

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report 2014/15
Period to 7 January 2015

Audits Completed to 7 January 2015	
High Assurance	2
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: 29th January 2015


Assurance Services for
the Public Sector

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 10th 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 second 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 2014 and 7th January 2015.

Internal Audit work completed in 2014/15

- 4 In the period between 1st April 2014 and 7 January 2015 we have completed **4** out of **18** internal audit reviews to final report stage. As at 7th January 2015, **8** are in progress and we expect at least 4 of these audits will have reports issued in January. We will be starting the remaining **6** audits as illustrated **on Appendix A**.
- 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 since the last Overview and Scrutiny Committee are included in **Appendix B**.
- 7 The two reports highlight no significant risks to the Council or to the overall opinion of the Head of Internal Audit on the framework of risk management, governance and controls operated at Ryedale District Council. Based on all our work so far, we feel there are no significant risks to the Council or to the overall opinion of the Head of Internal Audit on the framework of risk management, governance and controls operated at Ryedale District Council. Our views may be subject to change in the light of findings emerging from our ongoing work.

Audit Opinions

- 8 For the vast majority of 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 Our standard internal audit report format has been reviewed and a number of changes made. These changes have become effective from December 2014. The changes are relatively minor but include adopting 'reasonable' assurance instead of 'moderate' assurance as part of the ranking of opinions. The number and definition of the opinions otherwise remains unchanged. The change to the opinion is considered necessary to more closely reflect the wording of the definition and to avoid possible misinterpretation.

Wider Internal Audit work

- 10 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 8th December. We have also helped the Authority with work on the 2013/14 DWP Housing Benefits claim.
 - **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.

Audit Charter

- 11 The Audit Charter was approved by this Committee in December 2013. A review of the Charter has now been completed and a minor change is considered necessary to clarify the fact that auditors will not be assigned to review areas where they have had any direct operational or managerial involvement within the last year. A copy of the revised Charter with the tracked changes is attached at **Appendix D**.

Stuart Cutts
Audit Manager
Veritau Ltd

7th January 2015

Appendix A

Table of 2014/15 audit assignments to 7th January 2015

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	In progress		
Community Infrastructure Levy	To start in March		
Capital Programme	Completed	High Assurance	November 2014
Fundamental/Material Systems			
Council Tax / NNDR	To start in February		
Sundry Debtors	In progress		
Benefits	In progress		
Creditors	To start in January		
Income / Receipting System (s)	To start in February		
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	To start in February		
Capital Accounting and Asset Management	To start in January		
Regularity Audits			
Risk Management Process	In Progress		
Development Control	In Progress		
Member Development	Completed	High Assurance	January 2015
Technical/Project Audits			
ICT	In Progress		
Project Management	In Progress		
Review of Garden Waste and Cheque procedures	Completed	No opinion given; advice and assistance work.	January 2015
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 7th January 2015; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Member Development	High Assurance	<p>Elected Members have a key role in taking forward the Council's aims and objectives. The continuous development is an important activity.</p> <p>We reviewed the management arrangements the Authority has in place to manage the risks, training and development of elected members.</p>	October 2014	<p>Strengths There is a comprehensive framework in place. The formulation of the framework was overseen by the Member Development Task Group. The Member Development Task Group is developing a targeted Skills Framework so that member development activity may be focused according to an individual Member's role. The Skills Framework includes relevant laws and regulations for those sitting on a statutory board.</p> <p>After each election Democratic Services run a programme of induction training. All Members, not just those that are newly elected, are able to attend and all are provided with an induction pack of reference material.</p> <p>Planning Inspectorate statistics show the proportion of successful appeals against planning decisions in Ryedale to be in line with other planning authorities in North Yorkshire.</p> <p>Weaknesses Currently there was no reference in the Corporate Risk Register to the management of the associated risks in this area.</p>	The Risk has been added to the Covalent Risk Register and so will be considered as part of the Council's established Risk Management arrangements.
Garden Waste and Cheque Payments	No opinion	<p>In 2014, the Council introduced charges for the disposal of Garden Waste. The charging followed a reduction in the Revenue Support Grant.</p> <p>The Council introduced systems to collect and account for income received. Payments can be made</p>	January 2015	<p>We worked closely with officers to understand the processes, controls, operational requirements and other relevant factors for Garden Waste and cheque payments.</p> <p>We highlighted four areas for the Council that the Council may want to consider further. One was to increase the promotion of alternatives to cheque payments.</p>	Management are considering our thoughts as part of managing both the Garden Waste and Cheque payments processes in 2015.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>via the website, telephone, via All Pay at the Post Office or other providers that offer this service, or by personal cheque.</p> <p>Management asked us to review the current processes on Garden Waste, including those specifically for cheques (not just in respect of garden waste but cheque procedures generally) as it was felt current procedures could be improved.</p>		<p>We also suggested some changes to procedures in respect of cheques provided which have insufficient information to allocate to accounts, and potential technological options. Finally we highlighted some potential changes to how/when notification for 2015/16 payments are managed.</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.
Reasonable Assurance (Moderate)	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.