

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Progress Report
Period to 15 December 2019

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Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Finance Officer (s151)

Date: 23 January 2020



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 agreed by the Overview and Scrutiny Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of the Committee approved the Internal Audit Plan for 2019/20 at their meeting on the 17 April 2019. This report summarises the progress made to date in delivering the agreed programme of work.
- 3 This is the second Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2019/20.

Internal Audit work completed

- 4 Since the last committee meeting in October 2019 one internal audit report on Data Protection and Security has been completed. Further information on the progress on individual audits is included in Appendix A.
- 5 Information on the findings from the audit finalised since the last meeting is included in Appendix B.

Audit opinions

- 6 For most 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 definitions used are included in Appendix C.

Changes to the 2019/20 internal audit plan

- 7 Audit planning is an ongoing process. PSIAS (standard 2010 – planning) requires that the Head of Internal Audit must 'review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls'.
- 8 We have agreed some small updates to the 2019/20 plan with the s151 officer and relevant officers. Work on ICT governance and strategy (15 days) is to be moved to 2020/21 and be replaced by an audit of ICT contract management (10 days). The 5 remaining days has been used to support ongoing Fraud investigation work.

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.
- **Risk Management;** Veritau provides support and advice on the Council's risk management arrangements and processes.
- **Investigations;** Veritau have undertaken special or ad-hoc reviews or investigations into specific issues.
- **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. 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 our follow up work.

Stuart Cutts
Assistant Director – Audit Assurance
Veritau Group

January 2020

Appendix A

Table of audit assignments to 15 December 2019

Audit	Status	Assurance Level	Audit Committee
2019/20			
Strategic Risk Register			
Human Resources	Planning		
Data Quality – Health and Safety	Not started		
Revenue and Capital Budgeting	Planning		
Data Protection and Information Security	Final report	Substantial Assurance	January 2020
ICT – contract management	Not started		
Contract Management and Procurement	Not started		
Fundamental/Material Systems			
Payroll and Personnel	Planning		
Terms and Conditions	In Progress		
Creditors	Not started		
Operational / Regularity Audits			
Risk Management	Planning		
Policy Framework	In Progress		
Relationships and agreements with other bodies	In Progress		
Projects/other			
Assurance Mapping	In Progress		
Follow-Ups			
	Ongoing		
2018/19			
Safeguarding	Draft Report		

Summary of Key Issues from audits completed to 15 December 2019; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Data Protection and Security visit 1	Substantial Assurance	<p>The Council holds and processes large amounts of personal and sensitive data. Senior management recognise there are information governance risks with holding this information and appropriate practices need to be followed.</p> <p>We performed an unannounced visit and review of Ryedale House on 16 September 2019. The objective of the visit was to assess the extent to which data was being held securely in the Council's offices.</p> <p>We have undertaken previous visits with our last assessment being in March 2019.</p>	October 2019	<p>Strengths The number of adverse findings has decreased from 2 found in March 2019 to 1 on this visit. This is the lowest level of adverse findings observed in any previous internal audit security visit at Ryedale House.</p> <p>Some information had been left on desks but it was almost exclusively manuals and other reference information. No documents of a sensitive nature were found on any desks.</p> <p>Key areas for improvement There was one instance where a desk was clear but some special category data had been put in a drawer. Whilst the drawer pedestal had been locked, the key for the pedestal was in the stationery tray above the drawers.</p>	<p>The procedure in the work area where the matter was highlighted has since been changed so that no paperwork should be left in desk drawers. Each staff member now places their working documents into a lever arch file which should be left within one of the lockable cupboards at the end of the day.</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	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.