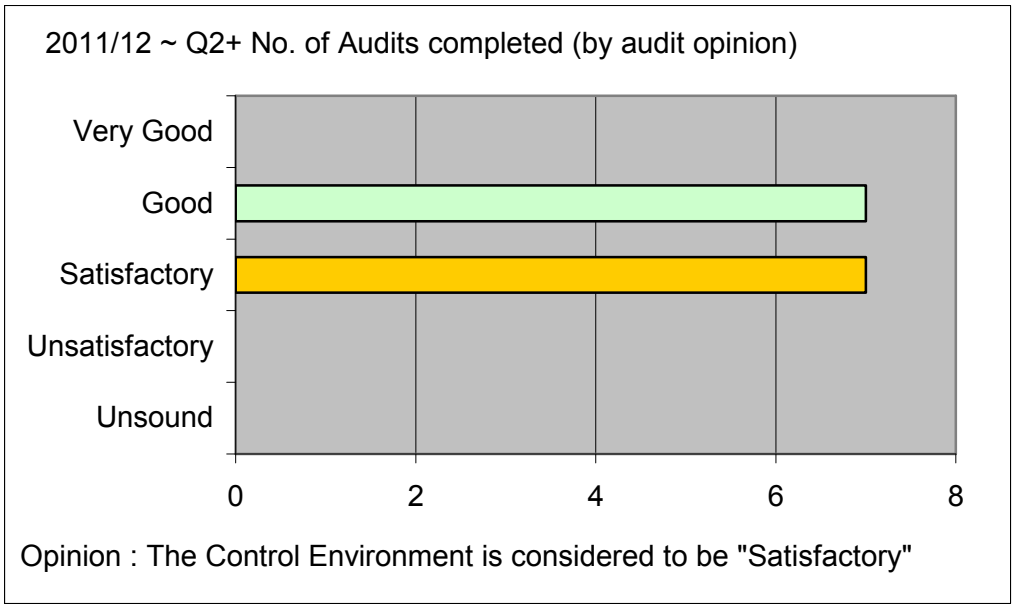
Independent Assurance

Internal Audit 2011/12 Q2+ report

Ryedale DC
December 2011



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Circulation list: Members Overview & Scrutiny Committee
Chief Executive
Corporate Director (s151)

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 have undertaken a tri-ennial review of the Partnership which added 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 Committee to receive regular interim reports of audits completed, and these two reports follow a common style.

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 2011/2012, 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 2011/12 no special investigations have been required to date, suggesting that the present internal control framework is proving effective so far.

1.8 The internal audit team are closely involved with governance matters, and take an active part in the Councils Governance and are directly involved with the preparation and drafting of the Council's Annual Governance Statement.

2.0 Planned Audit work 2011/12

2.1 The agreed number of days in the plan for internal audit was 245. 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 The number of days is to reduce to 225 in 2012/13 and each subsequent year.

2.3 That projected plan value is, in our professional opinion, adequate to allow the Partnership to provide the requisite assurance to the Council on the system of Internal Control. The proportion committed to the material systems may become disproportionately large being almost 50% of the total plan value. The consequence is that over a number of years, a number of discrete work areas may not be subject to an internal audit.

2.4 We are aware that the Council is moving to a 'commissioning' model and that may influence the range and type of Internal Audit work that is required in future years.

2.5 The projected plan 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.

2.6 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.

2.7 This 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 undertaken so far have returned a 'satisfactory'' opinion (including in progress and draft stage).
- Recommendations from previous years have been, for the most part, implemented.

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 2011/12, 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 "to a satisfactory 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 an audit opinion of "Satisfactory" or better. 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 2011/12 audit assignments

Audit	**Status**	**O&S (Audit) Committee**
2011/12 ~ Material Systems (External Audit definition)		
Creditors + e-procure/purchase cards	Complete – Satisfactory (Extra Testing Q4)	October 2011
Debtors	Complete – Good (Extra Testing Q4)	October 2011
G. Ledger + Bank Reconciliation's	Complete – Good (Extra Testing Q4)	October 2011
Payroll	Complete – Good (Draft)	December 2011
Income System	In Progress	
Fixed Assets	Complete – Satisfactory	October 2011
Council Tax	Due Q3	
NNDR	Due Q3	
Housing Benefits	Due Q3	
Treasury Mgt	Due Q4	
2011/12 Audit plan work		
Cultural Grants	Complete – Satisfactory	October 2011
Recycling	Complete – Satisfactory/Good	October 2011
Car Parks	Complete – Satisfactory	October 2011
Ryecare (Warden Control)	Complete – Satisfactory	October 2011
Community Safety	Complete – Satisfactory	October 2011
Licensing Acts	Complete – Good (Draft)	December 2011
Dog Enforcement (Warden)	Complete – Good (Draft)	December 2011
Food Safety	Complete – Good	December 2011
Pollution Control	Complete – Good (Draft)	December 2011
CLL (Community Leisure Ltd.)	Due Q4	
Development Control	Due Q4	

