

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

meeting date: 29 JUNE 2022
title: INTERNAL AUDIT PROGRESS REPORT – JUNE 2022
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.2 The purpose of this report is to present the Progress Report as at June 2022 for consideration and approval by this Committee.

1.3 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 – As defined in the Public Sector Internal Audit Standards (PSIAS) and the Accounts & Audit Regulations 2015, the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards”.

2 KEY MESSAGES & ISSUES

2.2 Since the last meeting of the Accounts & Audit Committee, the following areas for 2021/22 have been a key focus:

- Treasury Management – High Assurance
- Accounts Receivable – High Assurance*
- Council Tax – Substantial Assurance
- National Non-Domestic Rates (NNDR) – Substantial Assurance
- General Ledger – Substantial Assurance
- Fleet Management – Substantial Assurance
- Grounds Maintenance – Moderate Assurance
- Accounts Payable – Moderate Assurance*

*awaiting detailed management responses.

2.3 Staffing issues continued throughout 2021/22 in respect of the internal audit service however, the post of Internal Audit Manager was recruited to in May 2022. Although this impacted audit coverage in the previous financial year, the services of MIAA were sought to undertake several individual assignments. Priority was given to performing core system work to enable the annual opinion to be reached.

2.4 A summary of internal audit recommendations due for implementation (as of June 2022) has been provided as part of the report. The Internal Audit Service is in the process of gathering evidence to support the status of implementation. Where agreed actions have not been

implemented in line with timescales, discussions will take place with management to substantiate these explanations and assess whether extensions to implementation dates are considered reasonable.

- 2.5 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers maintain a Quality Assurance & Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement. This involves an annual self-review of conformance with the PSIAS, and fulfils the requirement established in the Accounts and Audit Regulations (England) 2015 for an annual assessment of the effectiveness of the Internal Audit Service.
- 2.6 An initial self-assessment has been undertaken by the Internal Audit Manager in June 2022 and found that in general, there was conformance with the PSIAS requirements. Seven recommendations have been made as part of the QAIP; six relating to partial compliance. The Council are unable to demonstrate that Standard 1300 has been met due to the expected 5-year external assessment not taking place. This was due to staff vacancies and the ongoing Covid-19 pandemic throughout 2021/22. This report outlines the summary of conformance against the PSIAS based on the initial self-assessment. The outcomes of the QAIP have been reported to CMT and will be reported to the Accounts & Audit Committee at each meeting along with the findings from the external assessment. The outcomes of the QAIP should be considered when producing the Annual Governance Statement.

3 RISK ASSESSMENT

3.2 The approval of this report may have the following implications:

- Resources – there are no resource implications arising as a result of this report.
- Technical, Environmental and Legal – This report fulfils the statutory requirements placed upon by the council by the Accounts & Audit (England) Regulations 2015 and Public Sector Internal Audit Standards (PSIAS). This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its objectives.
- Political – There are no political implications arising from this report.
- Reputation – There are no reputational implications arising from this report.
- Equality and Diversity – There are no equality or diversity implications arising as a result of this report.

4 RECOMMENDATION

4.2 The Accounts & Audit Committee is asked to consider the report and approve the changes in assurance definitions and proposed performance indicators.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA11-22/RP/AC
21 June 2022

Internal Audit Progress Report

June 2022



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

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1. Introduction

This report provides an update to the Accounts and Audit Committee in respect of progress made in delivery against the 2021/22 and proposed 2022/23 Internal Audit Plans. It brings to your attention, matters relevant as members of the Committee.

It provides a summary of internal audit activity which is a requirement of the Public Sector Internal Audit Standards (PSIAS).

Detailed reports and relevant findings, recommendations and agreed actions have been provided to lead officers within the Council and are available to committee members upon request. This report covers the period April to May 2022.

2. Key Messages

Since the last meeting of the Accounts & Audit Committee, the following areas for 2021/22 have been a key focus:

- Treasury Management – High Assurance
- Accounts Receivable – High Assurance*
- Council Tax – Substantial Assurance
- National Non-Domestic Rates (NNDR) – Substantial Assurance
- General Ledger – Substantial Assurance
- Fleet Management – Substantial Assurance
- Grounds Maintenance – Moderate Assurance
- Accounts Payable – Moderate Assurance*

The following reviews are in progress; the findings of which will be reported as per the suggested delivery as per Appendix A:

- Procurement – draft report
- Contain Outbreak Management Fund (COMF) – fieldwork completed
- Inventory – fieldwork completed
- Civic Centre – fieldwork completed
- Payroll – fieldwork in progress
- Housing Benefits – fieldwork in progress
- Amenity Cleansing – fieldwork in progress
- Cash & Receipting – fieldwork in progress
- Risk Management – fieldwork in progress

*reported as draft; awaiting detailed management responses.

