

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 27 JUNE 2012
 title: INTERNAL AUDIT ANNUAL REPORT 2011/12
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit report for 2011/12.

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. All high risk areas are covered annually with the medium and low risk areas covered at least twice in every three year cycle.






2.3 The approved Internal Audit Plan for 2011/12 was based on the provision of 658 days of Internal audit work. The detailed outturn position at 31 March 2012 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	200	181	-19
Other systems work	105	50	-55
Probity and Regularity	136	139	-3
On-going checks	97	83	-14
Risk Management PI's	90	104	+14
Non-audit duties (insurance)	30	32	+2
Sickness	0	46	+46
Vacant post	0	23	+23
	658	658	-

2.4 All 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 a number of 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 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 2011.

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 Annex 2.

Assurance Level	Number of Audits
Full	4
Substantial	5
Reasonable	8
Limited	0
Minimal	1

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 the systems audits in progress at 31 March I am confident in issuing a 'substantial' assurance level, based on the testing already carried out.

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 all the audit work undertaken during the year we did not identify any control weaknesses of such material 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 an audit assignment. 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 12 months are shown at Annex 3.
- 4.2 The summary shows the average scores obtained from 11 returned surveys. Against a target level of 4 for all aspects of the audit, all but one of the questionnaires has returned a higher average score. The issues that were raised in the feedback form for Members Allowances have been reviewed and will be addressed in future audits.

5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2011/12 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






















AA7-12/MA/AC

14 June 2012

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow, extension 4540.

Internal Audit Progress against 2011/12 – Final Outturn

2011/12 Planned Days	Audit	Actual days to 31/03/12	Status as at 31/03/12
<i>Fundamental (Main) Systems</i>			
30	General Ledger	26	
15	Creditors	2	CFwd
15	Debtors	20	
20	Payroll and Human Resources	45	
45	Council Tax	48	
45	Housing Benefits	0	CFwd
30	NNDR	40	
200		181	
<i>Other Systems Work</i>			
10	Cash and Bank Reconciliation	0	CFwd
5	Stores	0	CFwd
10	Loans and Investments	12	
20	Data Protection	24	
20	Freedom of Information	14	
20	Health and Safety	0	CFwd
20	Enterprise Risk Management	0	CFwd
105		50	
<i>Probity and Regularity</i>			
15	Flexitime System	8	
8	Car Allowances	12	
10	Land Charges	9	
12	HB Cheque Delivery	0	N/A
20	HB Tenancy Verification	0	
5	Petty Cash	6	
50	CT/HB checks/NFI checks	45	
10	Staff Expenses	12	
5	Fees and Charges	5	
3	Printing and Stationery	5	
5	Rechargeable Works	5	
8	Visitor Information Centre	46	
3	Car Parking	0	CFwd
5	Inventories	1	CFwd
3	Longridge Gym	1	N/A
5	Ribblesdale Pool	11	
5	Platform Gallery	5	
5	Private Drain Clearances	0	CFwd

2011/12 Planned Days	Audit	Actual days to 31/03/12	Status as at 31/03/12
5	Clitheroe Market	2	CFwd
8	Cemetery	7	✓
4	Building Control	14	✓
4	Planning Income	10	✓
10	Contract Procedure Rules	0	CFwd
208		204	
25	Contingencies	18	∞
25		18	
50	Risk Management	57	∞
15	Corporate Governance	30	∞
25	PI's/SIC	17	∞
90		104	
30	Insurance	32	∞
0	Sickness	46	
0	Vacant Post	23	
30		101	
658		658	

Key:

✓ Completed

 In progress

∞ Continuous Activity

CFwd Carried Forward to 2012/13 Plan

Internal Audit – Assurance Opinion Results 2011/12

Audit	Assurance Level
Cemetery	Reasonable ✓
Petty Cash/Floats	Reasonable ✓
Platform Gallery	Reasonable ✓
Visitor Information Centre	Minimal ⚠️ ⚠️
Housing Benefit System	Reasonable ✓
Members' Allowances	Reasonable ✓
Fees and Charges	Substantial ✓ ✓
Council Tax System	Substantial ✓ ✓
Constitution of the Council	Substantial ✓ ✓
Rechargeable Works	Full ✓ ✓ ✓
Car Insurances/Driving Licences	Full ✓ ✓ ✓
Building Control	Full ✓ ✓ ✓
Planning Income	Full ✓ ✓ ✓
Data Protection	Reasonable ✓
Treasury Management	Substantial ✓ ✓
Ribblesdale Pool	Reasonable ✓
Printing and Stationery	Reasonable ✓
Payroll and Human Resources System	Substantial ✓ ✓

Annex 3

Question	Audit Carried Out										
	Cemetery	Platform Gallery	Visitor Information Centre	Housing Benefits System	Council Tax System	Rechargeable Works	Building Control	Planning Income	Treasury Management	Members' Allowances	Car Leasing
1. Sufficient notice given to arrange the visit	5	5	4	5	5	5	4	5	5	4	4
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	5	5	4	5	5	5	4	5	5	4	5
3. Auditors understanding of your systems and current issues	4	5	3	4	5	4	3	5	5	2	3
4. Audit carried out efficiently with minimum disruption	4	5	5	5	5	4	5	5	5	2	4
5. Level of consultation during audit	5	5	5	5	5	5	4	5	3	1	4
6. Audit carried out professionally and objectively	5	5	4	5	5	5	5	5	5	2	4
7. Draft report addressed the key issues and was soundly based	5	5	4	4	5	5	5	5	5	3	4
8. Opportunity to comment on findings	5	5	4	5	5	5	5	5	4	2	4
9. Final report in terms of clarity and conciseness	5	4	4	5	5	5	4	5	3	4	4
10. Prompt issue of final report	5	4	4	5	5	5	5	5	5	4	5
11. Recommendations will improve control and/or performance	4	5	4	5	5	4	4	5	4	2	4
12. Audit was constructive and added value overall	5	5	4	5	5	4	4	4	2	2	4
Average	4.7	4.8	4.1	4.8	5.0	4.7	4.3	4.9	4.2	2.7	4.1