Appendix 1

Summary of Key Issues arising from audits completed to 30th November 2011

Audit & Opinion	*Key Issues*	*Recommendations*	*Status; – Follow up due: -*
Licensing Acts *Good (Draft)*	Strengths ◊ Controls within Licensing are effective and no errors were identified. Weaknesses ◊ No weaknesses identified.	Recommendations ◊ A number of small recommendations made	Due 2014/15
Dog Enforcement (Warden) *Good (Draft)*	Strengths ◊ Knowledge of processes and legislation is good ◊ Controls in place are effective and well managed Weaknesses ◊ Links on the public website do not work and therefore information is not easily accessible	Recommendations ◊ Links on the website should be corrected and updated ◊ The Dog Warden & Animal Welfare Service Enforcement Policy and the Animal Welfare Charter should be reviewed	Due 2014/15
Food Safety *Good*	Strengths ◊ Controls are well established and effective ◊ A recent audit of the service by the North Yorkshire Food Liaison Group (NYFLG) did not identify any issues or non conformance Weaknesses ◊ No additional weaknesses identified	Recommendations ◊ A number of very small recommendations were made during the NYFLG external audit, therefore none repeated by NYAP	Due 2014/15
Pollution Control *Good (Draft)*	Strengths ◊ Well established systems of working in place. Team has good awareness of current and anticipated		Due 2014/15

Audit & Opinion	*Key Issues*	*Recommendations*	*Status; – Follow up due: -*
	legislation. Weaknesses ◊ Procedure notes etc. are not up to date with current legislation.	Recommendations ◊ The Procedures for Local Authority Prevention and Control should be reviewed and, where necessary, revised to reflect current legislation ◊ The data held in the current database should be migrated to an up to date server based solution.	
Payroll *Good (Draft)*	Strengths ◊ Well established systems of working in place. Weaknesses ◊ The current system is inflexible and information is not readily available ◊ City of York has yet to go live with their new Payroll system. ◊ RyeDC and York are at present, still continuing with an agreement which ended in March 2011	Recommendations ◊ The terms and conditions of the service that York provide to Ryedale when the new system is in place should be formalised and a new Service Level Agreement drawn up and signed ◊ Up to date processing deadlines should be published on the intranet.	Due 2012/13

Summary of Key Issues arising from audits completed and previously reported

Audit & Opinion	*Key Issues*	*Recommendations*	*Status; – Follow up due: -*
Creditors *Satisfactory*	Strengths ◊ Staff members within the Creditors section are experienced in their roles and have a good understanding of the risks and controls required Weaknesses ◊ Duplicate invoices and security of blank cheques	Recommendations ◊ Blank cheques should be held securely with access restricted to authorised key holders only ◊ Credit balances should be reviewed regularly	Due 2012/13

Audit & Opinion	*Key Issues*	*Recommendations*	*Status; – Follow up due: -*
Debtors *Good*	Strengths ◊ Controls are effective and there are no areas of concern	Recommendations ◊ Minor recommendations made	Due 2012/13
General Ledger *Good*	Strengths ◊ Controls are effective and there are no areas of concern	Recommendations ◊ One minor recommendation made	Due 2012/13
Fixed Assets *Satisfactory*	Strengths ◊ At the time of the last audit work was underway to make the Real Asset Management system fully operational as the Fixed Asset Register, this has now been achieved. ◊ The Asset Management Group has now been re-formed and meets regularly. Weaknesses ◊ The Asset Management Plan needs updating and reviewing	Recommendations ◊ A number of recommendations have been made but are in discussion stage. These will be reported when finalised	Due 2012/13
Cultural Grants *Satisfactory*	Strengths ◊ Stringent criteria required for grants are documented and followed closely Weaknesses ◊ Spreadsheets for monitoring the grants are not up to date or reconciled to the General Ledger	Recommendations ◊ Quarterly reconciliations should be undertaken	Due 2014/15
Recycling *Satisfactory/ Good*	Strengths ◊ Controls are effective Weaknesses ◊ No major weaknesses	Recommendations ◊ Minor recommendations	Due 2014/15

Audit & Opinion	*Key Issues*	*Recommendations*	*Status; – Follow up due: -*
	identified	made	
Car Parks *Overall Satisfactory*	Strengths ◊ Overall all base controls in relation to income are good Weaknesses ◊ Poor segregation of duties ◊ Weaknesses in relation to controls surrounding permits and smart cards	Recommendations ◊ Reconciliations should be carried out to ensure that all permits and smart cards have been charged for ◊ Management should consider adopting a more structured regime for parking permits according to type, with one value per permit type. ◊ Management should consider introducing an identification mark or hologram on all permits, which will make the unauthorised replication of permits more difficult.	Due 2013/14 follow up
Ryecare (Warden Control) *Satisfactory*	Strengths ◊ Several contracts recently won ◊ Service unit runs effectively Weaknesses ◊ Lack of CRB checks	Recommendations ◊ CRB checks should be carried out for all relevant posts	Due 2012/13 follow up
Community Safety *Satisfactory*	Strengths ◊ Safer Ryedale Plan is now up to date ◊ Objectives are set annually and performance against objectives achieved Weaknesses ◊ Lack of reconciliation at year end ◊ Funding opportunity was missed for 2010/11	Recommendations ◊ Reconciliations should be regularly undertaken	Due 2014/15

Opinion Description

Very Good	Overall, very good management of risk with none, or minimal, weaknesses identified. An effective control environment is in operation.
Good	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified.
Satisfactory	Overall, satisfactory management of risk with some weaknesses (which may be material or significant) identified. An acceptable control environment is in operation, but there are a number of improvements that could be made.
Unsatisfactory	Overall, poor management of risk with significant or material control weaknesses in key areas. Major improvements are required before an effective control environment will be in operation.
Unsound	Overall, there is a fundamental failure in the control environment and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.