

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 11

meeting date: 29 JUNE 2011
 title: INTERNAL AUDIT ANNUAL REPORT 2010/2011
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2010/11.

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, 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 we aim to review annually, with medium and low risk areas covered as a minimum every two years.





2.3 The approved Internal Audit Plan for 2010/11 was based on the provision of 665 days of Internal Audit work. The detailed outturn position at 31 March 2011 is attached as Appendix A 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	210	187	-23
Other systems work	105	60	-45
Probity and Regularity	175	188	13
Ongoing checks	105	120	15
Risk Management PI's	70	85	15
	665	640	-25

2.4 Twenty-nine 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 9 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 REPORTS CARRIED OUT AND ASSURANCE OPINION

3.1 In all cases, completed audits have resulted in the production of a report and action plan. An assurance system is used for all audits, with four levels of opinion as follows:

Level 4	Substantial		The Authority can place high levels of reliance on the arrangements/ controls in place. Best practice is demonstrated in some or all areas.
Level 3	Reasonable		The Authority can place reasonable (i.e. sufficient) reliance on the arrangements/ controls in place. Only relatively minor control weaknesses exist.
Level 2	Limited		The Authority can place only limited reliance on the arrangements/ controls in place. Significant control issues need to be resolved.
Level 1	Minimal		The Authority cannot place sufficient reliance on the arrangements/ controls in place. Substantial control weaknesses exist.

3.2 The table at Appendix B sets out the assurance opinions issued in respect of all audits carried out since 1 April 2010.

3.3 In providing an overall level of assurance of reasonable 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 Appendix B.

Assurance Level	Number of Audits
Substantial	4
Reasonable	25
Limited	0
Minimal	0

3.4 Assurance levels on the Council's key financial systems are consistently good with all completed audits having resulted in either 'substantial' or 'reasonable' assurance levels. With regards to uncompleted audits I am confident in issuing a 'reasonable' assurance level, having examined the testing so far completed.

3.5 Work carried out on risk management, contract procedures, 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 all the audit work undertaken during the year we did not identify any control weaknesses of such significance that they would warrant disclosure in the Council's Annual Governance Statement. Where any control weaknesses have been identified, remedial action has been agreed and arrangements are in place to monitor the implementation of those actions and the level of assurance provided.

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 each assignment. The questionnaire seek views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct, reporting etc. Summary results from questionnaires returned over the last 12 months are shown at Appendix C.
- 4.2 The summary shows the average scores obtained from 17 returned surveys. Against a target level of 4 for all aspects of the audit, all have returned a higher average score. This would appear to demonstrate that we are managing to deliver what our customers want.










5 CONCLUSION












- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2010/11 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




AA11-11/MA/AC
20 June 2011

Internal Audit Plan 2010/11 – Final Outturn

2010/11 Planned Days	Audit	Actuals to 31/03/2011	Status as at 31/3/2011
<i>Fundamental (Main Systems)</i>			
30	General Ledger	38.5	
20	Creditors	20.1	C Fwd
20	Debtors	18.1	✓
30	Payroll	24.7	✓
40	Council Tax	14.2	
40	Housing Benefits	52.4	✓
30	NNDR	19.2	✓
210		187.2	
<i>Other Systems Work</i>			
10	Cash and Bank Reconciliation	0	C Fwd
15	Stores	0	C Fwd
15	Loans and Investments	21.1	✓
15	Data Protection	9.8	✓
15	Freedom of Information	0.0	C Fwd
15	Health and Safety	0.0	C Fwd
20	Enterprise Risk Management	28.9	✓
105		59.8	
<i>Probity and Regularity</i>			
15	Flexitime System	24.2	
15	Car Allowances	27.8	✓
3	Car Leasing	8.5	✓
8	Land Charges	0.0	C Fwd
15	Staff Expenses	9.2	
8	Fees and Charges	11.9	✓
3	Printing and Stationery	7.7	✓
10	Rechargeable Works	14.2	✓
10	Tourist Information Centre	6.3	
5	Cemetery	14.1	✓
3	Car Parks	0.0	C Fwd
10	Ribblesdale Pool	4.0	
5	Platform Gallery	6.2	
5	Private Drain Clearances	10.8	✓
10	Clitheroe Market	12.4	✓
12	Planning App's/Building Reg's	4.3	
5	Inventories	4.2	

