

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report 2014/15
Period to 31 March 2015

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Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Executive
Finance Manager (S151 Officer)

Date: 23rd April 2015


Assurance Services for
the Public Sector

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to those charged with governance, progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the Internal Audit Plan 2014/15 at their meeting on the 10 April 2014. The total number of planned audit days for 2014/15 was 225. This report summarises the progress made in delivering the agreed plan.
- 3 This is the third Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2014/15.

Internal Audit work completed in 2014/15

- 4 In the period between 1 April 2014 and 31 March 2015 we have fully completed **8** out of **18** internal audit reviews. As at 31 March 2015, a further **4** audits have had draft reports issued, and on **2** audits we have concluded our audit fieldwork. The remaining **4** audits are in progress.
- 5 We are on target to deliver the agreed Audit Plan by the end of April 2015. Further information on the progress of the audits from the agreed 2014/15 audit plan is included in **Appendix A**.
- 6 Further information on the findings from each of the completed audits since the last Overview and Scrutiny Committee are included in **Appendix B**.
- 7 The reports highlight no significant risks to the Council.

Audit Opinions

- 8 For all our reports we provide an overall opinion on the areas under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Further information on each of these areas is included in **Appendix C**.

Updates to the 2014/15 Plan

- 9 Following the last Overview and Scrutiny meeting in January 2015 there have been some minor revisions to the 2014/15 Audit plan.
- 10 We agreed with officers not to complete the planned work on the Community Infrastructure Levy (CIL) as the scheme has not sufficiently progressed. In its place, we used the time to undertake further work in relation to creditor payments. On Asset Management, work is currently ongoing by management to consider these arrangements for the future. We therefore used the allocated time to instead undertake further work on the Payroll and Debtors audits.

Wider Internal Audit work

11 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:

- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members as required.
- **Ongoing support to management and officers;** we meet regularly with management to listen and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. I have attended Management Team meetings in January and February. We have also helped the Authority with work on the 2013/14 DWP Housing Benefits claim.
- **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. In 2014/15, we have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of follow up work.

Stuart Cutts
Audit Manager
Veritau Ltd

1 April 2015

Table of 2014/15 audit assignments to 31st March 2015

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	Completed	Substantial Assurance	April 2015
Community Infrastructure Levy	Cancelled	-	-
Capital Programme	Completed	High Assurance	November 2014
Fundamental/Material Systems			
Council Tax / NNDR	Fieldwork completed		
Sundry Debtors	Draft Report issued March 2015		
Housing Benefits	Draft Report issued March 2015		
Creditors	In progress		
Income / Receipting System (s)	In progress		
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	In progress		
Asset Management	Cancelled	-	-
Regularity Audits			
Risk Management Process	Fieldwork completed		
Development Control	Completed	High Assurance	April 2015
Member Development	Completed	High Assurance	January 2015
Technical/Project Audits			
ICT	Two draft Reports issued March 2015		
Projects	Completed	No opinion given	April 2015
Review of Garden Waste and Cheque procedures	Completed	No opinion given	January 2015
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 31st March 2015; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Affordable Housing / New Homes Bonus	Substantial Assurance	We reviewed the controls the Council has in place to manage key risks relating to Affordable Housing and the New Homes Bonus	March 2015	<p>Strengths We found the Council has used strategies to reduce the number of empty properties and to maximise the delivery of affordable housing. An effective Rural Housing Enabler Scheme is in operation with nine rural affordable housing schemes in progress in the Ryedale area. The Council has also established a procedure for investigating empty properties. An Empty Homes Officer works with owners to help bring empty properties back into use. The council has also sponsored a local Landlord's Forum.</p> <p>181 empty homes have been brought back into use in Ryedale since 2011/12. As well as improving the local housing supply, this work has resulted in the payment of New Homes Bonus (NHB) Grant on each of these properties.</p> <p>Performance indicators for new homes and, affordable homes built and the number of empty properties are in place and reported to officers and members as part of performance monitoring and the Corporate Risk Register.</p> <p>Weakness There is currently no process to ensure the DCLG NHB allocation is checked for accuracy (that the correct number of properties is used in the allocation figures). This is currently difficult to do due to a lack of information and guidance from DCLG on the figures to be used in the calculation. The Local Taxation Manager maintains a New Homes Bonus calculation summary which can be checked to the DCLG figures as/when required and is also used for budgeting due to its accuracy.</p>	Management have agreed that an officer will check and agree (for reasonableness) the calculation of the New Homes Bonus when notification is received by the DCLG and on an ongoing basis as/when required.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Development Control	High Assurance	<p>We reviewed the management arrangements the Authority has in place to ensure planning applications are appropriately processed, complaints and enforcement work are recorded and followed up and the Authority receives all income due from planning fees.</p> <p>We also assessed the progress made to implement the agreed actions resulting from our 2013/14 audit of S106 agreements.</p>	March 2015	<p>Strengths Our work involved a review of a sample of planning applications. We concluded for all those reviewed that the expected policies and procedures were being followed.</p> <p>We also reviewed the performance management of the planning process. As reported by the Chief Executive in June 2014 ('Delivery of the Council's Priorities 2013/14') further investment had been made to help reduce the time taken to process planning applications. Our review has noted that performance on all three categories (Major, Minor and Other) has improved since then. The percentage of:</p> <ul style="list-style-type: none"> • Major applications determined within 13 weeks has risen from 52% to 75% (target 70%) • Minor applications determined within 8 weeks have risen from 56.7% to 69.7% (target 78%), • Other applications determined within 13 weeks have improved from 74.85% to 89.4% (target 93%). <p>Weakness Four of the five actions arising from our 2013/14 audit of S106 Agreements depended on expected upgrades to the Uniform system. However, extensive problems have meant that the system provider, Idox, have had to delay the upgrade. As a result the new target date for completion of these outstanding actions is 30 June 2015. We will follow up progress on S106 agreements as part of our 2015/16 programme of follow up work.</p>	No specific management actions required. Management are already aware of the progress required on the outstanding actions arising from 2013/14's audit of S106 Agreements.

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance (Moderate)	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.