

NORTH YORKSHIRE AUDIT PARTNERSHIP



Ryedale District Council

**Internal Audit Interim Report
2008/2009**

REPORT ISSUED TO

Members of the Overview & Scrutiny Committee

J.Waggott: -

Chief Executive; -

Paul Cresswell CPFA: - Corporate Director (s151 Officer)

DATE OF ISSUE: October 2008

CONFIDENTIAL



Ryedale District Council

Internal Audit Q2+ Report 2008/2009

Audit Manager: John Barnett

Partnership Manager: James Ingham CPFA

Tel 01723/232364

James.Ingham@Scarborough.gov.uk

Introduction

Internal audit providers in Local Government have an obligation to produce regular Internal Audit Reports to senior management usually the S151 Officer (the Strategic Director) and to members. This includes an annual audit report which we will report to the Overview and Scrutiny Committee in summer 2009, however this is an Interim report summarising work done to 30th November 2008. As an Interim report it contains: -

- ◆ A statement of assurance regarding the adequacy and effectiveness of the internal control system based on audits completed and reviewed to 30th November 2008.
- ◆ Any key issues and themes arising out of the internal audit activity that has been undertaken during the year to date.
- ◆ A summary of our performance during the period, including details of:
 - Audits completed;
- ◆ Current issues material to the Internal Audit function

Under the Accounts and Audit Regulations there is a requirement for the Council to undertake a review at least annually of the effectiveness of its system of internal control and to publish an Annual Governance Statement (AGS) which confirms the adequacy of those systems. To support this, Internal Audit need to provide the Strategic Director (S151 officer) with an opinion as to the effectiveness of the system of internal control. This opinion statement is provided in support of the Council's AGS which must be included in the Annual Financial Statements of the Council. The main thrust of the opinion statement is reiterated within this Internal Audit Interim Report.

Respective responsibilities of Management and Internal Audit

Responsibility for the Council's systems of internal control rests with line management. Internal Audit is neither a substitute for a sound system of internal control nor an extension of management responsibility for internal control. The responsibility for the prevention and detection of irregularities rests with the Council and its line management. It also has a specific Housing Benefit Fraud Investigation Team. The North Yorkshire Audit Partnership will endeavour to plan audit work so that there is a reasonable expectation of identifying where potential for material fraud exists. It is the responsibility of the Strategic Director (S151 officer), in conjunction with the Council's external auditors, and the Audit Partnership Manager (NYAP) to determine the scope of Internal Audit.

Basis of Assurance

We have conducted our audits both in accordance with mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government.

The CIPFA Code defines Internal Audit as an assurance function providing an independent opinion on the Internal Control Environment, comprising Risk Management, Control and Governance. Accordingly we have structured our opinion around these themes.

<i>The Assurance:</i>	
<i>Risk Management</i>	<i>The Council's Risk Management arrangements require work to continue to be undertaken in 2008/2009 to consolidate the existing arrangements, and to ensure further assurance can be given.</i>
<i>Internal Control [financial systems, etc.]</i>	<i>Our overall opinion is that the internal controls within the financial systems in operation are fundamentally sound. This is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound.</i>
<i>Corporate Governance</i>	<i>Overall these arrangements are satisfactory, including the local Code of Corporate Governance.</i>

Audits in progress, & Forward audit plan 2008/2009

Our target is that we will achieve at least 95% of the audit plan, which exceeds the level [90%] that is good practice and recognised as such in the CPA assessment process.