Appendix A sets out the overview of delivery for the completion of the 2021/22 Internal Audit Plan and the 2022/23 Internal Audit Plan as agreed by Committee; the outputs of which will contribute to the Annual Internal Audit Opinion. If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Changes to Plan

Accounts & Audit Committee approval will be requested for any amendments to the original plan and highlighted separately to facilitate the monitoring process. There have been no proposed changes to the plan.

Resources

Staffing issues continued throughout 2021/22 in respect of the internal audit service however, the post of Internal Audit Manager was recruited to in May 2022. Although this impacted audit coverage in the previous financial year, the services of MIAA were sought to undertake several individual assignments. Priority was given to performing core system work to enable the annual opinion to be reached.

The post of Internal Auditor will become vacant in July 2022. Following a recruitment exercise in June 2022, the Council were unsuccessful in recruiting to the post, however it will be readvertised imminently. The 2022/23 Strategic Internal Audit Plan has taken this vacancy into account when assessing resource requirements, with an expectation that a successful candidate will be recruited by the Autumn. If not successful, the Council will seek to identify further resource from outside of the organisation to ensure a robust annual internal audit opinion for 2022/23.

3. Follow Ups

Appendix B provides a summary of internal audit recommendations that have been raised and due for implementation (as of June 2022). The Internal Audit Service is in the process of gathering evidence to support the status of implementation. Where agreed actions have not been implemented in line with timescales, discussions will take place with management to substantiate these explanations and assess whether extensions to implementation dates are considered reasonable.

It is proposed that follow ups will be reported to the Accounts & Audit Committee on a bi-annual basis in September 2022 and April 2023. Recommendations will be considered as either implemented, not implemented, partially implemented or superseded.

4. Performance Indicators

The Annual Internal Audit Opinion is driven by outputs from the work undertaken. The Internal Audit Team strive to deliver an effective and efficient service which should be underpinned by a number of key performance indicators. Committee members are asked to consider the performance indicators in Appendix C. It is intended that service performance will be reported to all Committee meetings.

5. Assurance Opinion and Risk Rating Definitions

In line with section 2300 of the Public Sector Internal Audit Standards, '*internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives*'. It is best practice to review the risk rating and assurance opinion definitions to ensure they meet the Standards and address the risks associated with the control environment. It is proposed that the revised definitions outlined in Appendix D are considered and approved by Committee members. Once approved, these will be applied to all assignments undertaken from the 2022/23 year.

6. PSIAS Initial Self-Assessment & Quality Assurance Improvement Plan (QAIP)

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers maintain a Quality Assurance & Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.

This involves an annual self-review of conformance with the PSIAS, and fulfils the requirement established in the Accounts and Audit Regulations (England) 2015 for an annual assessment of the effectiveness of the Internal Audit Service.

An initial self-assessment has been undertaken by the Internal Audit Manager in June 2022 and found that in general, there was conformance with the PSIAS requirements. The Council are unable to demonstrate that Standard 1300 has been met due to the expected 5-year external assessment not taking place. This was due to staff vacancies and the ongoing Covid-19 pandemic throughout 2021/22. The Internal Audit Manager has initiated conversations to commission the external assessment.

Appendix E outlines the summary of conformance against the PSIAS based on the initial self-assessment. The detailed QAIP has been reported to CMT and will be reported to the Accounts & Audit Committee at each meeting, along with the findings from the external assessment. The outcomes of the QAIP should be considered when producing the Annual Governance Statement.

7. Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. Reports are prepared for your sole use and no responsibility is taken by the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

APPENDIX A: Output Delivery

Review	Status	Assurance Level
2021/22 c'fwd reviews		
Council Tax	Final Report	Substantial
National Non-Domestic Rates (NNDR)	Final Report	Substantial
General Ledger	Final Report	Substantial
Accounts Payable	Draft Report	Moderate
Accounts Receivable	Draft Report	High
Fleet Management	Final Report	Substantial
Grounds Maintenance	Final Report	Moderate
Procurement	Draft Report	
Payroll*	Fieldwork completed	
Inventory*	Fieldwork completed	
Housing Benefits*	Fieldwork in progress	
Amenity Cleansing*	Fieldwork in progress	
Cash & Receipting*	Fieldwork in progress	
2022/23 reviews		
Chief Executive's		
Civic Centre	Fieldwork completed	
Management of Conflicts of Interest	Planning	
Corporate Strategy	Planning	
Corporate Health & Safety	Q3	
Section 106 Agreements	Q3	
Data Protection Impact Assessments (DPIA)	Q3	
Electoral Registration	Q3	
Land Charges	Q4	
Community Services		
Commercial Waste Management	Q4	
Resources		
Key Financial Controls	Q4	
Housing Benefits	Q4	
Council Tax & NNDR	Q4	
Insurance	Planning	
Contain Outbreak Management Fund (COMF)	Fieldwork completed	

Review	Status	Assurance Level
Disabled Facilities Grant (DFG)	Planning	
Overtime Payments	Q3	
Payroll	Q4	
Cyber Security	Planning	
ICT Asset Management	Q3	
Economic Development & Planning		
Tourism & Events	Q3	
Risk Management, Follow Up & Contingency		
Risk Management	In progress	
Follow Up	In progress	
	Q4	
Contingency	As required	
Planning & Reporting		
PSIAS self-assessment	Completed	Initial QAIP in place
Investigations	As required – no referrals in the period.	