2010/11 Planned Days	Audit	Actuals to 31/03/2011	Status as at 31/3/2011
5	Longridge Gym	6.5	
15	Contract Procedure	16.1	
3	Pest Control	0.00	C Fwd
165		188.4	
Ongoing Checks			
10	HB Cheque Delivery	10.2	
15	HB Tenancy Verification	24.7	
10	Petty Cash/Floats	12.2	
40	CT/HB/ER Checks	56.1	
25	Contingencies	4.1	
15	Income Monitoring	12.7	
115		120	
Risk Management, PI's etc.			
25	Risk Management	8.8	
20	Corporate Governance	12.7	
25	Performance Indicators	63.4	
70		84.9	
665	TOTALS	640.3	

Key:

-  Completed
-  In Progress
-  Continuous Activity
- C Fwd Carried forward to 2011/12 Plan

Internal Audit – Assurance Opinion Results 2010/111

Audit	Assurance Level
Housing Benefit Cheque Delivery	✓ Reasonable
Contract Procedure Rules	✓ Reasonable
Car Allowances	✓ Reasonable
Petty Cash/Floats	✓ Reasonable
Fees and Charges	✓ Reasonable
Printing and Stationery	✓ Reasonable
Rechargeable Works	✓ Reasonable
NNDR System (c/f from 09/10)	✓ Reasonable
Car Insurances	✓ Reasonable
Car Leasing	✓ ✓ Substantial
Clitheroe Market	✓ Reasonable
Loans and Investments	✓ Reasonable
Employees – CT/HB Check	✓ Reasonable
Housing Benefit Tenancy Verification	✓ Reasonable
Housing Benefits System	✓ Reasonable
Private Drain Clearances	✓ Reasonable
Data Matching HB to Electoral Register	✓ Reasonable
Petty Cash/Floats	✓ Reasonable
Housing Benefit Cheque Delivery	✓ ✓ Substantial
Cemetery	✓ Reasonable
Council Tax – SPD checks	✓ Reasonable
Data Matching HB and Electoral Register	✓ Reasonable
Payroll Deductions	✓ Reasonable
Car Allowances	✓ Reasonable
Planning Application/Building Reg. Fees	✓ Reasonable
Platform Gallery	✓ Reasonable
Sundry Debtors System	✓ ✓ Substantial
Payroll System	✓ ✓ Substantial
Housing Benefit Tenancy Verification	✓ Reasonable

Appendix C

Question	Audit Carried Out								
	Platform Gallery	Sundry Debtors System	Payroll System	Rechargeable Works	Printing and Stationery	Data Matching	Council Tax SPD's	Temporary Loans and Investments	Car Allowances
1. Sufficient notice given to arrange the visit	5	5	5	5	4	5	4	5	4
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	5	5	5	4	4	5	5	4	4
3. Auditors understanding of your systems and current issues	4	4	5	5	4	4	5	5	3
4. Audit carried out efficiently with minimum disruption	4	5	5	4	5	5	4	5	4
5. Level of consultation during audit	4	5	5	5	4	5	5	5	4
6. Audit carried out professionally and objectively	4	5	5	5	5	4	4	5	4
7. Draft report addressed the key issues and was soundly based	5	5	5	5	5	5	4	5	4
8. Opportunity to comment on findings	5	5	5	4	5	4	4	5	5
9. Final report in terms of clarity and conciseness	5	5	5	5	5	5	5	4	4
10. Prompt issue of final report	5	4	4	5	5	5	4	4	4
11. Recommendations will improve control and/or performance	5	5	5	5	4	5	5	5	4
12. Audit was constructive and added value overall	5	5	5	5	4	4	5	5	4
Average	4.7	4.8	4.9	4.7	4.5	4.7	4.5	4.7	4.0

Question	Audit Carried Out								
	Car Insurances	Housing Benefits System	NDR System	Housing Benefits verification of Tenancy	Private Drain Clearances	Clitheroe Market	Car Leasing	Clitheroe Cemetery	
1. Sufficient notice given to arrange the visit	N/A	5	5	5	5	5	4	5	
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	N/A	5	5	4	5	5	4	5	
3. Auditors understanding of your systems and current issues	4	5	5	4	4	5	4	4	
4. Audit carried out efficiently with minimum disruption	4	5	5	4	5	5	5	4	
5. Level of consultation during audit	4	4	5	4	5	4	5	5	
6. Audit carried out professionally and objectively	5	5	5	5	4	5	4	5	
7. Draft report addressed the key issues and was soundly based	4	4	5	5	5	5	4	5	
8. Opportunity to comment on findings	5	5	5	5	5	5	5	5	
9. Final report in terms of clarity and conciseness	5	4	5	5	5	4	5	5	
10. Prompt issue of final report	5	5	5	5	5	4	5	5	
11. Recommendations will improve control and/or performance	5	5	5	4	4	5	5	4	
12. Audit was constructive and added value overall	5	5	5	4	4	5	4	5	
Average	4.6	4.8	5	4.5	4.6	4.7	4.5	4.7	