The audits completed, in progress, and planned for the remaining quarters of the year are shown in the table: -

Audit	Status
<u>Material Systems (AC definition)</u>	
Income system	Completed ~ good
Car Parking	Planned Q3
Council Tax	Planned Q3
Creditors	In progress Q3
Debtors	Completed ~ draft
Housing Benefits	Planned Q4
Treasury Mgt	Planned Q3
Asset mgt (capital accounting)	Planned Q4
General Ledger	Planned Q4
NNDR	Planned Q4
Payroll	Planned Q4
<u>2008/09 Audit plan work</u>	
Dog Enforcement	Completed ~ Good
Partnerships ~ Governance	Completed ~ Satisfactory
Personnel & training	Completed ~ Good
Pest Control	Completed ~ Good

<u>Audit</u>	<u>Status</u>
Property Rentals ~ Admin Bldgs	Completed ~ Good
Warden Control	Completed ~ Good
Housing Benefit Fraud	Completed ~ Satisfactory (draft)
Grant funding (& payment)	Planned Q3
Contract Audit ~ Procurement	In progress Q3
Tax Management	In progress Q3
Tourism & TICs	In progress Q3
Grounds Maintenance	Completed ~ Good
Performance Management System (Data Quality)	In progress Q3
Car Leasing / Loans	Planned Q4
Local Land Charges	Planned Q4
<i>Follow ups</i>	
Garages & Depot	In progress Q3
Taxi Licencing	Planned Q3
Health & Safety	Planned Q4

Key Issues/Themes in 2008/2009

From our audit work to 30th November 2008 we have issued audit reports covering specific audits included in the agreed audit plan for the Council.

A summary of the key issues arising from our audit work in the year to date is attached as Appendix 1.

From an internal control perspective we should be mindful of pressures to change systems and operating methods to achieve savings etc, which in themselves appear to be effective and efficient, but carry an increased risk to the Council if the control and management aspects are overlooked in their implementation. I consider that Internal Audit has a role to play in these changes to ensure, so far as practicable, that the internal control environment is not overlooked in the development of new ways of working.

We are very much aware of the need to move forward but this should not be at the expense of installing unacceptable control risk.

Achievement of the Audit plan

Operational plans are prepared and agreed with the Strategic Director (S151 officer), and the Head of Financial Services during February and March. The proposed internal audit coverage is agreed with the Council's external auditors, with whom we enjoy a continuous dialogue to ensure that we are working in sympathy with each other throughout the year. This ensures that the overall audit investment is optimised.

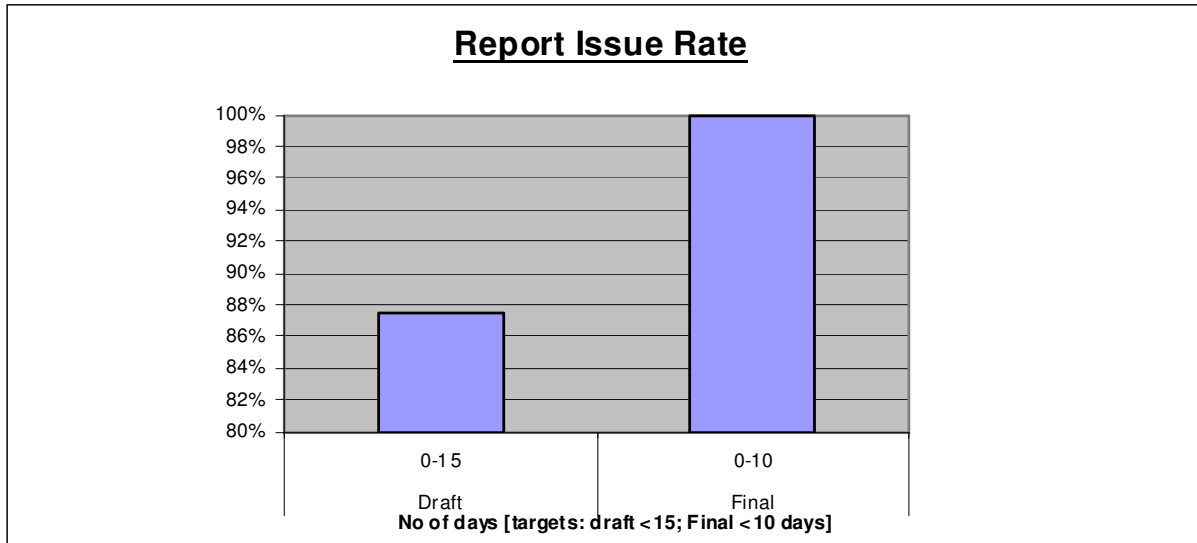
We report regularly to the Overview and Scrutiny Committee with information on audits completed, including follow-ups and the key issues from each audit. The Audit Partnership Manager (NYAP), and Audit Manager (Ryedale/Selby) as required, will attend the Committee when these Interim reports and Annual Internal Audit Report are presented.

