

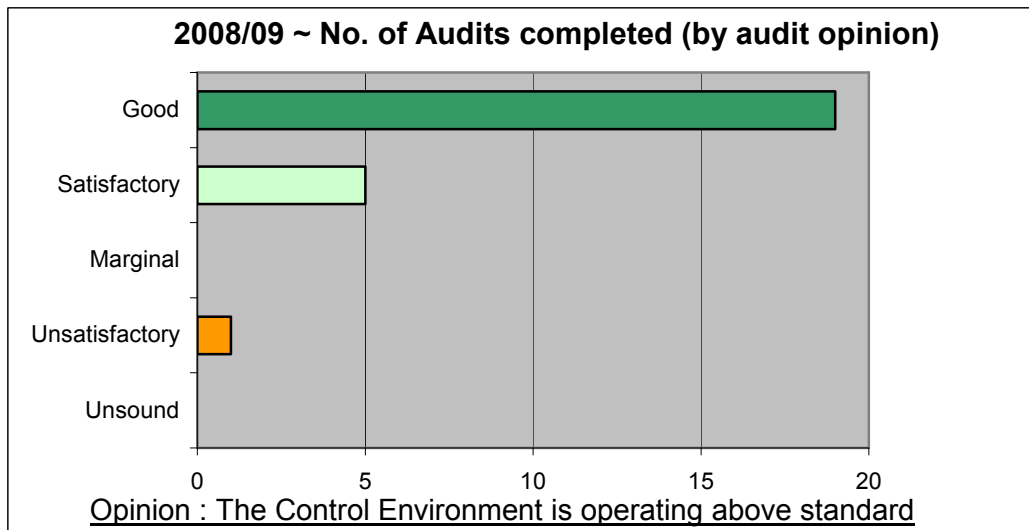


*Independent Assurance*

# Internal Audit Annual Report



**Ryedale DC  
June 2009  
Final**



Head of Partnership: James Ingham CPFA

Audit Manager : John Barnett

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

## **Summary**

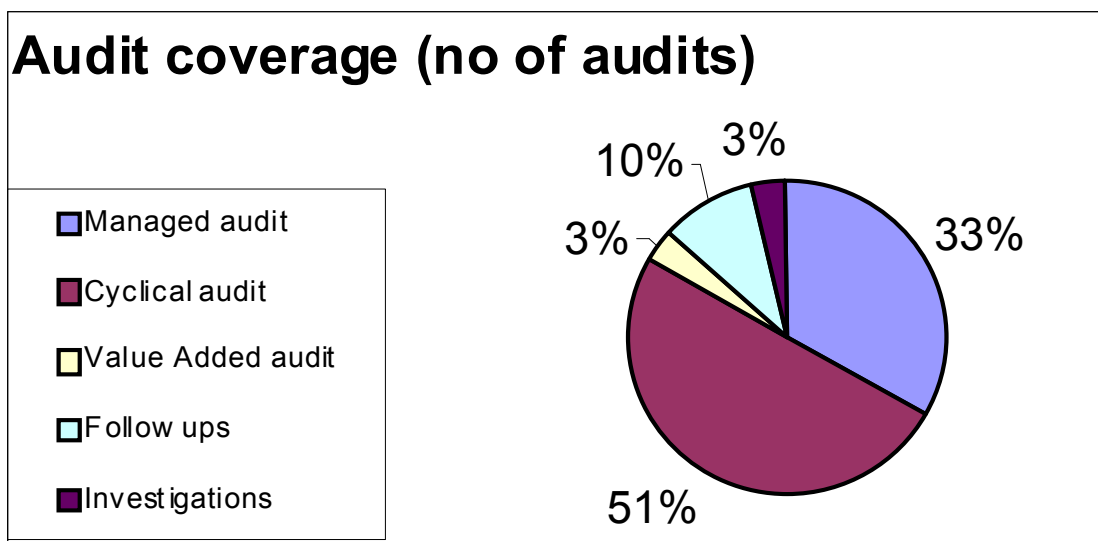
### **1.0 Introduction**

- 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 (next review 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 audit committee of the Council.
- 1.3 Internal audit providers in Local Government have an obligation to produce an Annual Internal Audit Report. 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 2007/2008, encompassing systems audit work and any specialist reviews.
  - ◆ A summary of our performance during the year, including details of:
    - The summary of the opinions for the audits completed
- 1.4 The Annual 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.

