

HAMBLETON DISTRICT COUNCIL

Report To: Audit and Governance Committee
27 June 2012

From: Audit Manager

Subject: **INTERNAL AUDIT ANNUAL REPORT 2011-2012**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of the report is to present the Internal Audit Annual Report for 2011/2012. That report is prepared by Veritau North Yorkshire (VNY), based on work carried out by the North Yorkshire Audit Partnership (NYAP) during the period April 2011 to March 2012.
- 1.2 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system; and a summary of the internal audit work carried out during the year to 31 March 2012. The Statement of Assurance that will support the Annual Governance Statement (AGS) which forms part of the Council's Financial Statements.
- 1.3 Within the report there is also a summary of the audit opinions for the individual audits completed in the year, to support the overall opinion. It also includes a synopsis of the performance of the Partnership in delivering internal audit to Hambleton DC.
- 1.4 The Audit Partnership carried out it's work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.
- 1.5 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

2.0 DECISIONS SOUGHT:

- 2.1 It is recommended that the attached report for 2011/12 be approved.

3.0 RISK ANALYSIS:

3.1 Risk in approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
There are no significant risks associated with the consideration of this report	N/a	N/a	N/a	N/a	N/a

3.2 Risk in not approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
Internal Audit & Risk Management activity is not monitored by a Member body.	External Audit may comment if Members are not kept informed of risk management activity.	3	2	6	Members continue to require regular reports on internal audit work that has been undertaken by the Council.

Prob = Probability, Imp = Impact

Score range is Low = 1 to High = 5

4.0 **CONCLUSIONS:**

4.1 The review provides an overall opinion and assurance that given all the circumstances pertaining with the Internal Control Environment in Hambleton DC during 2011/12 to date that it is considered as a 'good standard' that was achieved.

5.0 **RECOMMENDATIONS:**

5.1 It is recommended that the attached report for 2011/12 be approved.

JOHN BARNETT

Background papers: None

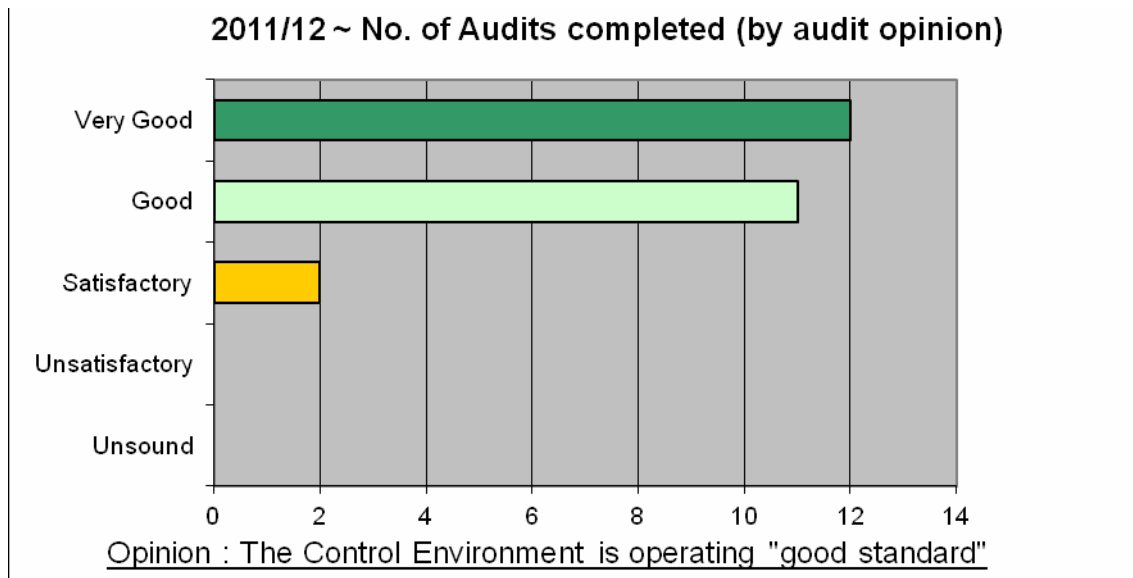
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Internal Audit Annual Report

**Hambleton DC
June 2012**



Audit Manager : John Barnett
Client Relationship Manager: Roman Pronyszyn
Head of Internal Audit: Max Thomas