Performing your audit

Planned work is conducted on a phased basis to ensure sufficient coverage throughout the year,

Draft reports are issued within 15 working days of the completion of the audit, and to date, of the reports issued (including follow up audit reports), 85% of these draft reports were issued within the 15 day target.

Final Audit reports, including agreed management Action Plans are issued promptly, and within 10 days of the draft being agreed. It should be noted though that there are some occasions when there have been significant delays in securing time from managers to discuss and agree draft reports, but once discussed we have issued reports within our prescribed target time.



Summary of Key Issues arising from Audits completed to 30th November 2008.

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
Income System 2/0170.8 <i>good</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ The officers involved are all knowledgeable and experienced, and provide an efficient and effective service. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Only minor weaknesses identified 	<ul style="list-style-type: none"> ◇ Only minor recommendations 	2009/2010
Debtors 2/0130.8 <i>good</i> <i>draft – to be discussed and agreed</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ The officer involved is knowledgeable and experienced, and provides an efficient and effective service. ◇ The controls in place are working to a good standard. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Minor weaknesses only 	<ul style="list-style-type: none"> ◇ Minor recommendations only. 	2009/2010
TIC's 2/3640 <i>good</i> <i>draft – to be discussed and agreed</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ The officers involved are knowledgeable and experienced, and provide an efficient and effective service to residents of and visitors to the District. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Minor weaknesses only. 	<ul style="list-style-type: none"> ◇ Minor recommendations only. 	2011/2012
Tax Management (VAT) 2/2550.8 <i>good</i> <i>draft – to be discussed and agreed</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ The controls in place were found to be effective, with officers having a good knowledge of controls and procedures. The monthly VAT Return to HM Revenue & Customs is always returned within the limits allowed, and surplus input tax paid out is generally reimbursed by HMRC promptly. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Minor weaknesses only. 	<ul style="list-style-type: none"> ◇ Minor recommendations only 	2009/2010

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
Audits previously reported			
Dog Enforcement 2/2070 <i>good</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness.	Recommendations. ◇ Minor recommendations only	Audit next programmed for 2011/2012
Partnerships 2/1095 <i>satisfactory</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness.	Recommendations. ◇ Minor recommendations only.	Audit next programmed for 2010/2011
Personnel & Training 2/1090 <i>good</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness.	Recommendations. ◇ Minor recommendations only.	Audit next programmed for 2011/2012
Pest Control 2/2130 <i>good</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness	Recommendations. ◇ Minor recommendations only.	Not programmed
Property Rentals 2/1100 <i>good</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness	Recommendations. ◇ Minor recommendations only.	Follow Up 2011/2012
Ryecare 2/3070 <i>good</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness	Recommendations. ◇ No recommendations.	Audit next programmed for 2011/2012
Housing Benefit Fraud 2/0155 <i>satisfactory</i> <i>draft</i>	Strengths ◇ Controls established and generally effective. Weaknesses ◇ No material weakness	Recommendations. ◇ Minor recommendations only.	Audit next programmed for 2010/2011
Grounds Maintenance	Strengths ◇ Controls established and		Audit next

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
2/1590 <i>good</i>	generally effective. Weaknesses No material weakness	Recommendations. Minor recommendations only.	programmed for 2010/2011

Opinion Description

<i>Good</i>	Minimal risk identified; a few minor recommendations.
<i>Satisfactory (The default option)</i>	Some risk identified; some changes should be made.
<i>Marginal</i>	Some risk identified; some changes should be made. [bordering on 'unsatisfactory']
<i>Unsatisfactory</i>	Unacceptable risk identified; changes must be made.
<i>Unsound</i>	Major risk exists; fundamental improvements are required.