

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 8 FEBRUARY 2023
title: INTERNAL AUDIT PROGRESS REPORT – FEBRUARY 2023
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1 The purpose of this report is to provide an update to the Accounts and Audit Committee in respect of progress made in delivery against 2022/23 Internal Audit Plan. It brings to your attention, matters relevant as members of the Committee and provides a summary of internal audit activity which is a requirement of the Public Sector Internal Audit Standards (PSIAS).

1.2 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 November 2022 to December 2022.

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

2.1 Since the last meeting of the Accounts and Audit Committee, the following areas for 2022/23 have been a key focus:

- Inventory (Limited Assurance)
- Civic Suite (Moderate Assurance)
- Insurance (Substantial Assurance)
- Cash & Receipting (Substantial Assurance)

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

- Managing Conflicts of Interest (draft briefing note)
- Overtime Payments (draft report)
- Purchase Orders (draft report)
- Disabled Facilities Grant (draft report)
- Section 106 Agreements (fieldwork completed)

- Corporate Strategy (fieldwork in progress)
- Cyber Security (fieldwork in progress)
- Electoral Registration (fieldwork in progress)
- Key Financial Controls (fieldwork in progress)
- Data Protection Impact Assessments (fieldwork in progress)
- Corporate Health & Safety (fieldwork in progress)
- Land Charges (fieldwork in progress)
- Payroll (fieldwork in progress)
- ICT Asset Management (fieldwork in progress)
- Follow Ups (fieldwork in progress)
- Housing Benefits (planning)
- Council Tax & NNDR (planning)
- Commercial Waste Management (planning)
- Tourism & Events (planning)

2.3 Annex A further sets out the overview of delivery for the Internal Audit Plan as agreed by Accounts and Audit Committee; the outputs of which will contribute to the 2022/23 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.

2.4 There have been no further proposed changes to the plan. However, at the request of the Director of Resources, we have commenced a review of purchase orders and will report separately. Days for this review will be utilised from those allocated to the key financials review.

2.5 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 several key performance indicators. Annex B illustrates performance within the period.

Public Sector Internal Audit Standards (PSIAS) External Assessment

2.6 As per the Public Sector Internal Audit Standards (PSIAS), an external assessment has been undertaken to provide assurance over conformance. Its intention was to assist in raising standards across the service and ensuring consistency in improvement. In general, the assessors agreed with the self-assessment (and subsequent Quality Assurance Improvement Plan) undertaken by the Internal Audit Manager in June 2022.

2.7 The Internal Audit Service has been rated overall as Partially Compliant, which agreed with the original self-assessment. Significant progress has already been made to implement the actions raised, an updated position can be found in Annex C, and a full version of the report as Annex D.

- 2.8 There were found to be no areas of non-conformance within the PSIAS and CIPFA Local Government Application Note. The following actions remain in progress:

Ref	Issue identified	Agreed Action
<i>Both actions had already been identified as part of the annual self-assessment.</i>		
1210 & 1230	Staff performance appraisals have not taken place since before the beginning of the COVID-19 pandemic.	In addition to the bi-annual workplan review, staff performance appraisals will be undertaken in line with agreed process and any development plans produced/ actioned. <u>Implementation Date</u> 31/03/2023
2330.A2	The organisation's own self-assessment notes that 'the Internal Audit Manager will ensure that the structure of the network drive is further enhanced to ensure user friendly and in line with the Council's Document Retention Policy. The Council will review the Document Retention Policy to ensure it reflects current local and legal requirements and update the IA Manual where necessary.'	The Records Retention Policy will be shared with all relevant officers of the Council and ratified as appropriate. <u>Implementation Date</u> 31/03/2023

- 2.9 All other actions are now considered implemented.

National Fraud Initiative

- 2.10 The National Fraud Initiative (NFI) is a data matching exercise that helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers. The Council was required to submit a data by the 2nd December 2022 with exercise matches made available on the end of January 2023.
- 2.11 The Council will follow up the results in the usual manner, eliminating coincidental matches, and concentrating on potentially fraudulent cases.

Investigations

- 2.12 There have been no referrals made within the period, and there are no open investigations.

3 LIMITATIONS

- 3.1 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.

3.2 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.

3.3 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.

4 RISK ASSESSMENT

4.1 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 fulfills 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.