Circulation list: Members Audit & Governance Committee
Chief Executive (s151 Officer)

Background

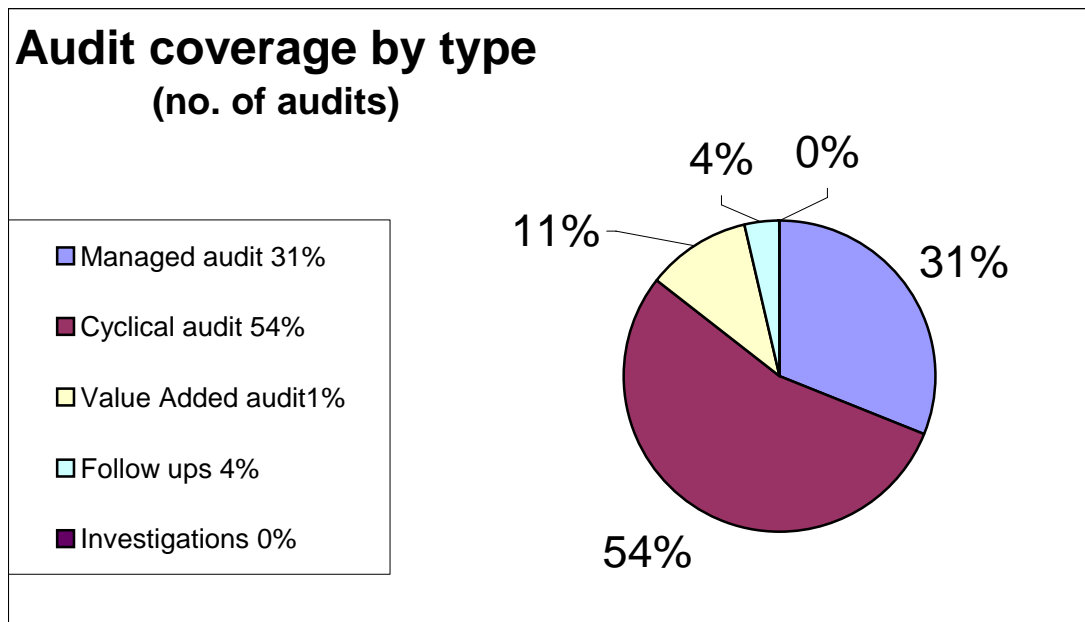
- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to report to those charged with governance the findings of audit work, provide an annual opinion on the effectiveness of the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.
- 2 During the year April 2011 to March 2012 the Council's internal audit service was provided by the North Yorkshire Audit Partnership (NYAP). From 1st April 2012, NYAP was dissolved and responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group.
- 3 Audit work was undertaken across all of the Council's services and activities in accordance with a three year Internal Audit Plan approved by the Audit and Governance Committee in March 2011.

Internal Audit Work Carried Out 2011/12

- 4 During the 2011/12 year internal audit work was carried out across the full range of activities of the Council. The main areas of internal audit activity included:
 - **Material Systems;** work in this area provides both assurance to Hambleton DC and helps support the work of external audit (thus reducing the external audit fee). During the year, ten material systems were reviewed, all apart from one were rated as "Good" or "Very Good". Main Accounting was evaluated as "Satisfactory" (the risks raised centred around reconciliations not being up-to-date, journal transfers not being correctly authorised and general consistency issues having brought the two finance sections together under a shared service),
 - **Cyclical Audit;** this represents the bulk of the internal audit programme. Again, all apart from one system, were evaluated as either "Good" or "Very Good", with ICT being deemed to be "Satisfactory (the risks raised were around web management, insurance of IT assets, software licences and security of stored images).
 - **Follow Up;** this of managers to respond directly to members questions and concerns work covers those audits where significant risk has been identified and is intended to provide assurance that the agreed recommendations are being properly implemented. The main area reviewed was Sundry Debtors where the auditors concluded that all the agreed recommendations had been implemented.
 - **Support to the Audit & Governance Committee;** this was mainly ongoing through our support and advice to members. We have assisted by facilitating the attendance at Committee over the audit reports and the actions that managers are taking to implement agreed recommendations.
 - **Contractor Assessment;** this work involved supporting the assurance process by using financial reports obtained from D&B in order to confirm the financial robustness of contractors.
 - **Risk Management;** during the year NYAP auditors reviewed and revised the Risk Management Strategy, and process, helped to develop the risk registers, and ensured that registers were regularly reviewed.

