



Ryedale District Council

Internal Audit Progress Report 2015/16

Period to 31 March 2016

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: 31 March 2016

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 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 third Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2015/16. This report updates the Committee on the work completed since 28 January 2016.

Internal Audit work completed in 2015/16

- 4 In the period between 1 April 2015 and 31 March 2016 we have completed 8 out of 20 planned internal audit reviews. We have issued a further 3 draft reports and work is ongoing for all other audits. We are on target to deliver the agreed Audit Plan by the end of April 2016.
- 5 Further information on the progress made in delivering the 2015/16 audit plan is included in Appendix A.
- 6 Further information on the findings from audits completed since the report to the last Overview and Scrutiny Committee on 28 January 2016 is included in Appendix B.

Audit Opinions

- 7 For the majority of 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

- 8 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 such as the transformation programme of work the Council is undertaking.

- **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 from previously agreed work 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 have no matters to report.

Appendix A

Table of 2015/16 audit assignments to 31 March 2016

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Business Continuity	In progress		
Disaster Recovery	In progress		
Fraud and Corruption	Draft Report		
Performance Management arrangements and Data Quality	In progress		
Fundamental/Material Systems			
Housing Benefits	Completed	Substantial Assurance	April 2016
Payroll	In Progress		
Council Tax / NNDR	Completed	High Assurance	January 2016
Sundry Debt Recovery	Completed	Substantial Assurance	April 2016
Creditors	In Progress		
General Ledger	In Progress		
Budgetary Management	In Progress		
Regularity Audits			
Risk Management	In Progress		
Contract Management	Draft Report		
Human Resources – Sickness Absence and Disciplinary Procedures	Draft Report		
Technical/Project Audits			
Projects - Payroll budget monitoring development	Completed	No opinion given	November 2015
Projects - Cash Payments Ryedale House	Completed	No opinion given	November 2015
Server Rooms security	Completed	Limited Assurance	January 2016
Data Protection and security	Completed	Limited Assurance	November 2015
Payment Card Industry Data Security Standard	In Progress		
Follow-Ups	Completed		

Summary of Key Issues from audits completed to 31 March 2016; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Housing Benefits	Substantial Assurance	The audit reviewed the controls and processes for calculating and paying housing benefits. The audit also examined the measures to prevent possible overpayments including risk based verification and evidence checking.	March 2016	<p>Strengths Over the last two years the Housing Benefit Service has made significant progress in improving processing times for new claims and changes in circumstances.</p> <p>Checks of new claims and changes in circumstances have been reintroduced following our last audit. The introduction of the Fraud and Error Reduction Incentive Scheme (which involves the review of high risk claims) is now operational and functioning well. The service continues to pay rent allowance by BACS only, which makes payments quicker and more efficient to undertake.</p> <p>Weaknesses There is the potential to develop electronic methods of communication in order to keep claimants informed and to regularly remind them to report changes in circumstances.</p> <p>Management should also review the exchange of information between Housing Options and the Housing Benefit Service.</p>	Other local councils in North Yorkshire will be contacted to learn more about alternative communication methods and how information flows between housing services and benefits' services can be improved.
Sundry Debt Recovery	Substantial Assurance	We reviewed the sundry debtors system to ensure: <ul style="list-style-type: none"> • Debt recovery and write-offs are operated in accordance with Council Financial Regulations and other relevant legislation and guidance. • Appropriate recovery actions are taken when accounts are not paid within specific time 	March 2016	<p>Strengths Improvements have been made in sundry debt recovery since our audit last year. Invoices have been raised and debt recovery action has taken place in a timely manner. Debts are no longer placed on hold for long periods of time unnecessarily.</p> <p>Instalment payments are now monitored regularly and placed in recovery queues when appropriate. Testing also showed that when debt was written</p>	The debt recovery policy for market traders will be changed to be in line with the corporate debt recovery policy. Market traders will be charged through direct debt (unless in exceptional circumstances) to help prevent the need for significant time on debt recovery.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<ul style="list-style-type: none"> scales and recovery guidelines are in place to facilitate the collection of arrears. In circumstances where debt recovery becomes problematic then there is appropriate use of alternative debt recovery strategies A consistent procedure has been established and applied for debtor write-off with all recovery action being exhausted before reaching this point. <p>Our previous review of Sundry Debt recovery was reported to the committee in July 2015 and had a reasonable assurance opinion.</p>		<p>off all recovery actions had taken place and had been appropriately authorised.</p> <p>Weaknesses</p> <p>The Council has clear guidance for recovery actions to take based on the age of the debt. However, the Market Trader debtors come under a separate policy. We found no evidence of any recovery actions for market debts.</p> <p>In 2014/15, 52% of the debt written-off was statutory barred as the debt was 6 or more years old. Debt enforcement agents have not been used since 2012/13. The use of such agents may reduce the amount of debt being statutory barred. The council currently had no guidance for when debt enforcement agents should be used.</p> <p>The housing service department had over 90% of outstanding debt older than 150 days old. At the time of our audit there was no one in post to manage outstanding debt within the department.</p> <p>The Sundry Debtors Policy states credit arrangements should not be longer than a year. At the time of testing there was a number of credit arrangements longer than a year with no exceptional circumstances documented.</p>	<p>Actions to ensure debt is not time barred will include the use of debt enforcement agencies. The sundry debtors' policy will be updated as required.</p> <p>The post in the housing department has been filled. Part of the role is to monitor housing debts.</p> <p>Credit agreements that exceed a year will be reviewed by the Exchequer Assistant and appropriate information put onto the Civica Financials system to state the actions taken.</p>

Appendix C

Audit Opinions and Priorities for Actions

Audit Opinions	
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.