5 CONCLUSION

5.1 The Accounts and Audit Committee is asked to consider the report.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA5-23/RP/AC
8 FEBRUARY 2022

2022/23 – Internal Audit Output Delivery

ANNEX A

Review	Status	Assurance Level
2021/22 c'fwd reviews (contributing to the 2022/23 Opinion)		
Payroll	Final Report	Substantial Assurance
Inventory	Final Report	Limited Assurance
Housing Benefits	Final Report	High Assurance
Amenity Cleansing	Final Report	Substantial Assurance
Cash & Receipting	Final Report	Substantial Assurance
2022/23 reviews		
Chief Executive's		
Civic Centre	Final Report	Moderate Assurance
Managing Conflicts of Interest	Draft Briefing Note	N/A
Corporate Strategy	Fieldwork in progress	
Corporate Health & Safety	Fieldwork in progress	
Section 106 Agreements	Fieldwork completed	
Data Protection Impact Assessments (DPIA)	Fieldwork in progress	
Electoral Registration	Fieldwork in progress	
Land Charges	Fieldwork in progress	
Community Services		
Commercial Waste Management	Planning	
Resources		
Key Financial Controls	Fieldwork in progress	
Purchase Orders	Draft Report	
Housing Benefits	Planning	
Council Tax & NNDR	Planning	
Insurance	Final Report	Substantial Assurance
Contain Outbreak Management Fund (COMF)	Final Briefing Note	Conditions met
Test & Trace Support Payments (TTSP)	Final Briefing Note	Conditions met
Disabled Facilities Grant (DFG)	Draft Report	
Overtime Payments	Draft Report	
Payroll	Fieldwork in progress	
Cyber Security	Fieldwork in progress	
ICT Asset Management	Fieldwork in progress	

Review	Status	Assurance Level
Economic Development & Planning		
Tourism & Events	Planning	
Risk Management, Follow Up & Contingency		
Risk Management	Stage 1: Final Report Stage 2: Completed	Limited Assurance -
Follow Up	Q2 - Completed	N/A
	Q4 - In progress	
Contingency	As required	
Planning & Reporting		
PSIAS self-assessment	Completed	Action Plan in place
Investigations	As required – no referrals in the period.	

Internal Audit - Performance Indicators

ANNEX B

Indicator	Target	Actual
Post Audit Evaluation Questionnaire issued following completion of every audit assignment.	100%	100%
Post Audit Evaluation Questionnaire responses receiving either a good, very good or excellent rating.	100%	N/A**
Recommendations raised and agreed by management (in the period).	100%	100%
Recommendations which are implemented within agreed timescales.	90%	N/A*
Management responses received within 10 workings days of the Draft Report (for reports finalised within the period).	90%	60%
Final Reports issued within 5 working days from receiving management responses (in the period).	90%	100%
Audits completed within budget (in the period).	75%	100%

*follow ups were scheduled to take place in Q4 – to be reported at the April 2023 meeting.

**no responses received in the period.

PSIAS Quality Assurance Improvement Plan

ANNEX C

Standard	Self-assessment (June 2022)	EQA assessment (November 2022)	Current position (February 2022)
Mission Statement	FC	FC	FC
Core Principles	N/A – not specifically assessed	PC	FC
Code of Ethics		PC	FC
1000 – Purpose, Authority and Responsibility		PC	FC
1100 – Independence and Objectivity	FC	FC	FC
1200 – Proficiency and Due Professional Care	PC	PC	PC
1300 – Quality Assurance and Improvement Programme	NC	PC	FC
2000 – Managing the Internal Audit Activity	PC	PC	FC
2100 – Nature of Work	FC	FC	FC
2200 – Engagement Planning	FC	FC	FC
2300 – Performing the Engagement	PC	PC	PC
2400 – Communicating Results	PC	PC	FC
2500 – Monitoring Progress	PC	FC	FC
2600 – Communicating the Acceptance of risks	FC	FC	FC

FC – Fully Compliant

PC – Partially Compliant

NC – Non-Compliant

NA – Not Assessed

External Quality Assessment Final Report 2022/23

Ribble Valley Borough Council

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Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Head of R&D, QA & Professional Standards. To discuss any other issues then please contact the Director.

1 Introduction & Background

Public Sector Internal Audit Standards (PSIAS) require an organisation's chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This programme must include both internal and external assessments.

Under PSIAS external assessments must be completed at least once every five years by 'a qualified, independent assessor or assessment team from outside the organisation'. The external assessor must demonstrate competence in two areas:

- the professional practice of internal auditing; and
- the external assessment process.

MIAA were asked to undertake the external quality assessment (EQA) for Ribble Valley Borough Council's Internal Audit Service.

Ribble Valley Borough Council's Internal Audit Service comprises of three directly employed staff who undertake the majority of the internal audit activity for the Council. Where specialist digital auditing skills are required, resource is commissioned externally.

