



Ryedale District Council
Internal Audit Progress Report 2014-15
Period to 15 October 2014

Audits Completed to 15 October 2014	
High Assurance	1
Substantial Assurance	0
Moderate Assurance	1
Limited Assurance	0
No Assurance	0

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: 6th November 2014

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to those charged with governance, 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 2014/15 at their meeting on the 10 April 2014. The total number of planned audit days for 2014/15 is 225. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.
- 3 This is the first Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2014/15. This report updates the Committee on the work completed between 1st April and 15th October 2014.

Internal Audit work completed in 2014/15

- 4 In the period between 1st April and 15th October 2014 we have completed **2** out of **16** internal audit reviews to final report stage. As at 15th October, **1** audit has a draft report issued and a further **4** are in progress. Planning work has started for **2** other audits.
- 5 We are on target to deliver the agreed Audit Plan by the end of the year. Further information on the progress of the audits from the agreed 2014/15 audit plan is included in **Appendix A**.
- 6 Further information on the findings from each of the two completed audits is included in **Appendix B**.
- 7 The payroll report highlighted areas where management have agreed to make improvements to the systems internal control environment. The capital programme work raised no significant risks to the Council. The audit plan is at an early stage of delivery. So it is too early to draw firm conclusions on the impact of our audit work on the overall opinion of the Head of Internal Audit on the framework of risk management, governance and controls operated at Ryedale District Council.
- 8 For all our reports we provide an overall opinion on the areas 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. Further information on each of these areas is included in **Appendix C**.

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 to Members as required.
- **Ongoing support to management and officers;** we meet regularly with management to listen 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. I attended the Management Team meeting on 6th October. I also provided and agreed a timing of work for all audits in 2014/15. We are also providing Information Governance guidance and support to the Corporate Director who is the councils newly appointed Senior Information Risk Owner (SIRO).
- **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 2014/15, 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. We will provide more information to members on this area as part of our next progress report.
- **Investigations;** We perform special investigations into specific sensitive issues as and when requested by management.

Stuart Cutts
Audit Manager
Veritau Ltd

6th November 2014

Appendix A

Table of 2014/15 audit assignments to 15th October 2014

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	In progress		
Community Infrastructure Levy	Not started		
Capital Programme	Completed	High Assurance	November 2014
Fundamental/Material Systems			
Council Tax / NNDR	Not Started		
Sundry Debtors	Not Started		
Benefits	Planning		
Creditors	Not Started		
Income / Receipting System (s)	Not Started		
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	Not started		
Capital Accounting and Asset Management	Not started		
Regularity Audits			
Risk Management Process	Planning		
Development Control	In Progress		
Member Development	Draft Report		
Technical/Project Audits			
ICT	In Progress		
Project Management	In Progress		
Follow-Ups			

Summary of Key Issues from audits completed to 15th October 2014; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Capital Programme	High Assurance	<p>The Council has a five year capital programme with a value of £8.958m. External funding is budgeted for £3.405m, leaving a cost to Ryedale DC of £5.553m.</p> <p>The effective management of the Capital Programme will contribute to the delivery of capital schemes in the most effective way.</p> <p>We reviewed the arrangements the Council has in place to effectively manage the Capital Programme.</p>	4 th July 2014	<p>Strengths We found that roles and responsibilities had been appropriately assigned. The s151 Officer, in consultation with the Chief Executive, Heads of Service and the Asset Management Group, is responsible for the preparation of the capital programme.</p> <p>The current Capital Programme is also an integral part of the Councils wider Financial Strategy 2014-18 that the Council approved on 25th February 2014.</p> <p>The Capital programme includes a Reserve List which enables Members to maintain an awareness of potential schemes. The list may be increasingly important with the rise of the Local Economic Partnership (LEP), as this list could be used to promote schemes within Ryedale.</p> <p>Weaknesses There were no weaknesses to report.</p>	-
Payroll	Moderate Assurance	<p>The Council's payroll expenditure is processed by City of York Council and so the arrangements operated by the Council involve some 'in-house' work alongside the work undertaken by City of York.</p> <p>The audit involved a review of the procedures and controls within the payroll system to ensure they were working effectively.</p>	9 October 2014	<p>Strengths We noted no evidence of staff being paid incorrectly. Transactions are being accurately recorded in the Council's accounts.</p> <p>Weaknesses There is no current contractual agreement with the City of York Council. Without a contract in place, the respective roles and responsibilities of each party are not defined. Performance cannot be measured, monitored or controlled. Currently there are assumptions made by RDC that key functions are being performed by the</p>	<p>All of the findings in our report were agreed with Management.</p> <p>A robust contractual agreement will be drawn up and signed with City of York Council.</p> <p>Management recognise the need for this information and</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>provider, such as the production and review of exception reports and the timely payment over of payroll deductions to the relevant bodies.</p> <p>Whilst there was no evidence of staff being paid incorrectly, there is currently no way to report and monitor salary expenditure at post level. Managers cannot receive salary information at post level and are unaware of how much is being paid to employees in overtime or additional hours payments.</p> <p>Some payroll control accounts are also not being reconciled on a regular basis; some balances dated back to 2011.</p> <p>There are some inconsistencies and the potential for confusion in the use of the various overtime forms. Some payroll areas would benefit from procedure notes being updated and training for those staff involved in processing the various claims, including mileage and expense claims.</p>	<p>various options are being considered to be able to provide more useful information to managers for monitoring purposes.</p> <p>Steps are being taken to address the staff shortage in the Finance Section. A new post has been proposed and one of the responsibilities of this new post will be the reconciliation of payroll control accounts.</p> <p>Procedure notes and overtime forms are to be updated and training provided to relevant that require it.</p>

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.
Moderate 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.