

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council

Internal Audit Progress Report 2016/17

Period to 31 December 2016

Audit Manager: Stuart Cutts
Head of Internal Audit: Max Thomas

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

Date: 5 January 2017


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 2016/17 Internal Audit Plan at their meeting on the 16 April 2016. The total number of planned audit days for 2016/17 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 2016/17. This report therefore updates the Committee on the work completed between 1 April 2016 and 31 December 2016.

Internal Audit work completed

- 4 In the period between 1 April and 31 December 2016 we have completed two internal audit reviews to final report stage; Data Protection and Security and General Ledger – Banking arrangements. Work is in progress on nine audits. Planning work has started for seven audits.
- 5 We have agreed timings with management for all 2016/17 audits. We are on target to deliver the agreed Audit Plan by the end of April 2017. Further information is included in Appendix A.
- 6 Information on the findings from the audit completed since the last Overview and Scrutiny Committee on 3 November 2016 is included in Appendix B.

Updates to the 2016/17 Audit Plan

- 7 Following the last Overview and Scrutiny Committee we have agreed some minor revisions to the 2016/17 plan with the Director of Finance (s151 Officer). Overall there is no change to the total number of audit days.
- 8 We have completed more work on Banking arrangements, Environmental Health and Strategic Asset Management than was initially envisaged in the 2016/17 original plan. The extra time has enabled the work to have greater value to the Council by providing more detailed reporting and audit review.
- 9 We have used the time originally allocated to complete work on Training to help complete the above additional work. Work on Training is better timed in 2017/18 to align with future improvements being planned by management. We will consider inclusion of work on Training in 2017/18 as part of the upcoming audit planning process.

Audit Opinions

- 10 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

- 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, 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. We have been working with senior management as part of the ongoing 'Towards 2020 Programme', providing support, advice and challenge.
 - **LGA Corporate Peer Challenge;** the Head of Internal Audit has supported and was interviewed as part of the October 2016 work undertaken by the LGA.
 - **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 2016/17 we have worked with officers to ensure all findings are now being recorded on the Council's 'Covalent' performance management system. This will allow audit matters to be highlighted, considered and then addressed alongside other relevant performance matters. We are continuing to review agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report to Members as a result of our follow up work.

Stuart Cutts
Audit Manager
Veritau Ltd

5 January 2017

Table of 2016/17 audit assignments to 31 December 2016

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Business Continuity	Planning		
Disaster Recovery	Planning		
Training	Deferred		
Customer Expectations / Delivering Efficiencies	In progress		
Performance Management and Data Quality	Not started		
Fundamental/Material Systems			
Housing Benefits	In Progress		
Payroll	Planning		
Council Tax / NNDR	In Progress		
Sundry Debtors	Planning		
Creditors	Planning		
Income	In Progress		
General Ledger – Banking arrangements	Completed	Substantial Assurance	January 2017
Regularity Audits			
Contract Management	Planning		
Risk Management	Planning		
Environmental Health	In Progress		
General Network and Key System Controls	In Progress		
Technical/Project Audits			
Data Protection and Security	Completed	Reasonable Assurance	November 2016
IDEA data analytics and data matching	In Progress		
Strategic Asset Management	In Progress		
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 31 December 2016; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
General Ledger Banking Arrangements	Substantial Assurance	<p>Since our 2015/16 audit of the general ledger the Council has moved its banking arrangements from NatWest to Lloyds. This audit focussed on the change in banking arrangements and related matters.</p> <p>We reviewed banking arrangements to ensure</p> <ul style="list-style-type: none"> the evaluation of banking service providers was suitably robust accounts at both banks were reflected in year end processing accounts at both banks have been reflected in ongoing bank reconciliations 	December 2016	<p>Strengths</p> <p>We found the evaluation of banking service providers was suitably robust. The decision to move from NatWest to Lloyds was also approved by the Policy & Resources committee.</p> <p>We tested the Drawings account and Consolidated Bank reconciliations both at 2015/16 year end and during 2016/17. We saw that whilst the detailed processes are more complex when there are active accounts provided by two banks, the underlying principles of the existing controls have been successfully carried over.</p> <p>As such the transfer between banks is progressing satisfactorily without any undue issues. All reconciliations reviewed during the audit had been appropriately authorised.</p> <p>Areas for improvement</p> <p>The bank reconciliation processes are heavily reliant on the experienced individuals currently in post. Care needs to be taken to ensure, in the evolving environment brought about by the "Towards 2020" project, that robust processes are in place irrespective of the presence or otherwise of individual officers. It is likely that Towards 2020 will result in operational changes. It is therefore important that there is a robust control framework in place against which the resulting processes may be mapped.</p>	The need for robust procedures during a time of significant change is a high priority of the S151 officer and a significant risk he will continue to manage.

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	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.