

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report 2015/16
Period to 8 January 2016

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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: 8 January 2016


Assurance Services for
the Public Sector

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the 2015/16 Internal Audit Plan at their meeting on the 23 April 2015. The total number of planned audit days for 2015/16 was 225. This report summarises the progress made in delivering the agreed plan.
- 3 This is the second Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2015/16. This report updates therefore the Committee on the work completed between 1 April 2015 and 8 January 2016.

Internal Audit work completed in 2015/16

- 4 In the period between 1 April 2015 and 8 January 2015 we have completed 5 out of 20 planned internal audit reviews. We have issued one draft report. A further five audits are in progress and detailed planning work has commenced for a further four audits.
- 5 We have agreed timings with management for all 2015/16 audits. For those audits we have yet to start then for information we have provided proposed start dates in this report. We are on target to deliver the agreed Audit Plan by the end of April 2016.
- 6 Further information on the progress of the audits from the agreed 2015/16 audit plan is included in Appendix A.
- 7 Further information on the findings from each of the completed audits since the last Overview and Scrutiny Committee on 5th November 2015 is included in Appendix B.

Audit Opinions

- 8 For the majority of our reports we provide an overall opinion on the adequacy and effectiveness of the controls 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. Details of the opinion and priority ranking are included in Appendix C.

Wider Internal Audit work

- 9 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, guidance and training to Members as required.

- **Ongoing support to management and officers;** we meet regularly with management to identify emerging issues 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.
- **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 2015/16, 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.

Appendix A

Table of 2015/16 audit assignments to 8 January 2016

Audit	Status	Assurance Level (if Completed) / Planned Start date (if Not Started)	Audit Committee
Strategic Risk Register			
Business Continuity	Planning		
Disaster Recovery	Planning		
Fraud and Corruption	In progress		
Performance Management arrangements and Data Quality	Not started	March 2016	
Fundamental/Material Systems			
Housing Benefits	In progress		
Payroll	Planning		
Council Tax / NNDR	Completed	High Assurance	January 2016
Sundry Debtors	Draft Report		
Creditors	Not started	February 2016	
General Ledger	Not started	March 2016	
Budgetary Management	Not started	February 2016	
Regularity Audits			
Risk Management	In Progress		
Contract Management	Planning		
Human Resources	In Progress		
Technical/Project Audits			
Projects - Payroll budget monitoring development	Completed	No opinion given	November 2015
Projects - Cash Payments Ryedale House	Completed	No opinion given	November 2015
Server Rooms security	Completed	Limited Assurance	January 2016
Data Protection and security	Completed	Limited Assurance	November 2015
Payment Card Industry Data Security Standard	Not started	February 2016	
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 8 January 2016; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Council Tax / NNDR	High Assurance	<p>The audit examined the controls and processes in place to ensure:</p> <ul style="list-style-type: none"> The taxation database is up to date and accurate Bills and demands for Council Tax and NNDR are calculated and issued correctly, applying only legitimate discounts, exemptions and other allowances All monies collected were posted promptly to the correct account Appropriate performance monitoring arrangements of both systems was in place 	December 2015	<p>Strengths We found procedures in place that have ensured the number and value of taxable properties match the records held by the Valuation Office. Procedures also regularly review all discounts, exemptions and reliefs which help to ensure these are correctly applied to taxpayers' accounts and are discontinued when entitlement lapses.</p> <p>Performance is monitored monthly for the percentage of tax collected against the debit for both Council Tax and NNDR. Staff workload is also monitored for transactions processed and the number and length of telephone calls. These procedures help assist management in effectively managing the Revenues Service. The latest information shows the collections rates achieved for Council Tax and NNDR have increased since 2014/15 and are above average when compared to other billing & collection authorities in England.</p> <p>Weaknesses No weaknesses were noted.</p>	
Server Rooms Security	Limited Assurance	<p>It is important to protect servers and other network infrastructure from fire, flood, power outages and other environmental hazards, and also potential damage, theft or sabotage. Weak physical security arrangements could also lead to unauthorised access to sensitive information. We reviewed the server room at Ryedale House and the Malton depot.</p>	January 2016	<p>Strengths The Council has agreed with the findings from the audit and are looking to address both the immediate and more strategic considerations.</p> <p>Weaknesses The council's servers at Ryedale House and the Malton depot are exposed to the risks of unauthorised access and potential disruption to, or loss of, data, services or operational activities due to important controls not being in place.</p>	Management are currently considering the strategic and operational matters in respect of the management of the Server Rooms.

Audit Opinions and Priorities for Actions

Audit Opinions

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.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

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	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.