![Veritau - Assurance Services for the Public Sector]

# Selby District Council

# Annual Report of the
# Head of Internal Audit 2017/18

**Audit Manager:** Phil Jeffrey
**Deputy Head of Internal Audit:** Richard Smith
**Head of Internal Audit:** Max Thomas
**Date:** 25th July 2018

## 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 connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)[1] should provide an annual report to the board[2].  The report should include:

(a)	details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)

(b)	a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)

(c)	an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)

(d)	disclosure of any qualifications to that opinion, together with the reasons for that qualification

(e)	details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement

(f)	a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme

2	Members approved the annual internal audit plan for 2017/18 at their meeting on 19 April 2017.  The total number of planned audit days for 2017/18 was 342.  The performance target for Veritau is to deliver 93% of the agreed audit plan by the end of the year.  This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1.

## Internal Audit Work Carried Out 2017/18

3	A summary of the audit work completed in the year is attached at annex A.

4	In addition to audits of specific systems, internal audit team also undertakes work in the following areas.

- *Support to the Audit and Governance Committee*; this is ongoing through our support and advice to members.  This includes preparation of reports, attendance at committee, and the provision of advice and training.

- *General advice and support;* Veritau provide advice to officers on control issues - for example to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.

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[1] The PSIAS refers to the Chief Audit Executive.  This is taken to be the Head of Internal Audit.
[2] The PSIAS refers to the board.  This is taken to be the Audit and Governance Committee.

- *Investigations;* Special investigations into specific sensitive issues.

5    As with previous audit reports an overall opinion is given for each of the specific systems under review.  In addition to the standard reports below, non-standard reports are also issued with 'no opinion given' – these may be where the work is limited in scope or is not designed to provide assurance (for example advisory work).

6    The opinions used by Veritau are provided below:

**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.

7    The following priorities are applied to individual actions agreed with management:

**Priority 1 (P1)** – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

**Priority 2 (P2)** – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

**Priority 3 (P3**) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

## Follow up of agreed actions

8    It is important that agreed actions are formally followed-up to ensure that they have been implemented.  Where necessary internal audit will undertake further detailed review to ensure the actions have resulted in the necessary improvement in control.

9    A total of 77 agreed actions from 2015/16 audits have been followed up with the responsible officers.  Of these, 71 have been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. A summary of this follow up work is included below:

**2015/16 Follow-up status**

| Action status | Total No. | Action Priority | | |
|---|---|---|---|---|
| | | 1 | 2 | 3 |
| Actions now implemented | 71 | 0 | 37 | 34 |
| Revised date agreed | 6 | 0 | 6 | 0 |
| Follow up in progress | 0 | 0 | 0 | 0 |
| Not yet followed up | 0 | 0 | 0 | 0 |
| | | | | |
| **Total agreed actions** | **77** | **0** | **43** | **34** |

10   A total of 58 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 52 have been satisfactorily implemented.  In a further 6 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. The remaining 6 actions agreed in 2016/17 have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

**2016/17 Follow-up status**

| Action status | Total No. | Action Priority | | |
|---|---|---|---|---|
| | | 1 | 2 | 3 |
| Actions now implemented | 52 | 1 | 19 | 32 |
| Revised date agreed | 6 | 0 | 2 | 4 |
| Follow up in progress | 3 | 0 | 3 | 0 |
| Not yet followed up | 3 | 0 | 3 | 0 |
| | | | | |
| **Total agreed actions** | **64** | **1** | **27** | **36** |

11   A total of 7 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 5 have been satisfactorily implemented. In a further 2 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. The remaining 15 actions agreed in 2017/18 audits have not yet been followed up because the target dates have not yet passed. A summary of this follow up work is included below:

**2017/18 Follow-up status**

| Action status | Total No. | Action Priority | | |
|---|---|---|---|---|
| | | 1 | 2 | 3 |
| Actions now implemented | 5 | 0 | 2 | 3 |
| Revised date agreed | 2 | 0 | 2 | 0 |
| Follow up in progress | 0 | 0 | 0 | 0 |
| Not yet followed up | 15 | 1 | 5 | 9 |
| | | | | |
| **Total agreed actions** | **22** | **1** | **9** | **12** |

## Completion of audit plan

12    Currently, three 2017/18 audits are at draft report stage.  Ten reports have been finalised since the last report to this committee.  A total of 98% of reports were completed to draft report stage by the end of April 2018 (the cut off point for 2017/18 audits), exceeding the target of 93%.

## Compliance with Standards

13    The work of internal audit has been undertaken in accordance with the PSIAS.

14    Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in annex B.

## Audit Opinion and Assurance Statement

15     The overall opinion of the Head of Internal Audit on the risk management, governance and control framework operated by the Council is that it provides Reasonable Assurance. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.

16     Although a Reasonable Assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2017/18 Annual Governance Statement:

- Payroll – previously identified issues with the costing file were found to have re-occurred and the Council is working with the payroll provider to resolve these.
- PCI DSS – an audit identified that non-compliance with the standard remained a significant issue.
- Creditors – whilst improvements had been made, a significant number of orders are being raised outside e-procurement.

All of these areas were highlighted as weaknesses in previous annual internal audit reports and were reflected in the Council's 2016/17 Annual Governance Statement. While some action has been taken to address the issues, control weaknesses remain and they therefore remain relevant to the preparation of the 2017/18 Annual Governance Statement.

