

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 9

meeting date: 24 JUNE 2015  
title: INTERNAL AUDIT ANNUAL REPORT 2014/15  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICK AINSCOW

## 1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2014/15.

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, with all high risk areas being covered annually.

2.3 The approved Internal Audit Plan for 2014/15 was based on the provision of 673 days of internal audit work. The detailed outturn position at 31 March 2015 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	250	235	-15
Other systems work	50	30	-20
Probity and Regularity	203	194	-9
On-going checks	22	20	-2
Risk Management PI's	53	56	+3
Non-audit duties (insurance)	30	35	+5
Contingencies/Unplanned work	25	28	+3
Training	40	60	+20
Vacant post	0	15	+15
	673	673	-






2.4 There are no significant variances between planned and actual days apart from on other systems work where the planned VAT audit was not carried out and has been carried forward to 2015/16. Also the number of training days has increased due to a new member of staff commencing work with the internal audit team in early March. Training on all aspects of the job was undertaken during the first few weeks in post.

2.5 All audits in progress as at 31 March are scheduled for completion early in 2015/16. Where audits have not been started by the 31 March due to other service area pressures, work will be undertaken in these areas as part of the 2015/16 audit plan.

2.6 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 the audits in progress as at 31 March and the testing which had been carried out have 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 2014.

3.3 In providing an overall level of assurance of 'substantial' 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	11
Substantial	12
Reasonable	0
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 'full' or 'substantial' 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 the majority of audit work undertaken during the year we did not identify any significant control weaknesses.

#### 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 the majority of audit assignments. 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 twelve months are shown at Annex 3.
- 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, the vast majority of questionnaires returned a higher average score.

#### 5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2014/15 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


















AA9-15/MA/AC  
4 June 2015

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

## Internal Audit Progress against 2014/15 – Final Outturn

2014/15 Planned Days	Audit	Actual days to 31/03/15	Status as at 31/03/15	Comments
<i>Fundamental (Main) Systems</i>				
25	Main Accounting	18		Main testing complete. Additional testing to be done 2015/16. Completion expected July 2015
30	Creditors	26		
30	Sundry Debtors	28		
30	Payroll and Human Resources	30		
45	Council Tax	48		
35	Housing Benefits	35		
35	NNDR	36		
20	Cash Receipting	14		Main testing complete. Carried forward to 2015/16 to ensure all income streams identified
<b>250</b>		<b>235</b>		
<i>Other Systems Work</i>				
20	VAT	0	Not started	Will be covered in 2015/16 audit plan
10	Treasury Management	10		
20	Procurement	20		
<b>50</b>		<b>30</b>		
<i>Probity and Regularity</i>				
5	Car Allowances	6		
10	Asset Mgmt/Register	10		Work carried out comparing to insurance portfolio to ensure all assets property insured. Awaiting draft report
5	Members' Allowances	4		
20	HR and Recruitment/Staff Expenses	18		Majority of testing complete. Awaiting additional info prior to issue of draft report

2014/15 Planned Days	Audit	Actual days to 31/03/15	Status as at 31/03/15	Comments
10	Insurance	15		Draft report issued
5	Land Charges	5		
5	Fees and Charges	5		
5	Clitheroe Cemetery	8		
10	Business Continuity	0	Not started	Will be covered in 2015/16 audit plan
8	Car Parking	12		
15	VIC/Platform Gallery	20		
10	Trade Refuse	12		Testing complete. Awaiting info from officers prior to issue of final report
10	Recycling	11		Testing complete. Awaiting info from officers prior to issue of final report
5	Ribblesdale Pool	12		
10	Data Protection	12		
10	Partnership Arrangements	0	Not started	Will be covered in 2015/16 audit plan
10	Grants received	6		Finalising testing
10	Grants paid	7		Finalising testing
10	Flexitime system	18		
10	Sustainability	0	Not started	Will be covered in 2015/16 audit plan
10	Section 106 Agreements	0	Not started	Will be covered in 2015/16 audit plan
5	Building Regulations	6		
5	Planning Applications	7		
<b>203</b>		<b>194</b>		
<i>Continuous Activity/Ongoing Checks</i>				
10	Cash Collection Procedures	8		
12	Income Monitoring	12		
		<b>20</b>		

2014/15 Planned Days	Audit	Actual days to 31/03/15	Status as at 31/03/15	Comments
25	Contingencies/unplanned work	28	∞	
30	Risk Management	29	∞	
18	Corporate Governance	21	∞	
5	Performance Indicators	6	∞	
		<b>56</b>		
30	Insurance	35	∞	
40	Training	60		
0	Vacant post	15		
<b>673</b>		<b>673</b>		

Key:



Completed



In progress



Continuous Activity

Not started

No work has been undertaken during the year on these audits.