Appendix B: Follow Ups – position as at June 2022

Review	Year	Assurance Opinion	Actions not yet due	Actions due	Total actions raised
Housing Benefits	2020/21	Substantial	-	2	2
Cash & Receipting	2021/21	Substantial		5	5
Creditors	2020/21	Substantial	-	6	6
Ribblesdale Pool	2021/22	Reasonable	-	20	20
Health & Safety	2021/22	Reasonable	-	16	16
Car Parking	2021/22	Reasonable	-	14	14
Edisford 3G All Weather Pitches	2021/22	Limited	-	11	11
Treasury Management	2021/22	High	2	-	2
Council Tax	2021/22	Substantial	1	-	1
National Non-Domestic Rates	2021/22	Substantial	1	-	1
Grounds Maintenance	2021/22	Moderate	4	-	4
Fleet Management	2021/22	Substantial	4	-	4
General Ledger	2021/22	Substantial	3	-	3
TOTAL			15	74	89

APPENDIX C: Performance Indicators

Indicator	Target
Post Audit Evaluation Questionnaire issued following completion of every audit assignment.	100%
Post Audit Evaluation Questionnaire responses receiving either a good, very good or excellent rating	100%
Recommendations raised and agreed by management.	100%
Recommendations which are implemented within agreed timescales.	90%
Management responses received within 10 working days of the Draft Report.	90%
Final Reports issued within 5 working days from receiving management responses.	90%
Audits completed within budget.	75%

APPENDIX D: Proposed Assurance Opinion & Risk Rating Definitions

Definition of Risk Ratings

Risk Rating	Current Definition	Risk Rating	Proposed Definition
High Risk	Major risk requiring action by the time the final report is issued.	Critical Risk	Control weaknesses have been identified that could have a significant impact on the system, service and/or council's corporate objectives.
		High Risk	Control weaknesses have been identified that could have a significant impact on the system and/ or function, but do not have a significant impact on the council's overall corporate objectives.
Medium Risk	Medium risk requiring action within six months of the issue of the final report.	Medium Risk	Control weakness have been identified that have exposed the system/ service to a key risk; however the likelihood of this risk occurring is low.
Low Risk	Change to achieve best practice by a date to be agreed with the Head of Service.	Low Risk	Control weaknesses have been identified that do not have an impact of the delivery of the system/ service objectives; however, implementation would improve the overall control environment.

Assurance Opinion Definitions

Risk Rating	Current Definition	Risk Rating	Proposed Definition
Full	Full reliance can be placed on the levels of control in operation.	High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are operatively effectively in the areas tested.
Substantial	Substantial reliance can be placed on the levels of control in operation.	Substantial	There is a good system of internal control which has been designed to meet the system objectives, and controls are generally operating effectively.

Risk Rating	Current Definition	Risk Rating	Proposed Definition
Reasonable	Generally sound system of controls. Some weaknesses in control which need to be addressed.	Moderate	There is a satisfactory system of internal control however, in some areas, weaknesses have been identified in the design and/ or operating effectiveness, putting the system at risk.
Limited	Only limited reliance can be placed on the arrangements/controls in operation. Significant control issues need to be resolved.	Limited	There is a compromised system of internal control due to weaknesses identified in the design and/or operating effectiveness, putting the system at risk.
No	System of control is weak, exposing the operation to the risk of significant error or unauthorised activity.	Nil	There is an inadequate system of internal control due to weaknesses identified in the design and/or operating effectiveness, resulting in failure to achieve the system objectives.

APPENDIX E: Summary PSIAS Quality Assurance Improvement Plan

Standard	Conformance		
	Compliant	Partially Compliant	Non-Compliant
1000 – Purpose, Authority and Responsibility	✓		
1100 – Independence and Objectivity	✓		
1200 – Proficiency and Due Professional Care		✓	
1300 – Quality Assurance and Improvement Programme			✓*
2000 – Managing the Internal Audit Activity	✓		
2100 – Nature of Work	✓		
2200 – Engagement Planning	✓		
2300 – Performing the Engagement		✓	
2400 – Communicating Results		✓	
2500 – Monitoring Progress		✓	
2600 – Communicating the Acceptance of risks	✓		

*recommendation raised relating to the forthcoming external assessment that was due to be undertaken.