

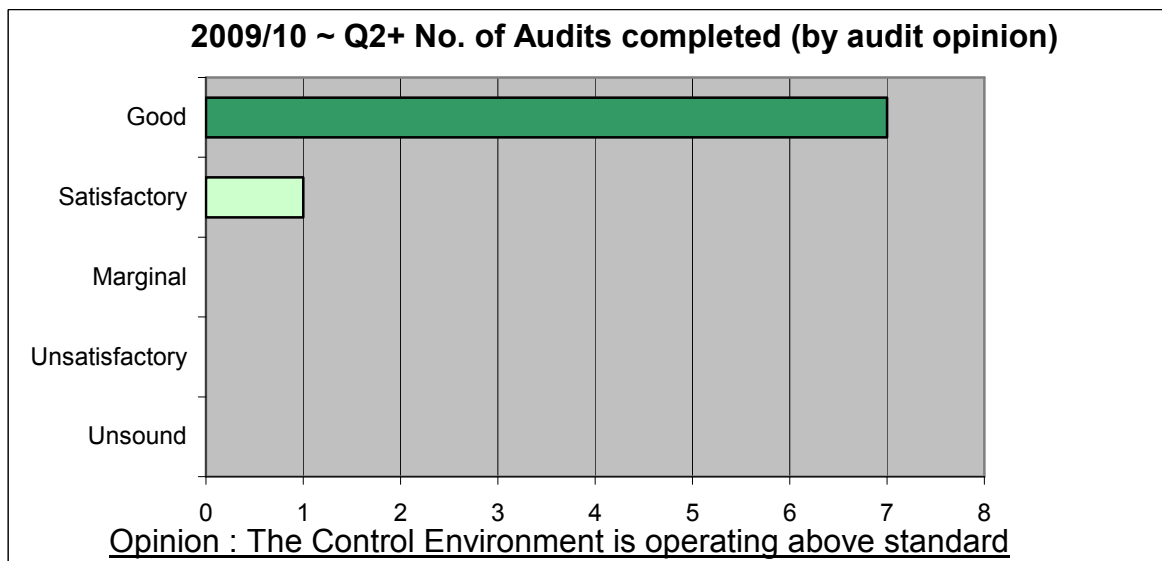


Independent Assurance

Internal Audit 2009/10 Q2+ report



Ryedale DC December 2009



Head of Partnership: James Ingham CPFA

Audit Manager : Mike Winspear; John Barnett

Circulation list: Members Overview & Scrutiny Committee
Chief Executive
S151 Officer

Summary

1.0 Introduction

- 1.1 Internal Audit is a mandatory requirement for all councils, (Accounts & Audit regulations). The Council meets that requirement by an Internal Audit service provided through the North Yorkshire Audit Partnership.
- 1.2 The Partnership provides the service and works to the Cipfa Code of Practice for Internal Audit in Local Government. The council's external auditors undertake a tri-ennial review of the Partnership (due 2009/10), which adds to the Accounts & Audit regulation requirement that the council undertakes an annual review of the effectiveness of the system of Internal Audit. The results of both reviews are presented to the Overview and Scrutiny Committee (in its audit committee role) of the Council.
- 1.3 Internal audit providers in Local Government have an obligation to produce an Annual Internal Audit Report. The Partnership considers that it is important for the panel to receive regular interim reports of audits completed, and this report follows the style of the annual report.
- 1.4 This is an important document in many ways and brings together the following in one consolidated report.
 - ◆ A clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control environment.
 - ◆ The key issues and themes arising out of the internal audit activity that has been undertaken during 2009/2010, encompassing systems audit work and any specialist reviews.
 - ◆ A summary of the opinions and key issues for the audits completed.
- 1.5 This interim report is, however, more than the sum of these parts; taken as a whole it is an important contribution to the Council reaching an understanding of what risks exist and how well they are being managed.
- 1.6 The presence of an effective internal audit function contributes significantly to the strong counter-fraud and corruption culture that exists in the council.
- 1.7 During 2009/10 only three special investigations have been required to date, of which one was to support the Council Solicitor in his role as standard officer for the parishes, suggesting that the present internal control framework is effective.
- 1.8 The internal audit team are closely involved with governance matters, and take an active part in the Council's preparation for the CAA and are directly involved with the preparation and drafting of the Council's Annual Governance Statement.

