

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 10 APRIL 2019
 title: INTERNAL AUDIT ANNUAL REPORT 2018/19
 submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2018/19.

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 2018/19 was based on the provision of 673 days of internal audit work. The detailed outturn position at 31 March 2019 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	219	-11
Other systems work	79	26	-53
Probity and Regularity	246	123	-123
On-going checks	12	12	-
Risk Management PI's	40	37	-3
Non-audit duties (insurance)	35	40	+5
Contingencies/Unplanned work	25	5	-20
Training	6	22	+16
Vacant post		189	+189
	673	673	-

2.4 With regard to the large variances between planned and actual days for other systems work and probity and regularity, this is due to the on-going staffing issues within the Internal Audit Section. This is referred to in more detail later in this report.

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 2018.

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	15
Substantial	9
Reasonable	0
Limited	0
Minimal	0

3.4 Assurance levels on the Council's key financial systems are consistently good. Testing on the majority of systems is complete and all audit reports issued with full assurance levels. Testing is largely complete on the Main Accounting Systems, with no areas of weakness or concern identified. I am confident that following completion of all testing, a full assurance level opinion will be given.

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 of the 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, all questionnaires returned average scores of 4 or above.

5 CURRENT STAFFING ISSUES

- 5.1 Due to Internal Audit staff leaving the Council during 2018/19, both the Senior Auditor and Audit Technician posts have at some point been vacant. We successfully recruited to the Audit Technician post in June 2018, but have so far been unable to appoint to the Senior Auditor's post.
- 5.2 This has inevitably impacted on our coverage for the year, but work has been prioritised and concentrated on the Council's fundamental systems. All testing on those systems has largely now been completed, with work on the medium and lower risk areas being included in the 2019/20 Audit Plan.

6 UPDATE ON RED RISKS

- 6.1 There are currently no red risks to report.

7 CONCLUSION

- 7.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2018/19 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

AA6-19/MA/AC
1 April 2019

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

Annex 1

2018/19 Planned Days	Audit	Actual days to 31/03/19	Status as at 31/03/2019
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	20	Testing largely complete
20	Creditors	20	At draft report stage
20	Sundry Debtors	20	At draft report stage
30	Payroll and HR	28	✓
40	Council Tax	40	✓
40	Housing Benefits/CT Support	38	✓
40	NNDR/Business Rates Pooling	38	✓
15	Cash Receipting	15	✓
230		219	
<i>Other Systems Work</i>			
15	VAT	5	Initial testing
12	Treasury Management	4	Initial testing
15	Procurement	0	Not started
20	Business Continuity	0	Not started
12	Asset Management	12	✓
5	Salthill Depot Stores	5	✓
79		26	
<i>Probity and Regularity</i>			
3	Joiners Arms Homeless Unit	3	✓
3	Members Allowances	3	✓
15	Recruitment/Safeguarding Arrangements	0	Not started
15	Insurance	0	Not started
5	Land Charges	5	✓
10	Fees and Charges/Cash Collection Procedures	10	✓
12	Health and Safety	12	✓
10	Car Parking	11	✓
5	VIC/Platform Gallery	0	Not started
12	Trade and Domestic Refuse Collection	12	✓
15	Externally contracted Provision of RVBC Services	0	Not started
10	Environmental Health	0	Not started
12	ICT Audit	0	Not started
5	Healthy Lifestyles/Up and Active	5	✓
5	Ribblesdale Pool	5	✓
3	Museum/Café	0	Not started
12	Partnership Arrangements	0	Not started
12	Grants received	12	✓
12	Grants paid	12	✓

2018/19 Planned Days	Audit	Actual days to 31/03/19	Status as at 31/03/2019
12	Data Protection	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started
10	Building Control	10	✓
3	Clitheroe Market	3	✓
5	Clitheroe Cemetery	5	✓
5	Licences	5	✓
5	Land and Property Leases	0	Not started
5	Outdoor Recreation	0	Not started
10	Planning Applications	10	✓
246		123	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	12	∞
25	Contingencies/unplanned work	5	Driving Licence/Car Insurance Check
15	Risk Management	15	∞
20	Corporate Governance	20	∞
5	Performance Indicators	2	∞
40		37	
30	Insurance	40	∞
6	Training	22	Training new member of Audit team
	Vacant post	189	
673		673	

Key:



Completed



In progress



Continuous Activity

Not started

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

Internal Audit- Assurance Opinion Results 2018/19

AUDIT	ASSURANCE LEVEL
Insurances/Driving Licences	Substantial ✓ ✓
Healthy Lifestyles	Full ✓ ✓ ✓
Clitheroe Market	Substantial ✓ ✓
Fees and Charges	Full ✓ ✓ ✓
Car parking	Substantial ✓ ✓
Grants	Substantial ✓ ✓
Members Allowances	Substantial ✓ ✓
Clitheroe Cemetery	Full ✓ ✓ ✓
Salthill Depot Stores	Substantial ✓ ✓
Asset Management	Full ✓ ✓ ✓
Land Charges	Full ✓ ✓ ✓
Ribblesdale Pool	Substantial ✓ ✓
Housing Benefits/CT Support	Full ✓ ✓ ✓
Cash Receipting	Full ✓ ✓ ✓
Trade and Domestic Refuse Collection	Full ✓ ✓ ✓
Payroll and HR System	Full ✓ ✓ ✓
Creditors System	Full ✓ ✓ ✓
Sundry Debtors System	Full ✓ ✓ ✓
Council Tax System	Full ✓ ✓ ✓
NNDR/Business Rates Pooling	Full ✓ ✓ ✓
Building Control	Full ✓ ✓ ✓
Planning Applications	Full ✓ ✓ ✓
Health and Safety	Substantial ✓ ✓
Homelessness	Substantial ✓ ✓

Indicative assurance level of Main Accounting System is Full. Testing is largely completed at this stage, but the report has yet to be issued.

Annex 3

Question	Audit Carried Out										
	Clitheroe Market	Healthy Lifestyles	Housing Benefits System	Pay and Display Car Parking	Ribblesdale Pool	Members Allowances	Clitheroe Cemetery	Land Charges	Building Control	Planning Applications	Homelessness
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	5	5	5	5	5	5	5	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	4	5	5	5	5	5	5
The auditors understanding of your systems and any operational issues	5	4	5	4	4	5	5	4	5	4	5
The audit carried out efficiently with minimum disruption	5	5	5	1	5	5	5	5	3	4	5
The level of consultation during the audit	5	3	5	3	4	5	5	4	3	4	5
The audit was carried out professionally and objectively	5	5	5	3	5	5	5	5	4	4	5
The draft report addressed the key issues and was soundly based	5	5	5	4	5	5	5	5	4	4	5
Opportunity to comment on findings	5	5	5	4	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	4	5
The prompt issue of final report	5	5	5	5	5	5	5	5	5	5	5
The recommendations will improve control and/or performance	5	5	5	5	4	5	5	4	4	3	5
Audit was constructive and added value overall	5	4	5	5	5	5	5	4	4	3	5
Average	5	4.6	5	4.1	4.7	5	5	4.7	4.2	4.2	5