

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

meeting date: 14 APRIL 2021
 title: INTERNAL AUDIT PROGRESS REPORT 2020/21
 submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To report to Committee internal audit work progress to the end of March 2021.

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 audit.

2 BACKGROUND

2.1 Internal audit ensures 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 resources allocation based on the risk score, with all high-risk areas being covered annually.

3 PROGRESS TO END OF MARCH 2021

3.1 The full internal audit plan for 2020/21 is attached as Annex 1 alongside progress to date. In summary resources for the year are detailed below, together with progress to the end of March:

Audit Area	2020/21 Planned Days	Actual Days to 31 March 2021
Fundamental Systems	220	147
Other Systems Work	74	0
Probity and Regularity	225	73
Continuous Activity/On-going checks	112	89
Staff Training and Development	50	106
Staffing Levels (i.e. vacancies)	0	260
Covid-19 Related	0	45
Annual Leave and Bank Holidays	99	60
	780	780

- 3.2 Work in respect of the 2020/21 financial year is still ongoing, and whilst progress is reported here to the end of March showing internal audit staff days, we have also engaged the services of Mersey Internal Audit Agency (MIAA), notably in respect of fundamental systems, and that work in respect of 2020/21 is still ongoing. There is also some internally seconded work that is still underway.
- 3.3 As previously reported, progress in the 2020/21 financial year has been particularly hindered by the continued vacancy in the role of Principal Auditor, and also as the Internal Audit Assistant post was used earlier in the year to provide valuable help in the processing of the various Covid-19 related grants. Members should note that it will be ensured that any further audit work on this service area will not be undertaken by the Internal Audit Assistant postholder.
- 3.4 It has not been possible to fill the Principal Auditor post to date. The post is currently being reviewed again prior to a further attempt to recruit.
- 3.5 The situation regarding recruitment difficulties for audit roles is a national one, and is certainly being experienced by neighbouring authorities. The situation has also been exacerbated by the Covid-19 pandemic.
- 3.6 It is recognised that progress on the internal audit plan is not as had been hoped at this stage of the year and as previously referred to, additional resources are being used to help make up for this shortfall. This will then allow an audit opinion to be reached, which will be reported when the Statement of Accounts are presented to committee in the coming months.
- 3.7 The audit opinion will also be used to inform the Annual Governance Review, which again, will be reported when the Statement of Accounts are presented.

4 WORK IN RESPECT OF MATTERS ON ANNUAL GOVERNANCE STATEMENT

- 4.1 Members may recall that the Annual Governance Statement for 2019/20 again included an item in respect of Refuse Vehicle Maintenance Costs. This has been a matter that was also raised on the Annual Governance Statements in 2017/18 and 2018/19.
- 4.2 As referred to in the Annual Governance Statement 2019/20:
- there has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year. Work needs to continue to review the overspend and the associated budgets.
 - A full detailed report to be prepared by the Head of Service, exploring the underlying reasons for the significant overspends seen in each of the recent years (£170k in 2019/20) and detailing proposed action.

Description	Action
There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year. Work needs to continue to review the overspend and the associated budgets.	A full detailed report to be prepared by the Head of Service, exploring the underlying reasons for the significant overspends seen in each of the recent years (£170k in 2019/20) and detailing proposed action.

- 4.3 The overspend on the service has continued in 2020/21, exacerbated by Covid-19. At a meeting of the Budget Working Group on 22 March 2021, as part of discussion on a report on the overall budget monitoring position, the issues above were discussed.

4.4 It was agreed that there should be an external review of the costs of the service. It was also agreed that costs should be sought for a 'fully inclusive' maintenance contract. Findings would initially be reported back to the Budget Working Group.

4.5 Initial discussions have been held with the Mersey Internal Audit Agency (MIAA) to engage their services to undertake the external review work. At this stage we are looking at the scope of the work to be undertaken, but Accounts and Audit Committee will be kept informed on progress as those charged with governance, as this service area has been included in the Annual Governance Review on numerous occasions

5 AUDITS CARRIED OUT AND ASSURANCE OPINIONS

5.1 We use an assurance system for all audits carried out. Each completed audit report contains a conclusion which gives a level of assurance opinion as follows:

Full	The Council can place full reliance on the levels of control in operation
Substantial	The Council can place substantial reliance on the levels of control in operation
Reasonable	Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Limited	Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Minimal	System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

5.2 Whilst we have a number of reports at draft report stage or nearing finalisation it is not possible at this point to inform members of the assurance levels attained.

5.3 It is frustrating that it is not possible to update members, but the overall position for the 2020/21 financial year will be able to be reported to your next meeting and will include the seconded and outsourced work.

5.4 A large amount of audit time has been lost due to the Principal Auditor vacancy. In the training days have been higher than budgeted as the Internal Auditor and Internal Audit Assistant posts are both undertaking professional qualification training. Covid-19 has also impacted on available audit days in several ways. However, adequate work to form an audit opinion will be undertaken.