2.0 Planned Audit work 2009/10

- 2.1 The agreed number of days in the plan for internal audit was 265. The plan itself was derived from the Partnership's risk model, devised to target resources to those areas that are considered to be of the greatest risk.
- 2.2 It is, however, tempered by a number of factors; the most significant of these being the expectation of the external auditors that internal audit undertake work on the material (significant) systems of the council on an annual basis. The volume of time required is largely constant, so the balance is used for locally directed and determined audit assignments.
- 2.3 We note that the council is planning to award its Housing Benefit Fraud work to Veritau, for a fixed period, and we will work closely with the company in this particular area.
- 2.4 The plan also includes a provision for specialist audit work including ICT audit, and work around the partnership governance area. Finally it also includes an amount of time to meet Client support requirements, including attending audit committee, and ad-hoc or special investigations.

2.5 The report also contains a table which shows the schedule of planned audit work, and the audit opinion associated with those audits completed.

3.0 Matters of significance from the work completed in the year

3.1 The areas that were especially pleasing to report are as follows: -

👍 The majority of audits returned a 'good' opinion.

3.2 The only area that generated concern were as follows: -

👎 Controls could have been better with mobile telephony, but there was no evidence of either control failure or misuse. The Partnership will be following up areas of concern later in 2009/10.

4.0 Audit Opinion and Assurance Statement

4.1 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.

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

4.3 For 2009/2010, the internal audit opinion is derived from work completed as part of the agreed internal audit plan, which includes compliance with the managed audit. This is work done as part of the joint protocol between the Council's internal and external auditors who themselves are required to give an opinion on the Council's accounts. It is accepted that Internal Audit has an established position of independence within the Council more especially with the specific arrangements that exist with the North Yorkshire Audit Partnership. It has experience in control and assurance matters generally.

4.4 On balance, based upon the audit work done, together with the pre-existing cumulative audit knowledge and experience of other areas not subject to audit this year our overall audit opinion is that the Internal Control Environment for the Council is "operating above standard".

The Assurance:	
Risk Management	The Council has embedded Risk Management within the organisation. The use of performance management software has enhanced this position and has provided a basis for future improvement.
Governance	Our work this year to date leads us to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control [Financial systems, etc.]	Our overall opinion is that the internal controls within the financial systems in operation in the year to date are fundamentally sound. (100% of audits completed had a 'good' or 'satisfactory' audit opinion. 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.

Table of 2009/10 audit assignments completed

Audit	Status
<u>2009/10 ~ Material Systems (External Audit definition)</u>	
Council Tax	Scheduled ~ Q3
Creditors + e-procure/purchase cards	Scheduled ~ Q3
Debtors	Scheduled ~ Q3
Income System	Scheduled ~ Q2 ~ Commenced
NNDR	Scheduled ~ Q4
G. Ledger + Bank Reconciliation's	Scheduled ~ Q4
Housing Benefits	Scheduled ~ Q3
Payroll	Scheduled ~ Q4
Treasury Mgt	Scheduled ~ Q3
Asset Management (Capital Accounting)	Scheduled ~ Q4
<u>2009/10 Audit plan work</u>	
<u>Head of Environmental Services</u>	
<i>Health & Environment</i>	
Licensing Act(s)	Completed ~ Good
Markets	Completed ~ Good
<i>Street Scene Services</i>	
Trade Refuse	Scheduled ~ Q2 ~ practically complete
<u>Head of Economy & Housing</u>	
<i>Economic & Community</i>	
Leisure Contract (C L Ltd)	Scheduled ~ Q2 ~ practically complete
<i>Housing Services</i>	
Grants (Disabled access; etc)	Completed ~ Good
<u>Head of Planning</u>	
<i>Forward Planning</i>	
Sustainability	Completed ~ Good
Local Plan	Scheduled ~ Q4
<u>Head of Transformation</u>	
Performance Indicators	Scheduled ~ Q3 ~ practically complete
<u>Head of Resources</u>	
<i>Revenue & Financial Services</i>	
Members Allowances	Completed ~ Good
Insurance	Completed ~ Good
Tax management	Scheduled ~ Q3
<i>Facilities & Emergency Planning Services</i>	
Industrial Units (rentals)	Completed ~ Good
<i>Customer Services & Benefits</i>	
Telephones	Completed ~ Satisfactory
Risk Management Action Plans	Scheduled ~ Q2 ~ commenced

