

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 21 April 2022

Annex 1

RYEDALE
DISTRICT
COUNCIL





BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Overview and Scrutiny Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in July 2021. The number of agreed days is 225 and the programme is flexible in nature. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 5 The purpose of this report is to update the committee on internal activity between during 2021/22.



INTERNAL AUDIT PROGRESS

- 6 Since the previous progress report (presented to this committee on 20 January 2022), an audit of CIPFA Financial Management Code compliance has been completed.
- 7 Work is in progress for a number of audits in the programme. This includes records management, Everyone Active, and email security. These audits are all now at the fieldwork stage and the majority are nearing completion.
- 8 Since the previous progress report, initial work has also commenced on the Section 106 agreements and IT disaster recovery audits.
- 9 Draft reports have been issued for the Waste & Street Scene and payroll audits. Discussions with managers are ongoing about actions required to address the control weaknesses identified in these audits. A draft report has also been issued for the audit of income collection and debtor management. We expect to be able to report on the findings from all audits in progress, and those at draft report stage, in our annual Head of Internal Audit report.
- 10 In addition to the above, work is ongoing to gather information and assurances to help support our overall opinion. We are already discussing, and sharing knowledge and information with officers in respect of areas

directly and indirectly impacted by Local Government Reorganisation (LGR). At the same time, officers from Veritau are involved in discussing overall LGR governance arrangements with key project leads, as well as being directly involved in a number of project work streams.

- 11 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.
- 12 We have recently met with the Chief Finance Officer (S151) and with other senior officers to refresh our understanding of current risks and priorities, and so help target and focus ongoing and future work.
- 13 The work programme showing current priorities for internal audit work is included at appendix B. This shows all eight remaining 2021/22 audits in the 'do now' category.
- 14 One audit (council tax and NNDR) is in the 'do next' category. This is because it is possible that the work will commence in April but there is also a possibility that it will slip into May.
- 15 In determining which audits will actually be undertaken during 2021/22, the priority and relative risk of each area has continued to be considered throughout the year. None of the audits in the 'do later' category will be undertaken during 2021/22. This includes service risk management (previously reported to this committee as being paused), which has not been completed due to pressures facing officers during the year. However, all nine of these audit areas are, in some form, included in the draft 2022/23 work programme being presented to committee at this meeting.
- 16 A summary of the key findings from the CIPFA Financial Management Code audit is provided at appendix C. Details of actions agreed are also shown.
- 17 Appendix D lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 18 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. Where further assurances are required, follow-up of agreed actions will be included as part of other audits in the work programme.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Section 106 agreements	In progress
Records management	In progress
Everyone Active	In progress
IT disaster recovery	In progress
Email security	In progress
Income collection and debtor management	Draft report
Waste & Street Scene	Draft report
Payroll	Draft report

Final reports issued

Audit	Reported to Committee	Opinion
Creditors	July 2021	Reasonable Assurance
Main accounting system	July 2021	Substantial Assurance
Insurance	July 2021	Reasonable Assurance
Local code of corporate governance	October 2021	Reasonable Assurance
CIPFA Financial Management Code	April 2022	Substantial Assurance

Other work completed in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Compliance and Enforcement Grant and the Protect and Vaccinate Grant
- Support and advice provided through the year on service risk management development

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit	Status		
	Do now	Do next	Do later
Corporate & cross-cutting			
Section 106 agreements	✓		
Records management	✓		
Service risk management			✓
Freedom of Information			✓
Transparency (follow-up)			✓
Procurement			✓
Financial systems			
Payroll	✓		
Income collection and debtor management	✓		
Budget monitoring and management			✓
Council tax and NNDR		✓	
Service areas			
Waste & Street Scene	✓		
Everyone Active	✓		
Depot operations			✓
Empty Homes Strategy			✓
Environmental health			✓
Home energy efficiency			✓
Technical / projects			
IT disaster recovery	✓		
Email security	✓		

Further explanation on the work status

The programme of work is subject to ongoing review and will be adjusted in response to changes in the Council's activities, risks, operations, systems and controls. During the year, planned work is prioritised on the basis of:

- Do first – work of the highest value, priority, or urgency
- Do next – work to be started after current audit work is completed
- Do later – work to be scheduled for consideration later in the year

Changes in the priority and timings of work are agreed with council officers.

Individual audit assignments can also move between the categories as required.

As we have reached the end of the financial year we are currently assessing and planning those audits classified as 'do next' and 'do later', to help decide which we will be completed as part of the current years' work and which pieces of work will be included as a priority for next year.

Work to support our Annual Opinion

The programme of internal audit work is prepared on the basis of an initial assessment of risk and to ensure there is sufficient coverage of the framework of governance, risk management and internal control.

We have defined the following as areas where assurance is required in order to enable us to provide an evidence based opinion:

- Strategic planning
- Organisational governance
- Financial governance
- Risk management
- Information governance
- Performance management and data quality
- Procurement and contract management
- People management
- Asset management
- Programme and project management
- ICT governance

The requirement for providing assurance across these areas is taken into account when prioritising work.

APPENDIX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
CIPFA Financial Management Code (April 2022)	This audit reviewed the Council's self-assessment against the principles of CIPFA Financial Management Code. Specifically, it sought to confirm that relevant analyses of the Council's financial management standards have been conducted (in line with CIPFA's Financial Management Code), that the results of these analyses have been monitored and reported, and that suitable actions have been identified to address any weaknesses.	Substantial Assurance	0	0	0	<p>The audit found that each of the principles within the Financial Management Code was included within the scope of the self-assessment.</p> <p>A sample of the principles was reviewed and it was found that the controls and documentation outlined in the self-assessment were, in the vast majority of cases, in place.</p> <p>The self-assessment has been reviewed and updated for 2022/23 and was reported to Overview and Scrutiny on 24 March 2022. The revised self-assessment provides an update on areas for improvement identified in the original assessment and acknowledges the impact that local government reorganisation (LGR) will have going forwards.</p> <p>Some minor improvements to formatting, presentation and usability could be made but, overall, our view is that the self-assessment is a fair reflection of the Council's compliance status and is subject to satisfactory review.</p>	No management actions were required.

APPENDIX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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.