### **2.0 Planned Audit work 2008/09**

- 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 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.

2.4 The chart below shows the spread of audit assignments.



2.5 Appendix A shows the final table of planned audit work, and the audit opinion associated with the audits completed.

2.6 This section of the annual report focuses on measuring the performance of the North Yorkshire Audit Partnership specifically against the delivery of the internal audit service to Ryedale District Council. Appendix B provides a summary of the performance indicators as measured against accepted standards. It will be noted that some of the performance measures are subjective and can only be considered by the Council.

### **3.0 Matters of significance from the work completed in the year**

3.1 We are pleased to report that Performance management is now becoming embedded in the day to day routines of the Council, using Covalent. This is also now being used to further develop Risk Management.

3.2 We anticipate being able to use Covalent to drive improvements in the follow up process of agreed audit recommendations.

3.3 There has been one special investigation during the year, which was centred on poor budget monitoring in one specific area. (Adverse, overspending budget reports were being issued by financial services, but were not acted upon)

3.4 Consequently and concurrently the Council's FPR (Financial Procedure Rules) are being reviewed and revised.

### **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.

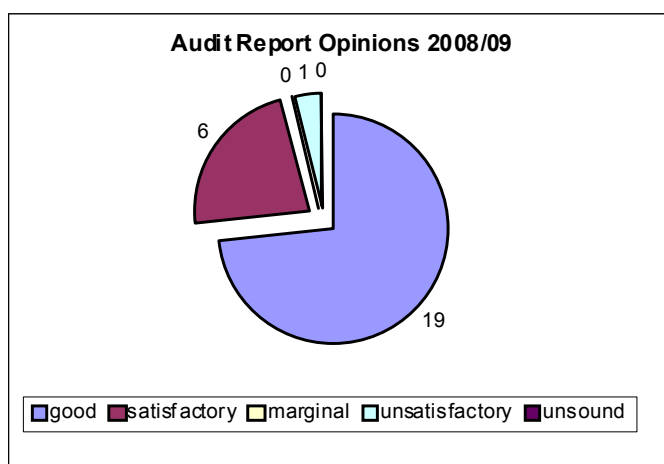
4.2 The CIPFA Code defines Internal Audit as an assurance function providing an independent opinion on the Internal Control Environment, comprising Risk Management, Governance and Internal Control. Accordingly we have structured our opinion around those three themes.

4.3 For 2008/2009, 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 is on the way to embedding Risk Management within the organisation.
Governance	Our work this year leads us to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control [financial systems, etc.]	<p>Our overall opinion is that the internal controls within the financial systems in operation throughout the year are fundamentally sound. (96% of audits completed had a 'good' or 'satisfactory' audit opinion.</p> <p>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.</p>

Table of 2008/09 audit assignments completed



<i>Audit</i>	<i>Status</i>
<i>Material Systems (AC definition)</i>	
Council Tax	Completed – Good
Creditors + e-procure/purchase cards	Completed – Satisfactory
Debtors	Completed – Good
G.Ledger + Bank Rec's	Completed – Good
Housing Benefits	Completed – Good
Income System	Completed – Good
NNDR	Completed – Good
Payroll	Completed – Satisfactory
Treasury Mgt	Completed – Good
Fixed Assets (Capital Account)	Completed – Good
<i>2008/09 Audit plan work</i>	
<i>Head of Environmental Services</i>	
Dog Enforcement	Completed – Good
Pest Control	Completed – Good
Grounds Maintenance	Completed – Good
Car Parks	Completed – Good
<i>Head of Economy and Housing</i>	
Tourism and TIC's	Completed – Good
Ryecare	Completed – Good
<i>Head of Planning</i>	
Grant Funding	Not completed
<i>Head of Organisational Development</i>	
ICT	Completed - Satisfactory
Personnel and Training	Completed – Good
Local Land Charges	Completed – Satisfactory
<i>Head of Transformation</i>	
Performance Indicators	Completed – Good
Partnerships	Completed – Satisfactory
<i>Head of Resources</i>	
Car Loans and Leasing	Completed – Good
Tax Management	Completed – Good
Property Rentals	Completed – Good