6 UPDATE ON RED RISKS

6.1 All Heads of Services are required to ensure that a review of the risks that fall in their service areas is undertaken. As members will be aware, risks are graded on a red, amber and green rating, with any red risk requiring to be reported to CMT and also to this committee.

6.2 This requirement is in respect of risks that are scored as red after all mitigating action and controls have been put in place.

6.3 At the time of writing this report there are no net red risks identified for reporting to members. In respect of Covid-19 this is on the basis that government financial support continues and that other current and future local and national controls are adhered to.

7 CONCLUSION

- 7.1 Audit coverage is unfortunately lower than that originally planned and as a result additional external resources have been engaged, in addition to an internal secondment for some work. This will help ensure that an audit opinion can be reached at the end of the financial year.
- 7.2 There continues to be difficulty in recruiting to the post of Principal Auditor, but it is hoped to complete a review of the post soon in order to readvertise.
- 7.3 There have been initial discussions with the Mersey Internal Audit Agency (MIAA) with regard to work on the overspend in refuse vehicle maintenance costs, which has been raised in the past on the Annual Governance Statement and more recently discussed at the Budget Working Group. We are currently looking at the scope of the work to be undertaken.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA8-21/LO/AC
6 April 2021

INTERNAL AUDIT PROGRESS TO THE END OF MARCH 2021

Total Planned Days for the Year 2020/21	Actual Days To End March 2021	Audit Area	Status as at 31 March 2021
Fundamental Systems			
25		Main Accounting	Internal Secondment – Work Underway
20	46	Creditors	Draft Report Stage Additional working paper preparation following receipt of CIPFA matrices
20	4	Sundry Debtors	Work being undertaken by MIAA
30		Payroll	Work being undertaken by MIAA
35	34	Council Tax	Testing Underway
40	45	Housing Benefits/CT Support	Draft Report Stage
35	17	NNDR/Business Rates Pooling	Work being undertaken by MIAA
15	1	Cash Receipting	Work being undertaken by MIAA
220	147		
Non-Fundamental Systems			
15		VAT	Not able to be undertaken this year
12		Treasury Management	Not able to be undertaken this year
15		Procurement	Not able to be undertaken this year
20		Business Continuity	Not able to be undertaken this year
12		Asset Management	Not able to be undertaken this year
74	0		
Probity/Regularity			
10	10	Clitheroe Market	Testing Underway
15		Recruitment/Safeguarding Arrangements	Not able to be undertaken this year
15	7	Insurance	2019/20 Report Completed
5		Cemetery	Not able to be undertaken this year
10	1	Fees and Charges/Cash Collection Procedures	Some initial preparatory work undertaken
12		Health and Safety	Not able to be undertaken this year
12	15	Car Parking	Testing Underway – additional working paper preparation following receipt of CIPFA matrices
5		VIC/Platform Gallery	Not able to be undertaken this year
12		Trade and Domestic Refuse Collection	Not able to be undertaken this year
5		Ribblesdale Pool	Not able to be undertaken this year
12		Partnership Arrangements	Not able to be undertaken this year
24		Grants Paid and Received	Not able to be undertaken this year
3		Museum and Museum Cafe	Not able to be undertaken this year
8	4	Environmental Health	Some initial preparatory work undertaken

Total Planned Days for the Year 2020/21	Actual Days To End March 2021	Audit Area	Status as at 31 March 2021
15		Section 106 Agreements/Planning Enforcement	Not able to be undertaken this year
10	19	Building Control	Draft Report Stage
10	3	Planning Applications	Some initial preparatory work undertaken
12		Data Protection/GDPR	Not able to be undertaken this year
5	13	Edisford Sports Complex	Draft Report Stage
5		Land and Property Leases	Not able to be undertaken this year
5		Parks and Outdoor Recreation	Not able to be undertaken this year
5	1	Homelessness	Some initial preparatory work undertaken
10		ICT General Controls	Not able to be undertaken this year
225	73		
Continuous Activity/Ongoing Checks			
12	6	Income Monitoring	Continuous and ongoing work
25	1	Contingencies/unplanned work	Minimal need
15	4	Risk Management	Continuous and ongoing work
20	26	Corporate Governance	Completion of the review for the 2019/20 Financial Year
5	2	Performance Indicators	Continuous and ongoing work
35	41	Insurance	Continuous and ongoing work
	9	Other Clerical Duties (ie FOI responses)	Continuous and ongoing work
112	89		
Staff Training and Development			
50	106	Training	Budgeted days set prior to college timetabling released
50	106		
Staffing Levels			
0	260	Vacant post	Ongoing recruitment difficulties for the Principal Auditor post
0	260		
Covid-19 Related			
0	45	Covid-19 Related	Largely secondment to assist with grant payments
0	45		
Annual Leave and Bank Holidays			
99	60	Annual Leave and Bank Holidays	
99	60		
Remaining Available Days to 31 March 2021			
-	-	Remaining Available Days	Excludes any use of additional resources
780	780		