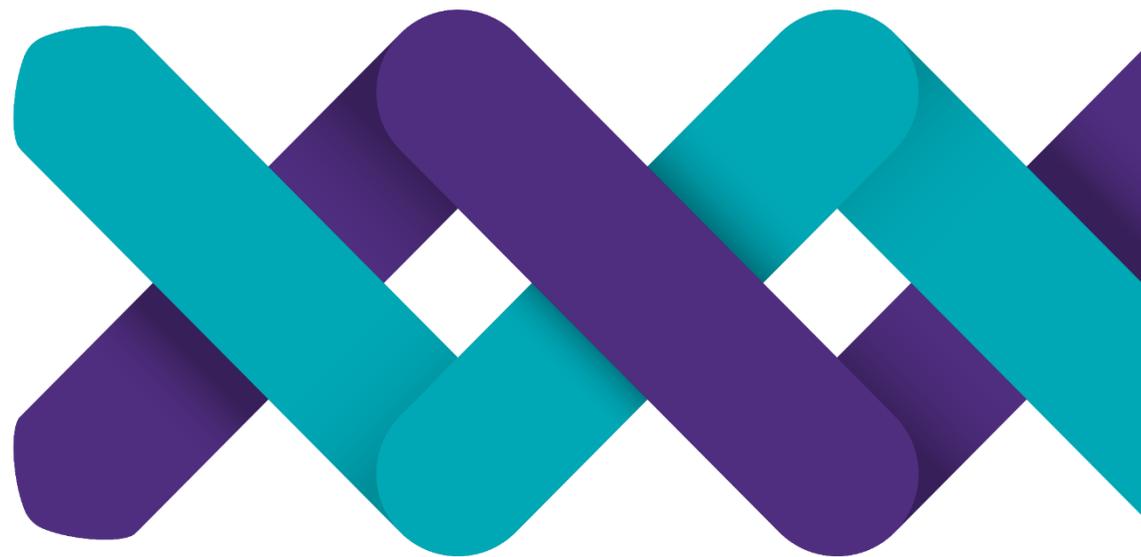


Audit Progress Report: 2018-19 Interim Audit Findings

Ryedale District Council

Year ending 31 March 2019

4 June 2019



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Introduction



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This paper provides the Overview and Scrutiny Committee with a report on our detailed interim audit findings and recommendations.

We reported our high level interim audit findings up to 9 April 2019 to the Overview and Scrutiny Committee held on 17 April 2019. Our report dated 9 April 2019 informed the Committee that we would report the full findings and recommendations to the Committee on 13 June 2019.

We have now completed our interim audit. Issues and recommendations arising from our work are reported at pages 5 to 8. We have shared the findings and agreed our recommendations with the Section 151 Officer and his senior finance team in April 2019.

The matters reported here are limited to those areas that we have identified during the course of our interim audit and we have concluded they are of sufficient importance to merit being reported to you as those charged with governance at Ryedale District Council.

These findings may have an impact on our overall accounts audit strategy and our review of the Council's arrangements to secure appropriate use of its resources (our Value for Money conclusion review). This is as a result of the potential increased risks arising from our interim audit findings. In addition, this may also have an impact on our audit fee for 2018-19 (on which we have already held initial discussions and agreement with the Section 151 Officer).

We will continue to discuss these matters with the senior officers of the Council during our year-end audit taking place in June and July. We will report our final findings to you on 24 July 2019, and any impact on our audit fee, as part of our Audit Findings (ISA260) Report.

Audit Deliverables

2018-19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018-19.	April 2018	Complete. This was presented to the Overview and Scrutiny Committee on 25 October 2018.
Accounts Audit Plan We are required to issue a detailed accounts Audit Plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete. This was presented to the Overview and Scrutiny Committee on 24 January 2019.
Interim Audit Findings We will report our final findings and recommendations from our interim audit within our Progress Report to Overview and Scrutiny Committee on 13 June 2019. See pages 5-8. We have shared our findings and agreed on the recommendations with the management before 2018-19 financial closedown.	13 June 2019	Included in this report
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the July Committee.	24 July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	By 31 July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	By 31 August 2019	Not yet due

Results of Interim Audit Work

We reported our interim audit findings up to 9 April 2019 to the Overview and Scrutiny Committee held on 17 April 2019. Our report dated 9 April 2019 informed the Committee that we will report the full findings and recommendations to the Committee on 13 June 2019. We have identified following issues and recommendations as part of our interim audit. We have agreed our recommendations with the senior finance team.

Rec No	Brief description of the issue and recommendation	Priority	Management Response	Implementation Date and responsibility
1 & 2.	<p>Payroll System records</p> <p>From July 2018, the Council's Payroll services have been provided by North Yorkshire County Council (service provider). At the time of our Interim audit (March 2019), we identified that no detailed payroll records have been sent from the service provider to the Council. This resulted in no payroll data being posted to Council's general ledger from July 2018 to February 2019.</p> <p>We also identified that starters and leavers on the Council's payroll list are not promptly informed to the Council by the service provider. We understand this is mainly due to the Council not receiving the completed starter and leaver forms. This increases the risk that starters and leavers may not be appropriately recorded and appropriate payments may not be made according to the start or leave date.</p> <p>Recommendations (R):</p> <p>Rec 1: The Council should ensure that detailed payroll records are entered into the General Ledger system on a monthly basis to reflect up-to-date financial information and associated payroll costs of the Council.</p> <p>Rec 2: The Council should consider enhancing its control procedures around starters and leavers to ensure there is clear audit trail around payments to starters and leavers.</p>	High	<p>Rec 1: Whilst the payroll information was available, the Council could not upload the data due to system issues. The Council was in discussion with the supplier during January and February 2019. These have now been resolved. A payroll reconciliation was performed at the year end. The Council will ensure the detailed payroll records are uploaded in a timely manner to the General Ledger System in 2019-20.</p> <p>Rec 2: The Council will review and enhance the control procedures to ensure there is clear audit trail around payments to starters and leavers.</p>	Rec 1 and Rec 2 : 31 July 2019 S151 officer