The current internal audit team is newly formed with the Internal Audit Manager starting in post in May 2022. Prior to this the Council had challenges recruiting to this specific post and to support the delivery of required internal audit activity had to commission external resource (from MIAA¹). It is envisaged that the newly appointed internal audit team will be able to deliver the majority of required work and the reliance on external resource has substantially reduced since all three team members came into post.

¹ Please note there are no direct reporting lines between the EQA assessor and the MIAA team commissioned to undertake internal audit reviews for the Council

2 Approach

PSIAS gives organisations two options for ensuring compliance with EQA requirements using either a full external assessment or a self-assessment with independent external validation. It was agreed with Ribble Valley Borough Council that a self-assessment with independent external validation would be undertaken. MIAA's approach to this was as follows:

- An EQA in the form of a validation of the Chief Audit Executive's self-assessment to be performed as required by PSIAS.
- The review was performed in the autumn of 2022 and the reviewer agreed the scope/ contacts and timescales for the assessment with Ruth Parker, Internal Audit Manager.
- The self-assessment and supporting evidence was made available to the reviewer in advance (where possible). The review was carried out both remotely and onsite.
- Interviews were coordinated and scheduled either onsite or through Microsoft Teams.
- A written report has been produced including a statement on the conformance of the function with PSIAS and an action plan for improvements as required. A summary report for presentation to the Accounts & Audit Committee has also been produced. Additional areas of best practice and learning from other organisations were considered and incorporated into the full report where appropriate.

3 Executive Summary

It is our opinion that whilst the overall conclusion of Ribble Valley Borough Council's self-assessment is correct, there are some areas of inaccuracy within the assessment. We conclude the Ribble Valley Borough Council **PARTIALLY CONFORMS** to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Key Findings/Conclusion

It is clear from review of the Council's self-assessment and stakeholder interviews that the Internal Audit Manager has had a significant positive impact on the Council's Internal Audit Service since starting in post in May 2022. The process changes they have made have improved the Council's overall compliance with PSIAS and the CIPFA Local Government Application Note.

Review of the Council's self-assessment confirmed that some actions identified have now been fully implemented i.e. commissioning an EQA, issuing post audit questionnaires and developing a process to assess the position of agreed internal audit recommendations. Other actions were in progress at the time of review and have been reflected in this report as required management actions.

Our review also highlighted some areas of partial conformance which were not reflected in the self-assessment and these need to be taken forward. Specifically, enhancements are required to the Internal Audit Charter, quality assurance processes and terms of reference and assignment report templates.

We have also highlighted to management some areas where practice could be enhanced, which do not impact compliance with PSIAS or the CIPFA Local Government Application Note.

Standard / Areas Assessed	Level of Conformance	
	Council Self-Assessment	MIAA Assessment
Mission Statement	N/A – not specifically assessed	Fully Conforms
Core Principles		Partially Conforms
Code of Ethics		Partially Conforms
Attribute Standard 1000	Fully Conforms	Partially Conforms
Attribute Standard 1100	Fully Conforms	Fully Conforms
Attribute Standard 1200	Partially Conforms	Partially Conforms
Attribute Standard 1300	Partially Conforms	Partially Conforms
Performance Standards 2000	Partially Conforms	Partially Conforms
Performance Standards 2100	Fully Conforms	Fully Conforms
Performance Standards 2200	Fully Conforms	Partially Conforms
Performance Standards 2300	Partially Conforms	Partially Conforms
Performance Standards 2400	Partially Conforms	Partially Conforms
Performance Standards 2500	Partially Conforms	Fully Conforms
Performance Standards 2600	Fully Conforms	Fully Conforms
Overall Rating	Partially Conforms	Partially Conforms

4 Areas of Partial Conformance with PSIAS and the CIPFA Local Government Application Note - Findings and Management Actions

Standard/s	Issue Identified	Recommendation	Agreed Action
1000.A1 & 1010	<p>The Internal Audit (IA) Charter broadly sets out the nature of internal audit services provided but does not specifically reference assurance services.</p> <p>Also, whilst the Charter largely covers mandatory guidance it does not specifically reference the mandatory nature of the <i>Core Principles for the Professional Practice of Internal Auditing</i>, the <i>Code of Ethics</i>, the <i>Standards</i> and the <i>Definition of Internal Auditing</i>.</p>	<p>To update the IA Charter to specifically:</p> <ul style="list-style-type: none"> • Define the nature of assurance services provided to the organisation; and • Reference Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing. 	<p>Agreed. Partially implemented. The Internal Audit Charter has been re-written to reflect the key principles and nature of the services provided as outlined in the Standards. To be reviewed and ratified by the Accounts & Audit Committee in February 2023.</p> <p>Responsible Officer – Internal Audit Manager</p> <p>Implementation Date – 08/02/2023</p>
1210 & 1230	<p>Appraisals have not taken place since before the beginning of the COVID-19 pandemic.</p>	<p>Whilst it is acknowledged that the Internal Audit Manager has booked in performance catch ups with team members and appraisals are progressing within the council they were outstanding at the time of review and should be undertaken as soon as practical.</p>	<p>Agreed. In addition to the bi-annual workplan review, the Council appraisal will be undertaken in line with agreed process and any development plans produced/ actioned. <i>This had already been identified as part of the annual self-assessment.</i></p> <p>Responsible Officer – Internal Audit Manager/ Head of Financial Services</p> <p>Implementation Date – 31/03/2023</p>