## Internal Audit – Assurance Opinion Results 2014/5

Audit	Assurance Level
Payroll Systems and Procedures	Full ✓✓✓
Members' Allowances	Substantial ✓✓
Stores – Salthill Depot	Substantial ✓✓
Car Insurances/Driving Licences	Full ✓✓✓
Sundry Debtors Systems and Procedures	Substantial ✓✓
Car Allowances	Substantial ✓✓
Creditors Systems and Procedures	Substantial ✓✓
Planning Application Fees	Full ✓✓✓
Platform Gallery and Visitor Information Centre	Substantial ✓✓
Building Control	Full ✓✓✓
Housing Benefits Systems and Procedures	Full ✓✓✓
Land Charges	Full ✓✓✓
Fees and Charges	Full ✓✓✓
Petty Cash/Floats	Full ✓✓✓
Procurement System and Related Procedures	Substantial ✓✓
Treasury Management	Full ✓✓✓
Ribblesdale Pool	Substantial ✓✓
Pay and Display Car Parking	Substantial ✓✓
Flexible Working Hours Scheme	Substantial ✓✓
Data Protection	Substantial ✓✓
Council Tax System and Related Processes	Substantial ✓✓
Clitheroe Cemetery	Full ✓✓✓
NNDR Systems and Processes	Full ✓✓✓

### Annex 3

Audit Carried Out	Question												
	Sufficient notice given to arrange the visit	Briefing sheet sent prior to audit commencing and any comments/ requests were taken into account	Auditors understanding of your systems and current issues	Audit carried out efficiently with minimum disruption	Level of consultation during audit	Audit carried out professionally and objectively	Draft report addressed the key issues and was soundly based	Opportunity to comment on findings	Final report in terms of clarity and conciseness	Prompt issue of final report	Recommendations will improve control and/or performance	Audit was constructive and added value overall	Average
Payroll Systems and Procedures	5	4	5	5	5	5	5	5	5	5	5	4	<b>4.8</b>
Members' Allowances	5	4	4	5	4	5	4	4	4	4	5	4	<b>4.3</b>
Stores-Salthill Depot	5	5	5	5	5	5	5	5	5	5	5	5	<b>5</b>
Sundry Debtors Systems and Processes	5	4	4	5	4	5	5	5	5	4	5	5	<b>4.7</b>
Car Allowances	5	5	4	5	4	4	5	5	5	4	4	4	<b>4.5</b>
Creditor Systems and Processes	5	4	4	4	4	5	4	4	4	4	4	4	<b>4.2</b>
Planning Application Fees	5	4	4	4	4	5	4	5	5	5	4	5	<b>4.5</b>
Platform Gallery and Visitor Information Centre	5	5	5	5	4	5	5	4	4	5	5	5	<b>4.7</b>
Building Control	5	4	3	4	3	3	5	5	4	4	4	2	<b>3.8</b>
Housing Benefits Systems and Processes	5	5	5	5	5	5	5	5	5	5	5	5	<b>5</b>
Procurement System and Related Processes	4	4	4	5	4	5	4	5	4	5	4	4	<b>4.3</b>
Treasury Management	4	4	4	5	4	4	4	5	5	5	4	3	<b>4.3</b>
Ribblesdale Pool	5	5	5	5	5	5	5	5	5	5	5	5	<b>5</b>
Pay and Display Car Parking	4	4	5	5	5	5	4	4	4	5	4	4	<b>4.4</b>
Council Tax System and Related Processes	5	5	5	5	5	5	5	5	5	5	5	5	<b>5</b>
Clitheroe Cemetery	5	5	5	5	5	5	4	5	5	5	4	4	<b>4.7</b>