

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report 2015/16
Period to 15 October 2015

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: 15 October 2015


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 and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the 2015/16 Internal Audit Plan at their meeting on the 23 April 2015. The total number of planned audit days for 2015/16 was 225. 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 2015/16. This report updates therefore the Committee on the work completed between 1 April 2015 and 15 October 2015.

Internal Audit work completed in 2015/16

- 4 In the period between 1 April 2015 and 15 October 2015 we have completed **3** out of **21** planned internal audit reviews. A further **4** audits are in progress and detailed planning work has commenced for a further **5** audits.
- 5 We are on target to deliver the agreed Audit Plan by the end of April 2015. Further information on the progress of the audits from the agreed 2015/16 audit plan is included in **Appendix A**.
- 6 Further information on the findings from each of the completed audits since the last Overview and Scrutiny Committee are included in **Appendix B**.
- 7 The reports highlight no significant risks to the Council.

Audit Opinions

- 8 For all our 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 opinion and priority ranking are included in **Appendix C**.

Wider Internal Audit work

- 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, 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.

- **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 2015/16, 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.

Stuart Cutts
Audit Manager
Veritau Ltd

15 October 2015

Table of 2015/16 audit assignments to 15 October 2015

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Business Continuity	Not started		
Disaster Recovery	Not started		
Fraud and Corruption	Planning		
Performance Management arrangements and Data Quality	Not started		
Fundamental/Material Systems			
Housing Benefits	Planning		
Payroll	Not started		
Council Tax / NNDR	Planning		
Sundry Debtors	In Progress		
Creditors	Not started		
General Ledger	Not started		
Budgetary Management	Not started		
Regularity Audits			
Risk Management	In Progress		
Contract Management	Not started		
Human Resources	Planning		
Technical/Project Audits			
Projects	Planning		
Payroll budget monitoring development	Completed	No opinion given	November 2015
Cash Payments Ryedale House	Completed	No opinion given	November 2015
Server Rooms security	In Progress		
Data Protection and security	Completed	Limited Assurance	November 2015
Payment Card Industry Data Security Standard	Not started		
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 15 October 2015; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Payroll budget monitoring development	N/A	We provided support and advice on the implementation of the new CIVICA Payroll budgeting software, specifically mapping information from the current iTrent Payroll information obtained from City of York Council to the system requirements of the new module.	September 2015	A number of anomalies had been identified within the main payroll costing file. The main cause of these anomalies was due to incorrect costing being added to the HR forms sent to City of York Council for processing. Recommendations were made to address this and a number of other specific issues.	The Finance Manager is currently considering the recommendations from the review.
Cash Payments	N/A	We reviewed the systems in place at Ryedale House for the receipt of cash payments.	June 2015	Our work highlighted some areas for possible improvement.	Our findings were considered by management as part of the decision making on future arrangements for payments. Since October 2015, cash payments are no longer accepted at Ryedale House but alternative payment methods have been introduced.
Data Protection and security	Limited Assurance	Information is one of the most valuable assets held by any organisation. The Council holds and processes large amounts of personal and sensitive data. Senior management recognise there are information governance risks associated with holding this information, and that appropriate practices need to be followed by RDC staff.	October 2015	Strengths The Council had addressed the findings from the 2013 audit with training and measures to improve staff awareness. Council procedures had also been updated. There is now increased awareness of the importance of securing personal and sensitive data. Weaknesses We noted a number of instances where documents had not been secured. Council policies were not always being complied with, including the need for clear desks.	Management is taking a number of actions. In the short term the need for all sensitive information to be secured is to be clearly communicated to all staff. Lockable storage where needed will be provided. Management is also considering how best to manage overall data security

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>We performed an unannounced visit and review of Ryedale House in August 2015. The objective of the visit was to assess the extent to which data was being held securely in the Council's offices. This included hard copy personal and sensitive information as well as electronic items such as laptops and removable media.</p> <p>Our previous work in 2013 had noted a number of areas of weakness and non compliance with expected practice.</p>		<p>In some instances lockable storage was not available.</p> <p>There is still a need to fully embed good information security practice at Ryedale House.</p>	<p>on an ongoing basis. Areas such as policy, procedures and ongoing compliance training will form part of that work.</p>

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.