- **Systems Development;** Internal Audit attended a number of development group meetings in order ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.
- **Investigations;** No special investigations were carried out during the year.

5. The chart below shows the spread of audit assignments



6 Appendix A shows the final table of audit work carried out, and the audit opinion associated with the audits completed. This section of the annual report focuses on measuring the performance of the North Yorkshire Audit Partnership specifically against the delivery of the internal audit service to Hambleton District Council.

Audit Opinion and Assurance Statement

7 All NYAP internal audit work was conducted in accordance with both mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government. In connection with the report to an Audit Committee, the guidance states that:

"The Head of Internal Audit's formal annual report to the organisation should:

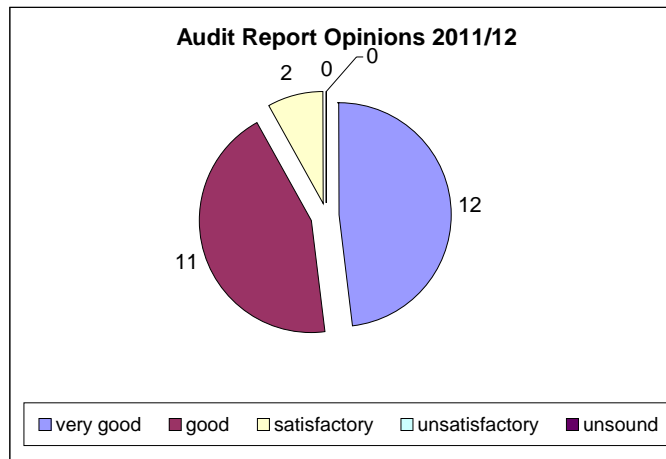
- include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment,
- disclose any qualifications to that opinion,
- present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
- compare work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,

- (f) comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

8 The overall opinion of the Head of Internal Audit on the controls operated in Hambleton District Council is that they were of a **good standard** (this is further expanded below detailing the main areas for which assurance is provided). There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There are no significant control related issues which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.

The Assurance:	
Risk Management	<p>The Council has embedded Risk Management arrangements within the organisation.</p> <p>The acquisition of Performance Management software will give added impetus to the process, and probably facilitate a wider acceptance and understanding of the benefits of Performance Management.</p>
Governance	<p>Our work this year leads us to the overall opinion that the Corporate Governance arrangements are sound.</p>
Internal Control	<p>Our overall opinion is that the internal controls within the financial systems in operation throughout the year are fundamentally sound. (100% of audits completed had a 'very good', 'good' or 'satisfactory' audit opinion.)</p> <p>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.</p>

Table of 2011/12 audit assignments completed



<u>Audit</u>	<u>Status</u>
<i>Material Systems (External Audit definition)</i>	
Council Tax	Completed ~ Very Good
Creditors	Completed ~ Good
Debtors	Completed ~ Good
Main Accounting System	Completed ~ Satisfactory
Benefits	Completed ~ Very Good
Cash Receipting/Income Collection	Completed ~ Good
NNDR	Completed ~ Very Good
Payroll	Completed ~ Good
Investments (Treasury Mgt)	Completed ~ Very Good
Capital Accounting & Asset Mgt	Completed ~ Good
<i>2011/12 Audit plan work</i>	
Procurement	Completed ~ Very Good
Health & Safety	Completed ~ Very Good
Performance Indicators/Data Quality	Completed ~ Good
ICT	Completed ~ Satisfactory
Homelessness	Completed ~ Very Good
Stokesley LC	Completed ~ Good
Partnership Governance	Completed ~ Very Good
Waste Management	Completed ~ Very Good
Community Transport Grants	Completed ~ Very Good
Property Maintenance – Council Buildings	Completed ~ Good
Members Allowances	Completed ~ Good
Public Interest Disclosure Act	Completed ~ Good
Tax management – CIS	Completed ~ Very Good
Taxi Licensing	Completed ~ Good
Money Laundering	Completed ~ Very Good
<i>Follow Ups From 2011/2012 Audits</i>	
Sundry Debtors	Completed – Action plan recommendations: - 2 recommendations fully implemented.