

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 5

meeting date: 11 APRIL 2018  
title: INTERNAL AUDIT ANNUAL REPORT 2017/18  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICK AINSCOW

## 1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2017/18.

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 2017/18 was based on the provision of 673 days of internal audit work. The detailed outturn position at 31 March 2018 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	230	235	+5
Other systems work	74	54	-20
Probity and Regularity	242	245	+3
On-going checks	12	12	-
Risk Management PI's	40	40	-
Non-audit duties (insurance)	30	40	+10
Contingencies/Unplanned work	25	25	-
Training	20	22	+2
	673	673	-

2.4 With regard to the variance between planned and actual days on other systems work, this relates to audit work on Business Continuity which has now been moved to the 2018/19 financial year. Due to the recent and ongoing changes in this audit area, and the transition over to a computerised process, it was felt best to undertake this audit work once changes had taken place and were finalised within 2018/19.

2.5 All new audit reports produced during the year have been taken into account in informing the assurance opinion given later in this report.

### 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 2017.

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	22
Substantial	8
Reasonable	1
Limited	0
Minimal	0

3.4 Assurance levels on the Council’s key financial systems are consistently good. Reviews on all systems has been completed and all audit reports issued with full assurance levels.

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

## 5 UPDATE ON RED RISKS

### **Clitheroe Market Redevelopment**

- 5.1 Latest position – detailed discussions with Barnfield Construction continue to take place regarding the scheme. Further revisions have been undertaken by the developer following the most recent meeting with them to reflect the issues raised and these were presented to the Market Working Group at the end of March.

## 6 CONCLUSION

- 6.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2017/18 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

AA6-18/MA/AC  
3 April 2018

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

## Annex 1

2016/17 Planned Days	Audit	Actual days to 31/03/18	Status as at 31/03/2018
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	25	✓
20	Creditors	25	✓
20	Sundry Debtors	20	✓
30	Payroll and HR	30	✓
40	Council Tax	40	✓
40	Housing Benefits/CT Support	40	✓
40	NNDR/Business Rates Pooling	40	✓
15	Cash Receipting	15	✓
<b>230</b>		<b>235</b>	
<i>Other Systems Work</i>			
15	VAT	15	✓
12	Treasury Management	12	✓
15	Procurement	15	✓
20	Business Continuity	0	c/f to 2018/19
12	Asset Management	12	✓
<b>74</b>		<b>54</b>	
<i>Probity and Regularity</i>			
3	Joiners Arms Homeless Unit	4	✓
5	Members Allowances	5	✓
15	Recruitment/Safeguarding Arrangements	16	✓
15	Insurance	15	Testing completed
5	Land Charges	5	✓
12	Fees and Charges/Cash Collection Procedures	12	✓
12	Health and Safety	16	✓
10	Car Parking	10	✓
5	VIC/Platform Gallery	6	✓
12	Trade and Domestic Refuse Collection	12	✓
15	Externally contracted Provision of RVBC Services	15	✓
10	Environmental Health	10	✓
15	Transparency/Open Data	15	Testing completed
5	Healthy Lifestyles/Up and Active	5	✓
5	Ribblesdale Pool	5	✓
5	Museum/Café	5	✓
12	Partnership Arrangements	12	Awaiting further information to complete testing

2016/17 Planned Days	Audit	Actual days to 31/03/18	Status as at 31/03/2018
12	Grants received	12	✓
12	Grants paid	12	✓
12	Data Protection	10	Final Testing
15	Section 106 Agreements/Planning Enforcement	13	Awaiting further information to complete testing
10	Building Control	10	✓
10	Flexitime System	10	✓
10	Planning Applications	10	✓
<b>242</b>		<b>245</b>	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	12	∞
25	Contingencies/unplanned work	25	Driving Licence/Car Insurance Check, Election Duties and Jury Service
15	Risk Management	15	∞
20	Corporate Governance	20	∞
5	Performance Indicators	5	∞
<b>40</b>		<b>40</b>	
30	Insurance	40	∞
20	Training	22	∞
<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 2017/18

AUDIT	ASSURANCE LEVEL
Insurances/Driving Licences	Substantial ✓ ✓
Healthy Lifestyles	Full ✓ ✓ ✓
Procurement	Full ✓ ✓ ✓
Fees and Charges	Substantial ✓ ✓
Car parking	Full ✓
Grants	Substantial ✓ ✓
Members Allowances	Substantial ✓ ✓
Flexitime System	Full ✓ ✓ ✓
Museum/Café	Full ✓ ✓ ✓
Environmental Health Income	Substantial ✓ ✓
Asset Management	Full ✓ ✓ ✓
Land Charges	Substantial ✓ ✓
Ribblesdale Pool	Full ✓ ✓ ✓
Housing Benefits System	Full ✓ ✓ ✓
Cash Receipting, Banking and Collection	Full ✓ ✓ ✓
Trade and Domestic Refuse Collection	Full ✓ ✓ ✓
Payroll System	Full ✓ ✓ ✓
Treasury Management	Full ✓ ✓ ✓
Recruiting/Safeguarding Arrangements	Full ✓ ✓ ✓
Creditors System	Full ✓ ✓ ✓
Sundry Debtors System	Full ✓ ✓ ✓
VAT	Full ✓ ✓ ✓
Council Tax System	Full ✓ ✓ ✓
NNDR System	Substantial ✓ ✓
Building Control	Full ✓ ✓ ✓
Main Accounting System	Full ✓ ✓ ✓
Planning Applications	Full ✓ ✓ ✓
Health and Safety	Reasonable ✓
Externally Contracted Provision of RVBC Services	Full ✓ ✓ ✓
Homelessness	Full ✓ ✓ ✓
Platform Gallery/VIC	Substantial ✓ ✓

## Annex 3

Question	Audit Carried Out									
	Healthy Lifestyles	Procurement System	Car Parking	Env Health Income	Land Charges	Ribblesdale Pool	Housing Benefits System	Treasury Management	Building Control	Planning Applications
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	5	5	5	5	5	4	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	5	5	5	5	5	5	5	4	5	5
The auditors understanding of your systems and any operational issues	5	4	3	5	4	4	5	4	3	4
The audit carried out efficiently with minimum disruption	5	4	3	5	5	5	5	5	4	5
The level of consultation during the audit	5	4	4	5	5	4	5	4	5	5
The audit was carried out professionally and objectively	5	5	5	5	5	5	5	4	5	4
The draft report addressed the key issues and was soundly based	5	5	5	5	5	5	5	4	4	4
Your opportunity to comment on findings	5	5	5	5	5	5	5	5	5	5
The final report in terms of clarity and conciseness	5	5	5	5	5	5	5	5	4	5
The prompt issue of final report	5	4	5	5	5	5	5	5	4	3
The recommendations will improve control and/or performance	5	4	4	4	5	5	5	4	3	3
Audit was constructive and added value overall	5	4	4	4	5	5	5	3	4	4
<b>Average</b>	<b>5</b>	<b>4.5</b>	<b>4.4</b>	<b>4.8</b>	<b>4.9</b>	<b>4.8</b>	<b>5</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>