

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 8

meeting date: 29 JUNE 2016
title: INTERNAL AUDIT ANNUAL REPORT 2015/16
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2015/16.

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 2015/16 was based on the provision of 669 days of internal audit work. The detailed outturn position at 31 March 2016 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	255	261	+6
Other systems work	52	26	-26
Probity and Regularity	230	217	-13
On-going checks	12	12	-
Risk Management PI's	40	40	-
Non-audit duties (insurance)	25	37	+12
Contingencies/Unplanned work	25	17	-8
Training	30	59	+29
	669	669	-






2.4 With regard to the variances between planned and actual days, in respect of other systems work, the audits of VAT and procurement have not been completed having been impacted by the increased days spent on training due to a new member of staff joining the audit team after the plan had been set. Some initial testing has been carried out on these systems and will hopefully be completed shortly. The increase in insurance days reflects the significant increase in the number of claims submitted compared to the previous year in respect of both motor and liability. This has impacted to a certain extent on the days spent on Probity and Regularity audit work.

2.5 All audits in progress as at 31 March are scheduled for completion shortly. 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 2016/17 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 2015.

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	13
Substantial	10
Reasonable	2
Limited	0
Minimal	0

3.4 Assurance levels on the Council's key financial systems are consistently good. Testing on all systems has been completed and all audit reports issued with either full or substantial assurance levels. All testing was completed on NNDR and Council Tax systems by 31 March with the draft report showing assurance levels of Full in both cases. Final reports for both were issued on 24 May 2016 with full assurance. The draft report on the stores system gave an assurance level of substantial and this remained when the final report was issued on 9 May 2016.

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 13 returned surveys. Against a target level of 4 for all aspects of the audit, the vast majority of questionnaires returned a higher than average score.

5 CONCLUSION

5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2015/16 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






AA9-16/MA/AC
10 June 2016

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

Internal Audit Progress against 2015/16 – Final Outturn

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
<i>Fundamental (Main) Systems</i>				
30	Main Accounting	31	✓	
30	Creditors	29	✓	
25	Sundry Debtors	24	✓	
30	Payroll and Human Resources	33	✓	
45	Council Tax	44		At draft report stage
40	Housing Benefits	45	✓	
35	NNDR	33		At draft report stage
20	Cash Receipting	22	✓	
255		261		
<i>Other Systems Work</i>				
20	VAT	11		Carried forward to 2016/17
12	Treasury Management	12	✓	
20	Procurement	3		Carried forward to 2016/17
52		26		
<i>Probity and Regularity</i>				
5	Car Allowances	7	✓	
10	Asset Mgmt/Register	10		Awaiting further info prior to draft report
5	Members' Allowances	7	✓	
20	HR and Recruitment/Staff Expenses	22	✓	
12	Insurance	12	✓	

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
5	Land Charges	5	✓	
5	Fees and Charges	6	✓	
5	Clitheroe Market	6	✓	
15	Business Continuity Management	11		Carried forward to 2016/17
10	Car Parking	2		Carried forward to 2016/17
10	VIC/Platform Gallery	12	✓	
12	Trade Refuse/Recycling/Refuse Collection	12	✓	
8	Salthill Depot Stores	8		At draft report stage
5	Civic Suite	5	✓	
5	Environmental Health	5	✓	Testing in progress
5	Museum	2		Carried forward to 2016/17
5	Healthy Lifestyles	6	✓	
5	Ribblesdale Pool	5	✓	
10	Licences	12	✓	
12	Partnership Arrangements	12	✓	
10	Grants received	10	✓	
10	Grants paid	10	✓	
15	Sustainability	4		Will be included in Procurement Audit
10	Section 106 Agreements	10	✓	
8	Building Regulations	8	✓	
8	Planning Applications	8	✓	
230		217		

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
<i>Continuous Activity/Ongoing Checks</i>				
12	Income Monitoring	12	∞	
25	Contingencies/unplanned work	17	∞	Unplanned audit at Salthill Depot. Petty cash/floats check. Car insurance and Driving Licence check.
15	Risk Management	15	∞	
20	Corporate Governance	20	∞	
5	Performance Indicators	5	∞	
		40		
25	Insurance	37	∞	Significant increase in number of claims compared to 2014/15
30	Training	59	∞	Training new member of audit team
669		669		

Key:



Completed



In progress



Continuous Activity

Not started

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

Internal Audit – Assurance Opinion Results 2015/16

Audit	Assurance Level
Car Allowances	Full ✓✓✓
Car Insurances/Driving Licences	Substantial ✓✓
Salthill Depot – use of clock machine	Reasonable ✓
Members' Allowances	Substantial ✓✓
Sundry Debtors Systems and Procedures	Substantial ✓✓
HR – Recruitment and Training	Substantial ✓✓
Hire of Civic Suite	Substantial ✓✓
Insurance	Substantial ✓✓
Grants Paid/Received	Full ✓✓✓
Petty Cash/Floats	Full ✓✓✓
Clitheroe Market	Substantial ✓✓
Creditors Systems and Processes	Substantial ✓✓
Cash Receipting, Banking and Cheque Control	Full ✓✓✓
Main Accounting System	Full ✓✓✓
Fees and Charges	Substantial ✓✓
Housing Benefits Systems	Full ✓✓✓
Countryside Grants	Reasonable ✓
Refuse Collection, Recycling and Trade Waste	Full ✓✓✓
Land Charges	Full ✓✓✓
Platform Gallery and Visitor Information Centre	Substantial ✓✓
Partnerships	Full ✓✓✓
Building Control	Full ✓✓✓
Planning Applications	Full ✓✓✓
Payroll Systems and Procedures	Full ✓✓✓
Treasury Management	Full ✓✓✓

Draft reports have been issued for the Council Tax, NNDR and stores systems as at 31 March 2016 with assurance levels of Full for Council Tax and NNDR and substantial for stores. Final reports for all these systems have now been issued with the same assurance levels.

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
Car Allowances	5	4	4	4	4	4	4	4	4	4	4	3	4
Members' Allowances	5	4	4	4	4	4	4	4	4	4	3	4	4
NNDR System	5	5	5	5	5	5	5	5	5	5	5	5	5
Sundry Debtors Systems and Processes	5	4	4	4	3	4	4	5	4	4	4	3	4
Insurances	4	4	5	5	4	4	5	5	4	3	3	4	4.2
Creditor Systems and Processes	4	4	4	4	3	4	3	4	3	4	3	3	3.6
Clitheroe Market	5	5	4	5	4	4	4	5	5	4	3	3	4.2
Housing Benefits Systems	5	5	4	4	5	5	5	5	5	4	4	3	4.5
Land Charges	5	5	5	5	5	5	5	5	5	5	5	5	5
Platform Gallery and VIC	5	5	4	4	4	5	5	5	5	4	4	3	4.4
Building Regulations	5	5	4	4	5	3	4	4	5	5	5	4	4.4
Planning Applications	4	4	4	4	4	5	5	5	4	4	4	4	4.2
Payroll Systems and Procedures	5	4	5	5	4	5	5	5	5	5	5	5	4.8