Annex 1

Ryedale District Council

Internal Audit Progress Report

Period to 31 March 2019

Audit Manager:	Stuart Cutts
Head of Internal Audit:	Max Thomas
Circulation List:	Members of the Overview and Scrutiny Committee Chief Executive Chief Finance Officer (s151)
Date:	April 2019

Veritau
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 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 for 2018/19 at their meeting on the 19 April 2018. This report summarises the progress made to date in delivering the agreed programme of work.

3 This is the third Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2018/19. It covers audit work completed up to 31 March 2019.

Internal Audit work completed

4 In the period between 1 April 2018 and 31 March 2019 we have completed six pieces of work. Two reports on Revenue Budgeting and Licensing have been finalised since the last committee. A summary of those findings is included in appendix B. Three draft reports on the Transparency Code, Safeguarding and a second Data Protection and Security visit have also been issued. Further information on overall progress against the audit plan is included in appendix A.

5 All remaining audits in the updated plan have been started, with the exception of contract management (which has been removed from the plan see paragraphs 8 and 9 below). We are on target to have completed and issued draft reports for all relevant audit work by the end of April 2019. We will work with officers to seek to ensure all reports are finalised by the end of May 2019. Further information is included in appendix A.

6 Project work in support of Risk Management has been ongoing throughout 2018/19. Work involving facilitating risk workshops and supporting officers preparing service risk registers will continue in 2019/20. We anticipate that work will be completed by the end of June 2019.

Audit opinions

7 For most 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 definitions used are included in appendix C.

Changes to the 2018/19 internal audit plan

8 Audit planning is an ongoing process. PSIAS (ref 2010 – planning) requires the Head of Internal Audit to ‘review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programmes, systems, and controls’.

9 In January 2019 we reported a number of amendments to the audit plan, including 10 days to review safeguarding arrangements. The scope, and level of work, has been broader than initially envisaged and we have agreed with the s151 officer to increase the allocation for the audit to 20 days. To resource this, the planned audit of contract management has been removed from the 2018/19 plan; but will be considered again for inclusion in 2019/20.

Follow up of previous audit findings

10 It is important that agreed actions are monitored to ensure management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

11 We have no areas of concern to bring to the attention of the committee in relation to follow up of agreed actions, at this time.

12 There are some actions from previous audits on Strategic Income, Contract Management and Data Quality which have passed the initial target date for completion. These areas for improvement are now being considered as part of the wider proposed organisational developments (Health-check reviews, new Corporate and Service plans and highlighted as risks in the risk register).

13 We will provide to members a detailed ‘year-end’ position of the outstanding actions from previous audit findings as part of reporting to the July 2019 committee.

Wider Internal Audit work

14 In addition to undertaking assurance reviews, Veritau 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.

- **Risk Management;** Veritau provides support and advice on the Council’s risk management arrangements and processes.

- **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

Stuart Cutts
Audit Manager
Veritau Ltd

17 April 2019

Appendix A

Table of 2018/19 audit assignments to 31 March 2019

Area	Status	Assurance Level	Audit Committee
Strategic Risk Register Audits			
Data Quality	cancelled		
HR Performance Management and Training	cancelled		
Health and Safety	cancelled		
Data Protection and Security – visit 1	**final report**	**Substantial Assurance**	**January 2019**
Data Protection and Security – visit 2	draft report		
Fundamental/Material Systems Audits			
Payroll and Personnel	in progress		
Creditors	in progress		
General Ledger	in progress		
Revenue Budgeting	**final report**	**Limited Assurance**	**April 2019**
Treasury Management	in progress		
Operational / Regularity Audits			
Information Technology	in progress		
Contract Management	cancelled		
Transparency Code	draft report		
Community Infra Structure Levy	**final report**	**Reasonable Assurance**	**January 2019**
Development Management	**final report**	**Substantial Assurance**	**January 2019**
Licensing	**final report**	**Reasonable Assurance**	**April 2019**
Safeguarding	draft report		
Projects / other work			
Internal control and s151 responsibilities	**completed**		
Risk Management support and development	ongoing		
Corporate arrangements ‘Health-check’ reviews and LGA follow up	ongoing		
NYCC Collaboration	ongoing		
Follow ups	ongoing		

Summary of Key Issues from audits completed to 31 March 2019; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Revenue Budgeting	Limited Assurance	The purpose of the audit was to review the revenue budget setting, reporting and monitoring procedures of the Council. Our audit field work was predominantly undertaken between June and September 2018. During that time we became aware of the work on revenue budgeting being undertaken by officers and members following the various budgeting matters highlighted by the 2017/18 under-spend. Changes have and are already taking place to resolve the issues referred to in this report.	March 2019	**Strengths** The issues that emerged as we were completing our work led to significant work by officers, including a detailed review of all budget headings. **Areas for Improvement** Budget setting procedures were not sufficiently rigorous and resulted in un-realistic budgets being set. Salary budget estimates, for example, were included at the top of the grade for each post. Revenue budget monitoring and reporting information was inadequate throughout the organisation. Reporting did not provide meaningful detail on many of the biggest areas of income and expenditure. Budget monitoring information provided by the financial system to budget holders was incorrect for 12 consecutive months until August 2018. Procedures were not in place whereby managers highlighted and provided explanations for budget variances to feed into any corporate monitoring process. Budget holders understanding of the budgets they were responsible for, varied. Some managers would benefit from training if they are to continue to be responsible for budgets.	A review of the budget setting process was undertaken in Autumn 2018. Elected members have been fully involved in a step-by-step budget building process which culminated in Full Council approving the 2019-20 budget on 21 February 2019. Revised budget monitoring arrangements are now in place. Some follow up work will take place between March and July 2019 to look at: • The respective roles, responsibilities and expectations of budget managers and finance staff, including training. • Whether Financial Management Information (FMI) reports produced quarterly for the Resources Working Party are required. • Whether revised capital monitoring arrangements are needed.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Licensing	Reasonable Assurance	The purpose of this audit was to review Licensing procedures and controls to ensure: • Policies and procedures are robust, resilient and in accordance with legislative requirements. • Applications are processed efficiently with appropriate checks taking place before licences are issued or renewed. • Suitable action is taken by the Council to manage risks and ensure compliance with licence conditions. This work excluded review of Taxi Licensing (which was subject to separate audit review in 2017/18) and gambling licences of which there is only a small number in the district.	February 2019	**Strengths** The Ryedale website contains guidance on all aspects of the licensing process. The information provides clear advice to applicants and interested parties. Internal guidance notes for administrating premises licences and temporary events notices (TENS) are in place. Testing of a sample of premises licences identified no significant issues. An updated Statement of Licensing Policy was due to be approved by full council and become effective by 1 March 2019. **Areas for Improvement** The system (spreadsheet) used to process annual premises licence renewals contained a number of data quality issues and errors. This spreadsheet is manually updated and monitored by a single officer. Technology is not being effectively utilised to support service delivery. Risks relating to licensing and compliance with licensing regulations have not been clearly identified or recorded. Internal guidance documents were not currently a comprehensive and easily followed tool for administrating the licensing process.	IDOX specialists completed a review of Ryedale's use of the IDOX system in December 2018. A report was subsequently issued which identified ways the authority could improve their use of the system. These recommendations were to be considered by management by the end of March 2019. Risk management development is ongoing with service level risk identification due to be carried out via future workshops. Currently, if legal support is required for the licensing service queries are referred to Scarborough District Council. The nature and requirements of this legal support is to be clarified by the end of March 2019. Electronic procedure notes and copies of reference documents will be updated and held in a central location to allow for easier access.

Appendix C

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.