Results of Interim Audit Work (continued)

Rec No	Brief description of the issue and recommendation	Priority	Management Response	Implementation Date and responsibility
3.	<p>Bank and Cash:</p> <p>Our Interim work on bank and cash identified the Council has a process of keeping signed cheques in a safe. Cheques are pre-numbered and the system highlights when the consecutive number is not being used. However, we noted that the entire Accounting, Business and Democracy team have access to the safe.</p> <p>Rec 3: As part of proactive fraud prevention activities, the Council should consider further strengthening the process around safekeeping of signed cheques by giving access to only limited number of senior officers.</p>	High	This is now implemented	N/A
4.	<p>Authorisation of re-coded journals:</p> <p>Our interim audit work on journal controls identified that journals are re-coded when the initial posting is identified as incorrect. This is a standard practice and there is nothing unusual about journals being re-coded when required.</p> <p>However, we observed that there is no authorisation control when journals are re-coded. This may give rise to unauthorised journals being posted which may result in inaccurate journals being included in the Council's financial position, increasing the risk of errors in the Council's financial reporting.</p> <p>Rec 4: The Council should consider further strengthening the journal control environment by implementing an authorisation control when re-coding journals.</p>	Medium	The Council will further strengthen the journal control environment in a proportionate manner around re-coding of journals.	31 July 2019 s151 officer
5.	<p>Governance documents:</p> <p>Our interim work highlighted that key Council documents have not been updated for a number of years, for example, the Code of Conduct (last updated in 2010), the Whistle Blowing Policy (last updated 2006)</p> <p>These are key documents forming part of the Council's wider governance and control environment.</p> <p>Rec 5: The Council should perform a review of all the key governance documents to ensure they are relevant and up to date, taking into account any changes in legislation or regulations.</p>	Medium	The Council began a review of key governance documents in Summer 2018. This will continue to ensure that all key documents are relevant and up to date, taking into account any changes in legislation or regulations.	By 31 March 2020 s151 officer / Head of HR

Results of Interim Audit Work (continued)

Rec No	Brief description of the issue and recommendation	Priority	Management Response	Implementation Date and responsibility
6.	<p>Service Organisations:</p> <p>The Council uses other service organisations to provide key services. Some of these are highlighted below:</p> <ul style="list-style-type: none"> • North Yorkshire County Council provides finance, payroll and HR • Scarborough Borough Council provides Collection Fund, (Council Tax and Business Rates), procurement and car parking services. <p>Our Interim audit highlighted there is scope to enhance the communication between the Council and its use of service organisations mainly around services provided by Scarborough Borough Council. As a result, we noticed there was some level of staff ambiguity around certain responsibilities.</p> <p>We understand that the governance arrangements relating to the range of services provided by these service organisations is still developing. Original signed SLAs are being re-examined to ensure they meet organisational requirements, alongside proposals for governance of any over-arching collaboration agreements.</p> <p>Rec 6: In order to strengthen the arrangements in place to monitor the quality of the work delivered by the service organisations, the Council should:</p> <ul style="list-style-type: none"> • R1: Ensure all Service Level Agreements between the Council and its service providers are signed and dated – this will ensure clarity on both sides in terms of expectations on delivery and quality, reducing the risk of any ambiguity • R2: Ensure there is regular communication and monitoring of the services provided by Service Organisations (mainly around Scarborough Council) to enable they are providing what has been agreed and at an acceptable quality and standard, with appropriate levels of governance in place • R3: Ensure that if it is not receiving the agreed level of service and quality from its service providers, it holds them appropriately to account. 	High	<p>The Council will review all key SLAs and ensure they are agreed and signed.</p> <p>The Council will introduce appropriate governance processes with service organisations to ensure the services are meeting the quality standards required by Ryedale District Council as specified in the SLAs, ensuring that issues of concern are escalated to the appropriate Committee for Elected Member review and consideration.</p> <p>The Council will address this as part of effective service management throughout 2019-20.</p>	<p>R1 : 31 July 2019</p> <p>R2: Throughout 2019-20</p> <p>R3: Throughout 2019-20</p> <p>s151 Officer</p>

Results of Interim Audit Work

Rec No	Brief description of the issue and recommendation	Priority	Management Response	Implementation Date and responsibility
7.	<p>Resourcing in the accounts production team:</p> <p>We noted the predecessor auditor in their 2017-18 Audit Findings (ISA260) Report, issued in July 2018, raised a recommendation to consider capacity and adequate resourcing in the accounts production team.</p> <p>As a result, we understand that additional part time senior resource was added to the team during 2018-19.</p> <p>Our interim audit highlighted that there are still gaps in experienced financial professionals that would assist in day to day book keeping and also help contribute to the final accounts production process. We understand that there is more scope for formal training to individuals who have taken on new roles and responsibilities in 2018-19.</p> <p>Rec 7: The Council should consider whether the current finance team and those supporting the finance team, are sufficiently resourced and experienced in order to compile the 2018-19 financial statements and deal with the audit process in June and July.</p>	Medium	<p>Additional support from North Yorkshire County Council was obtained as part of collaboration agreement during the financial statement closedown and preparation process. Financial statements were produced within the required time scale by end of May 2019. Capacity funding agreed through the Council budgeting process for 19/20 was utilised to achieve this.</p> <p>The Council is looking at relevant team structures to ensure the accounts production function is adequately staffed and receives effective resources throughout the year.</p>	<p>2019-20</p> <p>s151 officer</p>