Summary of Key Issues arising from audits completed to 30th November 2009;

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
<u>Licensing</u> <i>good</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ Officers involved have long experience of administering licensing. They 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 recommendation 	To be followed up in 6 months

Audits completed and previously reported to the Committee.

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
<u>Markets</u> <i>good</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ Officers involved have long experience of administering markets and a good working relationship with the traders, many of these being of long standing. They 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 	To be followed up in 6 months
<u>Grants (Disabled access etc.)</u> <i>good</i>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ Housing Services provide Disabled Facilities Grants through an in-house Home Improvement Agency, which generates fee income as well as enhancing the range of services provided. ◇ The officers involved are knowledgeable about grants, property adaptations and the tradesmen and companies that carry out such work in the District. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Only minor weaknesses identified 	<ul style="list-style-type: none"> ◇ One minor recommendation 	To be followed up in 6 months

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
<u>Sustainability</u> <u>good</u>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ The council was successful in securing support from the Energy Saving Trust's One-To-One Support Program. This has the potential of accessing additional funding, initiatives and projects. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Only minor weaknesses identified 	<ul style="list-style-type: none"> ◇ Only minor recommendations 	To be followed up in 6 months
<u>Members Allowances</u> <u>good</u>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ As the MPs' Expenses furore was in full flow at the time of the review, it was reassuring to note that there was no evidence of inappropriate expenditure going through Members Allowances. Levels of allowances are in line with the Independent Review Panel's recommendations, and sound procedures are in place. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Information availability was hampered by sickness absences. But, once found, the information did not identify any significant weaknesses. 	<ul style="list-style-type: none"> ◇ Only minor recommendations 	To be followed up in 6 months
<u>Insurance</u> <u>good</u>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ After an extended period with Zurich Municipal the council started a 5-year agreement with AIG in October 2008, bringing about significant cost savings. The officers involved are knowledgeable and experienced. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ The documentation relating to the new agreement is less structured and orderly than was the case with Zurich Municipal and, at the time of review, some parts remained to be finalised, hampering 	<ul style="list-style-type: none"> ◇ Only minor recommendations 	To be followed up in 6 months

<u>Audit & Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status – Audit Next Programmed</u>
	the process. However the weaknesses identified were only minor.		
<u>Industrial Units (rentals)</u> <u>good</u>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ A Chartered Surveyor, working on contract in Facilities & Emergency Planning Services, is in the process of streamlining the procedures involved in the administration of Industrial Units. This includes linking all leases to the Retail Price Index and applying the new rents from the start of the financial year. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Only minor weaknesses identified 	<ul style="list-style-type: none"> ◇ Only minor recommendations 	To be followed up in 6 months
<u>Telephones</u> <u>satisfactory</u>	<p>Strengths</p> <ul style="list-style-type: none"> ◇ At the time of the review ICT had recently taken over the administration of telephones. Officers involved are working on improving the monitoring procedures and reporting. <p>Weaknesses</p> <ul style="list-style-type: none"> ◇ Usage monitoring has, historically, been inadequate. It should be noted that audit testing did not identify any evidence of misuse of the telephone facilities, but more formal monitoring should be in place to ensure that this continues to be the case. 	<ul style="list-style-type: none"> ◇ Recommendations mainly relate to the need for monitoring reports to be produced, circulated to the relevant Service Unit Managers and for them to at least spot-check these reports. 	To be followed up in 6 months

Opinion Description

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