

INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 24 JUNE 2009
title: INTERNAL AUDIT ANNUAL REPORT 2008/2009
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to committee the internal audit annual report for 2008/09.

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 Internal audit ensures that good 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 materiality, audit experience, assurance assessment, fraud, etc. 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. All high-risk areas are covered annually with the medium and low risk areas covered at least twice over a three-year period.

2.3 The plan was subject to review periodically during the year to reflect the changing nature of risk within services and also the available resources within the internal audit section.

2.4 The detailed annual plan for 2008/2009 is attached as Annex 1 but in summary resources for the year were allocated as follows:

Audit Area	2008/09 Planned days
Fundamental (Main) Systems	245
Non – Fundamental Systems	33
Probity and Regularity	208
On-going checks	84
Risk Management, Performance Indicators, etc.	65
	635

3 2008/2009 INTERNAL AUDIT YEAR

3.1 During the past year we have assessed all of the Council's core financial systems using a comprehensive systems based approach. This involves comparing actual controls present within the various systems to the expected controls, in order that we

can provide an assurance on the adequacy and effectiveness of those controls. It is pleasing to report that sound and effective controls were present in all core systems.

- 3.2 In addition to systems work the section carry out a wide range of operational audits across all services and continue to carry out periodic checks to prevent/detect fraud and corruption e.g. salary checks, creditor payments, income monitoring etc.

4 SUMMARY OF AUDITS CARRIED OUT AND MAIN FINDINGS

4.1 *Employees – Council Tax and Housing Benefit Check*

Check to ensure that all council employees and elected members living in the Ribble Valley are registered for council tax, and where any discounts or benefits were being claimed, that these were valid. No recommendations arising.

4.2 *Housing Benefit Cheque Delivery*

Random sample of 20 cheques delivered to claimants in August 2008 with the request that they confirm that there had been no change in their circumstances. The exercise proved worthwhile with a number of queries being referred back to the benefits section for further investigation.

4.3 *Sundry Debtors System*

The control systems in place were sound and operating effectively. No recommendation arising.

4.4 *Housing Benefits System*

System controls were basically sound and the overall conclusion was that the system was operating effectively. Substantive testing was carried out to verify the adequacy of controls. No recommendations arising.

4.5 *Housing Benefits – Verification of Tenancy*

Wrote to a random sample of 150 housing benefits claimants whose benefit was paid direct to their landlord to confirm continued residence. 139 responses were received confirming residence. Details of the 11 claimants who failed to respond have been passed to the Fraud/Control Officer for further investigation.

4.6 *Platform Gallery*

All areas of operation at the gallery were examined with only a number of minor areas of concern being identified. No recommendations arising.

4.7 *Creditors System*

Systems based audit looking at ordering, receipt of goods, payments, etc. Controls in place were fundamentally sound but concern was raised over the number of orders placed without making use of the electronic purchasing system. The system ensures that orders are placed with approved contractors to obtain the best price and that orders are appropriately authorised. Instructions will be given to all those responsible for the ordering of goods and services to make full use of the purchasing system.

4.8 *Claims for Travel and Subsistence*

Examination into the payment of travel and subsistence allowances to members of staff attending college courses, conference, seminars etc. Considerable progress had been made since the last audit in terms of approval of courses but there were still some staff attending who had not received approval as per the Council's training policy. Discussions have taken place at management team and it was agreed that service managers should be reminded that personnel need to record AND approve all training requests.

4.9 *Members Allowances*

Examination into the payment of allowances to members to ensure they are in line with approved rates. Claims for mileage checked to attendance register. Council tax and housing benefits systems checked to ensure any member claiming benefit had declared any allowances received. No areas for concern.

4.10 *Loans and Investments*

To ensure that all loans and investments were valid, accurate and made only in respect of approved organisations. System controls were good. Towards the conclusion of the audit significant turmoil was suffered by the Global Financial Markets and further testing was done to ensure the Council's funds were protected. At this time the Council had funds invested with HBOS and also with Bradford and Bingley.

As a result of the instability being experienced by the money markets the following steps were agreed in order to safeguard public funds as far as possible when making investments:

- The Director of Resources, Financial Services Manager, Senior Accountant and Accounting Technician to meet each morning to evaluate the Council's current lending position and list of counterparties currently lent to in light of the very latest position of the money markets.
- The Council's Treasury Management Practices and Policies are currently being reviewed so that recommendations can be made to Policy and Finance Committee for change that will minimise the risk to Public Funds when making investments and allow flexibility during this uncertain period.

The Council subsequently received back from HBOS and Bradford and Bingley all monies due in full and on time.

Daily action is being taken to ensure that the administrators of the Treasury Management function are fully aware of current market conditions in order to make informed decisions when placing investments.

4.11 *Risk Management*

A review of the Council's risk management policy and assessment of risks. A number of recommendations were made including:

- Policy to be reviewed annually and updated/amended as appropriate.
- A Corporate Document Retention Policy be drafted and placed on the Intranet for the reference of all employees.

4.12 *Contract Procedure Rules*

A review of compliance with the Council's Contract Procedure Rules for the procurement of works/goods. Compliance was verified but a recommendation was made that a register of all contracts entered into should be maintained.

4.13 *Car Mileage Claims*

Checked all mileage claims submitted by staff for the period April to November 2008 to ensure correct authorisation, accuracy, correct rates used, appropriate journeys etc. Minor discrepancies arising.

5 CONCLUSION

5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2008/09 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

AA7-09/MA/AC
11 JUNE 2009

Operational Audit Plan 2008/09		Days
Number of days available		910
Less:		
Bank Hols/Statutory	42	
Annual Leave	73	
College	60	
Non-Audit Duties (Insurance, etc.)	100	(275)
Actual auditing days available		635

AREA OF ACTIVITY		
General Ledger	35	
Creditors	35	
Debtors	35	
Payroll	35	
Council Tax	35	
Housing Benefits	35	
NDR	35	245
Cash and Bank Reconciliation	10	
Stores	10	
Mortgages	3	
Loans and Investments	10	33
Data Protection	10	
Freedom of Information	10	
Health and Safety	10	
Enterprise Risk Management	10	40
Flexitime System	15	
Car Allowances	10	
Car Leasing	3	
Computer Audit	10	
Land Charges	5	
HB Cheque Delivery	12	
HB Tenancy Verification	12	
Petty Cash	10	
CT/HB Checks	20	
Staff Expenses	10	
Fees and Charges	5	
Improvement Grants	8	
Printing and Stationery	5	
Rechargeable Works	8	
Tourism	8	

AREA OF ACTIVITY		Days
Longridge Sports Centre	10	
Ribblesdale Pool	10	
Platform Gallery	8	
Private Drain Clearances	5	
Clitheroe Market	8	
Cemetery	5	
Planning App./Building Reg. Fees	10	197
Income Monitoring	20	
Contingencies	35	55
Risk Management	35	
Corporate Governance	15	
Performance Indicators/SIC	15	65
Total Planned Audit Work		635