

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 NOVEMBER 2021  
 title: INTERNAL AUDIT ANNUAL REPORT 2020/21  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: LAWSON ODDIE

### 1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2020/21. This report includes the Audit opinion for the 2020/21 financial year.

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 control.

### 2 BACKGROUND

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

2.3 The approved Internal Audit Plan for 2020/21 was based on the provision of 780 days of internal audit work. A summary of the final position for the year is set out in the following table.

Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	220	147	-73
Other systems work	74	0	-74
Probity and Regularity	225	73	-152
Continuous Activity/On-going checks	112	89	-23
Staff Training and Development	50	106	56
Staffing Levels (i.e. vacancies)	0	260	260
Covid-19 Related	0	45	45
Annual Leave and Bank Holidays	99	60	-39
	<b>780</b>	<b>780</b>	<b>0</b>

2.4 With regard to the large variances between planned and actual days this is due to the level of staff vacancies experienced within the team throughout the financial year. This has had an inevitable impact on the work able to be completed.

- 2.5 Priority has been given to undertaking most of the Fundamental Systems work and whilst there has been limited overall coverage when compared to the original audit plan as a whole, it is felt that there has been enough coverage to enable the audit opinion to be reached. This is particularly due to the nature of the audit areas covered, the recognition that many systems of control have not changed, and as a number of facilities have been closed for a substantial period of time over the year due to Covid.
- 2.6 All audit work undertaken in the year has been considered in informing the assurance opinion given in this report. The purpose of the annual internal audit opinion is to contribute to the assurances available to those charged with governance, which supports the council's own assessment of the effectiveness of the council's system of internal control, in line with the requirements of the Accounts and Audit Regulations 2015.
- 2.7 This annual internal audit opinion will assist committee in its consideration of the Annual Governance Statement, which is included elsewhere on the agenda. The Annual Governance Statement pulls together various strands to conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.
- 2.8 The Head of Internal Audit opinion has also been informed by the assurance statements completed by Heads of Service, Directors, Statutory Role Postholders and Risk Owners.

### 3 ANNUAL INTERNAL AUDIT OPINION

- 3.1 The role of Head of Financial Services is currently responsible for producing the annual internal audit opinion. Ordinarily this would be reported by the role of Internal Audit Manager; however, the role of Internal Audit Manager is currently vacant following recruitment difficulties.
- 3.2 In giving this opinion, assurance can never be absolute. The audit work that has been completed in the 2020/21 financial year is summarised below, together with the assurance levels gained. In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

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

- 3.3 The table below sets out the assurance opinions issued in respect of all audits carried out since 1 April 2020.

<b>Audit Area</b>	<b>Assurance Level</b>
Main Accounting	<b>Work not completed to report stage due to staff vacancies</b> <i>However, last carried out in 2019/20 with FULL assurance and planned to be undertaken by MIAA in 2021/22</i>
Creditors	<b>SUBSTANTIAL</b>
Sundry Debtors	<b>SUBSTANTIAL</b>
Payroll	<b>SUBSTANTIAL</b>
Council Tax	<b>Work not completed to report stage due to staff vacancies</b> <i>However, last carried out in 2019/20 with FULL assurance and planned to be undertaken by MIAA in 2021/22</i>
Housing Benefits	<b>SUBSTANTIAL</b>
Business Rates	<b>SUBSTANTIAL</b>
Cash Receipting	<b>SUBSTANTIAL</b>
Insurance	<b>SUBSTANTIAL</b>
Building Control	<b>SUBSTANTIAL</b>
Edisford Sports Complex	<b>REASONABLE</b>

- 3.4 In my role as Head of Financial Services I am satisfied that sufficient assurance work has been carried out to allow the provision of an overall opinion in respect of the 2020/21 financial year of 'Substantial Assurance' on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.
- 3.5 It is recognised that the recurring issue of staffing vacancies and difficulties in recruiting to roles within the section has impeded the ability to fully complete the audit plan. Notwithstanding this, adequate coverage has been able to be undertaken to allow this opinion to be formed, particularly with the assistance of MIAA.
- 3.6 It is also recognised that the Covid-19 pandemic has impacted on the control environment by way of changes having been made. This is due to the need for changing working practices in some service areas and also new work and procedures such as the processing of the many support grants.
- 3.7 Any weaknesses or areas for review that have been identified during the year have been discussed with the relevant management and remedial actions and a timescale for improvement agreed.
- 3.8 Assurance levels on the Council's key financial systems are consistently good. It was not possible for of the work to be completed on the Sundry Debtors and the General Ledger audits. Historically these audit areas have seen Full assurance given and so it was assessed that resources would be better diverted and MIAA will instead cover all Fundamental systems work as part of the 2021/22 audit plan.

3.9 Work carried out on risk management, council policies, etc. are key elements of the Council's governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.

3.10 In all of the audit work undertaken during the year, no significant control weaknesses were identified.

#### 4 STAFFING ISSUES

4.1 There have been continued staffing issues within the Internal Audit Team, with the Internal Audit Assistant post experiencing a short term vacancy, but with the Internal Audit Manager post having continually been vacant since January 2020.

4.2 This has impacted on audit coverage, but the services of Mersey Internal Audit Agency (MIAA) were sought to undertake a number of audits.

4.3 We continue to endeavor to recruit to the Internal Audit Manager role. Until it is possible to recruit to the post, we will continue to utilise the services of MIAA.

#### 5 CONCLUSION

5.1 Having reviewed the work of the internal audit team and MIAA it is concluded that sufficient assurance work has been carried out to allow the provision of an overall opinion in respect of the 2020/21 financial year of 'Substantial Assurance' on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.

5.2 The internal audit function has been impacted by recruitment difficulties, but it is recognised that this is a national issue and one that is also shared by neighbouring authorities.

5.3 Work is ongoing to successfully recruit to the post of Internal Audit Manager and until it is possible to recruit to the post, we will continue to utilise the services of MIAA.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA25-21/LO/AC  
9 November 2021

BACKGROUND PAPERS: None

For further information please