Standard/s	Issue Identified	Recommendation	Agreed Action
1210.A2	<p>The organisation's own self-assessment notes that Council's Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy require updating.</p> <p>This action was in progress at the time of review</p>	Take forward policy updates as per organisation's own identified action.	<p>Implemented. The Counter Fraud, Bribery and Corruption Policy was ratified by the Policy & Finance Committee on the 27/09/22 and provided for information to Accounts & Audit Committee on the 28/09/22.</p> <p>The Whistleblowing Policy was ratified by the Policy & Finance Committee on the 08/11/22 and provided for information to Accounts & Audit Committee on the 23/11/22.</p> <p>This had already been identified as part of the annual self-assessment.</p> <p>Responsible Officer – N/A</p> <p>Implementation Date – N/A</p>
1220	Quality Assurance (QA) processes are defined but currently the IA work programme template does not clearly or consistently demonstrate QA of work programmes.	Update the work programme template to include evidence of adherence to QA processes.	<p>Agreed. Implemented. The work programme template now explicitly details who has undertaken the QA process.</p> <p>Responsible Officer – N/A</p> <p>Implementation Date – N/A</p>
1320	This standard requires the results of this assessment to be reported to 'senior management and the board'.	Report the findings of the finalised EQA to the Audit & Accounts Committee.	Agreed. The Final Report of this assessment will be shared with members at the Accounts & Audit Committee in February 2023.

Standard/s	Issue Identified	Recommendation	Agreed Action
			<p>This had already been identified as part of the annual self-assessment.</p> <p>Responsible Officer – Internal Audit Manager</p> <p>Implementation Date – 08/02/2023</p>
2040	<p>The organisation’s own self-assessment notes that the Internal Audit Manual requires updating.</p> <p>This action was in progress at the time of review.</p>	Take forward Internal Audit Manual updates as per organisation’s own identified action.	<p>Agreed. Implemented. The IA Manual has been updated, shared with the team and made available on the I;drive. <i>This had already been identified as part of the annual self-assessment.</i></p> <p>Responsible Officer – N/A</p> <p>Implementation Date – N/A</p>
2201	IA Terms of References reviewed confirmed that scope limitations were documented. The IA Terms of Reference template does not include a specific section on Scope Limitations.	Include Scope Limitations as a standard section in the IA Terms of Reference Template.	<p>Agreed. Implemented.</p> <p>Responsible Officer – N/A</p> <p>Implementation Date – N/A</p>
2330.A2	<p>The organisation’s own self-assessment notes that:</p> <p>‘The Internal Audit Manager will ensure that the structure of the network drive is further enhanced to ensure user friendly and in line with the Council’s Document Retention Policy.</p>	Take forward network drive and Document Retention Policy review as per the organisation’s own identified actions.	<p>Agreed. Once finalised, the records Retention Policy will be shared with all relevant officers of the Council and ratified as appropriate. <i>This had already been identified as part of the annual self-assessment.</i></p>

Standard/s	Issue Identified	Recommendation	Agreed Action
	The Council will review the Document Retention Policy to ensure it reflects current local and legal requirements and update the IA Manual where necessary.’ This action was in progress at the time of review.		Responsible Officer – Internal Audit Manager/ Principal Policy & Performance Manager Implementation Date – 31/03/2023
2410	The IA Assignment report template does specifically require audit scope to be defined.	Update the IA Assignment report template to include audit scope.	Agreed. Implemented. Now added in Appendix E. Responsible Officer – N/A Implementation Date – N/A

5 Areas of Non-Conformance with PSIAS and the CIPFA Local Government Application Note - Findings and Management Actions

There are no areas of non-conformance with the PSIAS and the CIPFA Local Government Application Note.

Appendix A: Conformance Definitions

Level of Assurance	Description
Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Appendix B: Report Distribution

Name	Title
Ruth Parker	Internal Audit Manager
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Limitations

This report has been prepared by MIAA at the request of Ribble Valley Borough Council, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Ribble Valley Borough Council, and to the fullest extent permitted by law, MIAA accepts no responsibility and disclaims all liability to any third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.