RYEDALE
DISTRICT
COUNCIL

Ryedale District Council

Internal Audit Progress Report 2016/17

Period to 20 October 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: 20 October 2016

Veritau
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 2016/17 Internal Audit Plan at their meeting on the 16 April 2016. The total number of planned audit days for 2016/17 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 2016/17. This report updates therefore the Committee on the work completed between 1 April 2016 and 20 October 2016.

Internal Audit work completed

2016/17

4   In the period between 1 April and 20 October 2016 we have completed one internal audit review to final report stage (Data Protection and Security). 3 further assignments are ongoing and planning work has started for 4 other audits.

5   We have agreed timings with management for all 2016/17 audits. For those audits we have yet to start then we have provided proposed start dates in **Appendix A**. We are on target to deliver the agreed Audit Plan by the end of April 2017.

6   The findings from the Data Protection and Security audit are summarised 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. We have been working with senior management as part of the ongoing 'Towards 2020 Programme', providing support, advice and challenge.

- **LGA Corporate Peer Challenge;** the Head of Internal Audit has supported and was interviewed as part of the October 2016 work undertaken by the LGA.

- **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 2016/17 we have worked with officers to ensure all findings are now being recorded on the Council's 'Covalent' performance management system. This will allow audit matters to be highlighted, considered and then addressed alongside other relevant performance matters. We are continuing to review agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report to Members as a result of our follow up work.

Table of 2016/17 audit assignments to 20 October 2016

Audit	Status	Assurance Level (if Completed) / Planned Start date (if Not Started)	Audit Committee
Strategic Risk Register			
Business Continuity	Not started	November 2016	
Disaster Recovery	Not started	November 2016	
Training	Not started	January 2017	
Customer Expectations / Delivering Efficiencies	In progress	-	
Performance Management and Data Quality	Not started	January 2017	
Fundamental/Material Systems			
Housing Benefits	Not started	November 2016	
Payroll	Not started	December 2016	
Council Tax / NNDR	Planning	-	
Sundry Debtors	Not started	December 2016	
Creditors	Not started	February 2017	
Income	Planning	-	
General Ledger – Banking arrangements	In Progress	-	
Regularity Audits			
Contract Management	Planning	-	
Risk Management	Not started	December 2016	
Environmental Health	Planning	-	
General Network and Key System Controls	In Progress	-	
Technical/Project Audits			
Data Protection and Security	**Completed**	**Reasonable Assurance**	**November 2016**
IDEA data analytics and data matching	Planning		
Strategic Asset Management	Planning		
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 20 October 2016; not previously reported to Committee   **Appendix B**

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Data Protection and security	Reasonable Assurance	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. We performed an unannounced visit and review of Ryedale House in July 2016. 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. Our previous visit in August 2015 had noted areas of weakness and non compliance with expected practice. That audit awarded a limited assurance opinion.	September 2016	**Strengths** We have seen some improvements since the visit in 2015. Key safes have been installed and are being used. The Clear Desk policy was being observed in most cases. Some new procedures have been put in place and there was a number of doors locked preventing access to areas of Ryedale House. **Areas for Improvement** Whilst the frequency of weaknesses was less than in 2015, we still found a number of instances where documents had not been secured. Personal and sensitive information had been left on desks, filing trays, unlocked drawers and cupboards. So whilst progress has been made in some areas, there is still a need to fully embed good information security practice at Ryedale House.	The findings from the visit have been discussed by Corporate Management Team and have been communicated to staff. The importance of robust information governance procedures will continue to be stressed. A further unannounced visit will take place which will enable progress to be further measured.

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.