15	6	VAT	Testing Underway	FULL
12	12	Treasury Management	Completed in full	FULL
15	12	Procurement	Testing completed	FULL (Based on testing)
20	0	Business Continuity	Not started	-
12	12	Asset Management	Completed in full	FULL
74	42			
Probity and Regularity				
15	0	Recruitment/Safeguarding Arrangements	Not started	-
15	12	Insurance	Testing Largely Completed	SUBSTANTIAL (Based on testing)
5	5	Land Charges	Completed in full	FULL
10	10	Fees and Charges/Cash Collection Procedures	Completed in full	FULL
12	12	Health and Safety	Completed in full	SUBSTANTIAL
10	10	Car Parking	Completed in full	FULL
5	5	VIC/Platform Gallery	Completed in full	FULL
12	12	Trade and Domestic Refuse Collection	Completed in full	FULL
15	15	Externally contracted Provision of RVBC Services	Completed in full	FULL
10	8	Environmental Health	Testing Largely Completed	FULL (Based on testing)
12	0	ICT Audit	Not started	-
5	5	Healthy Lifestyles/Up and Active	Completed in full	FULL
5	5	Ribblesdale Pool	Completed in full	SUBSTANTIAL
3	0	Museum/Café	Not started	-
12	13	Partnership Arrangements	Completed in full	SUBSTANTIAL

Planned Days 2019/20	Actual Days 2019/20	Audit Area	Status as at 31 March 2020	Assurance Level
12	20	Grants received	Completed in full	SUBSTANTIAL
12		Grants paid		
12	0	Data Protection/GDPR	Not started	-
15	0	Section 106 Agreements/Planning Enforcement	Not started	-
10	0	Building Control	Not started	-
5	5	Licences	Completed in full	FULL
5	0	Land and Property Leases	Not started	-
5	0	Outdoor Recreation	Not started	-
10	0	Planning Applications	Not started	-
232	137			
Continuous Activity/Ongoing Checks				
12	12	Income Monitoring		
20	5	Contingencies/unplanned work	Insurance/License Check and Car Park Income	
15	15	Risk Management	Continuous and ongoing work	
20	1	Corporate Governance	This work was largely put back in to the 2020/21 financial year	
5	5	Performance Indicators	Continuous and ongoing work	
35	39	Insurance	Continuous and ongoing work	
107	77			
Staff Training and Development				
30	28	Training		
30	28			
Staffing Levels				
0	198	Vacant post	Vacancies experienced across all 3 internal audit roles in year	
0	-15	Additional Resources Used	Additional internal resources used	
0	183			
673	673			