<u>Audit</u>	<u>Status</u>
Contract Audit	Completed – Unsatisfactory
HB Fraud	Completed – Satisfactory
<i>Follow Ups</i> <i>From 07/08 Audits</i>	
Garages and Depots	
Taxi Licensing	
Health and Safety	

## Ryedale District Council

### Internal Audit Performance measures

	Performance Measures	Partnership Performance 2008/2009
Cost	<ul style="list-style-type: none"> <li>• Cost of service compared with similar organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership £ 59,625</li> <li>• Family Group c.£ 75,500</li> </ul>
Audit Coverage	<ul style="list-style-type: none"> <li>• Actual audits completed compared with the plan.</li> <li>• Productive or field work time as a percentage of total time</li> <li>• Actual areas covered within the plan.</li> </ul>	<ul style="list-style-type: none"> <li>• 26 out of 26 audits planned were completed; 100%. (Revised 08/09 plan) plus follow up audits.</li> <li>• 100% non-productive time is borne by the Partnership.</li> <li>• All necessary work completed; (any changes made to the original plan are agreed with Head of Financial Services).</li> </ul>
Audit Plans	<ul style="list-style-type: none"> <li>• Timeliness of preparation.</li> <li>• Conformity with CIPFA Standards</li> <li>• Usefulness to readers</li> </ul>	<ul style="list-style-type: none"> <li>• Annual audit plan always produced and approved in advance of new financial year.</li> <li>• Complies with CIPFA standards and external audit requirements.</li> <li>• Council to consider this aspect.</li> </ul>
Audit Reports	<ul style="list-style-type: none"> <li>• Timeliness of preparation.</li> <li>• Factual accuracy.</li> </ul>	<ul style="list-style-type: none"> <li>• Draft reports to be issued within 15 days of completion of audit. (over 80% within target).</li> <li>• Council responses to draft reports reflect high levels of factual accuracy achieved.</li> </ul>
Recommendations	<ul style="list-style-type: none"> <li>• Comments by clients and management.</li> <li>• Implementation of the Management Action Plan (MAP) by clients.</li> <li>• Timeliness of follow up of implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Council responses to reports normally very positive.</li> <li>• Generally good implementation of the MAP by clients.</li> <li>• Formal follow up process and regular reports to the Overview &amp; Scrutiny Committee.</li> </ul>
Relationships	<ul style="list-style-type: none"> <li>• Senior management's opinion of Internal Audit provided by the Partnership.</li> <li>• Relationship with the External Auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• This is reflected in the questionnaires used in the A&amp;A Reg 6 review of effectiveness.</li> <li>• Relationship with the external auditors is good and audit work is co-ordinated to achieve optimum effectiveness for the Council.</li> </ul>
Reviews by other agencies	<ul style="list-style-type: none"> <li>• Extent of External Auditor's reliance on Partnership work.</li> </ul>	<ul style="list-style-type: none"> <li>• External auditor continue to place reliance on our work.</li> </ul>
Staffing and Training	<ul style="list-style-type: none"> <li>• Continuity in staffing.</li> <li>• Provision of appropriate training for staff.</li> <li>• Use of staff with specialist skills; e.g. IT Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Partnership for management,</li> <li>• Local Audit Manager for Ryedale for service continuity, and local knowledge.</li> <li>• Partnership has an established training policy and programme.</li> <li>• Used as required or appropriate to Council's needs.</li> </ul>