Max Thomas
Director and Head of Internal Audit
Veritau Ltd


25 July 2018

**2017/18 audit assignments status**

| Audit | Status | Audit Committee |
|---|---|---|
| **Corporate Risk Register** | | |
| ICT Governance | Reasonable Assurance | July 2018 |
| Organisational Development | Deferred[3] | |
| Programme for Growth | Support provided | |
| Savings Delivery | Additional testing complete[4] | |
| Business Continuity & Disaster Recovery | No Opinion Given | July 2018 |
| **Financial Systems** | | |
| Benefits | Substantial Assurance | July 2018 |
| Council Tax/NNDR | Substantial Assurance | January 2018 |
| Creditors | Draft report issued | |
| Debtors | Substantial Assurance | July 2018 |
| Housing Rents | Substantial Assurance | April 2018 |
| Income and Receipting | Draft report issued | |
| Payroll | Reasonable Assurance | July 2018 |
| **Regularity / Operational Audits** | | |
| Agency Staff | Reasonable Assurance | July 2018 |
| Governance Arrangements | Draft report issued | |
| Housing Development | Deferred[5] | |
| Insurance | Work Completed[6] | |
| Performance Management | Reasonable Assurance | July 2018 |
| Planning | Deferred[7] | |
| Section 106 Agreements / CIL | Support provided | |

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[3] Deferred until 2018/19.  The time has been used to finalise outstanding 2016/17 audits.
[4] Additional testing has been carried out during 2017/18 to continue work started in 2016/17.
[5] Deferred until 2018/19.
[6] Some initial systems documentation was carried out with a view to more detailed testing in 2018/19.
[7] Deferred until 2018/19. The time has been used to fund additional time spent on Follow-ups,
Corporate Issues and Tender openings.

| Audit | Status | Audit Committee |
|---|---|---|
| **Technical / Project Audits** | | |
| Business Transformation | Cancelled[8] | |
| Contract Management and Procurement | Reasonable Assurance | July 2018 |
| Information Security | Reasonable Assurance | July 2018 |
| PCI DSS | Limited Assurance | July 2018 |
| Project Management | Support provided[9] | |

**Summary of reports finalised since the last committee**

| Title | Finalised | Opinion | P1 | P2 | P3 |
|---|---|---|---|---|---|
| Business Continuity & Disaster Recovery (follow-up) | 11th May 2018 | No Opinion Given | 0 | 0 | 0 |
| Debtors | 29th May 2018 | Substantial Assurance | 0 | 1 | 1 |
| Benefits | 4th June 2018 | Substantial Assurance | 0 | 0 | 2 |
| Agency Staff | 14th June 2018 | Reasonable Assurance | 0 | 2 | 2 |
| ICT Governance | 26th June 2018 | Reasonable Assurance | 0 | 2 | 3 |
| Payroll | 12th July 2018 | Reasonable Assurance | 0 | 7 | 1 |
| Information Security | 12th July 2018 | Reasonable Assurance | 1 | 4 | 0 |
| PCI DSS | 12th July 2018 | Limited Assurance | 1 | 0 | 0 |
| Contract Management & Procurement | 12th July 2018 | Reasonable Assurance | 0 | 1 | 1 |
| Performance Management | 13th July 2018 | Reasonable Assurance | 0 | 0 | 4 |

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[8] Audit cancelled and time re-allocated to Debtors and Payroll.
[9] Support has been provided to the Annual Billing project and the new Housing System project.

**Summary of audits completed to 13 July 2018; not previously reported to the committee**

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | **1** | **2** | **3** | | |
| Business Continuity & Disaster Recovery (follow-up) | No Opinion Given | This was a follow-up of previously agreed actions. It confirmed that they had now been completed. A full audit to test the new arrangements is included in the 2018/19 plan. | 11th May 2018 | 0 | 0 | 0 | None. | |
| Debtors | Substantial Assurance | A review of debtors transactions between July 2016 and December 2017.  Invoices are generally raised promptly, appropriately | 29th May 2018 | 0 | 1 | 1 | Data & Systems will investigate the cause of the problem with missing invoice numbers generated by the financial system with the software supplier and take further action to prevent its reoccurrence as necessary. | This action is currently being followed up with the responsible officer. (Due 30 June 2018) |

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[10] Priority 2 or above

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | and with sufficient authorisation. An issue with missing system generated invoice numbers was identified. | | | | | | |
| Benefits | Substantial Assurance | The audit found that Housing Benefit and Council Tax Reduction claims are assessed and calculated accurately and that evidence is available to support the validity of the claims. | 4th June 2018 | 0 | 0 | 2 | None. | n/a |
| Agency Staff | Reasonable Assurance | The audit found that a new central system had brought | 14th June 2018 | 0 | 2 | 2 | Authority To Recruit (ATR) forms will be updated and the wording on the forms will be reviewed to ensure | Due 31 August 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | improvements; however issues were identified in relation to authorising engagements and retaining the correct paperwork. | | | | | that the correct information is captured and to emphasise the need for forms to be approved by the appropriate officer. Incomplete forms will be returned to the recruiting manager to be completed, before processing. Going forward, all recruitment within the council will require a completed ATR form. The HR Officer has the authority to challenge any incomplete request and escalate as required. Communications will go out to all officers to remind them of the correct process. | Due 31 August 2018 |
| ICT Governance | Reasonable Assurance | The audit found that reasonable progress is being made in | 26th June 2018 | 0 | 2 | 3 | The ICT strategy and delivery programme to be approved by Executive in July 2018 includes actions | Due 31 July 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | **1** | **2** | **3** | | |
| | | implementing a stronger ICT governance framework through the shared infrastructure agreement with NYCC.  A number of areas for improvement were identified. | | | | | for ICT governance to be considered against national guidance.

The original ICT working group has now been replaced by periodic visits by the Business Transformation Officer to service area team meetings, and senior management team meetings.

Senior management team meetings will be attended on a monthly basis, whilst the frequency of visits to service area team meetings will depend on the team's use and reliance on ICT. This will be formalised. Reference to the old ICT working group on the intranet has now been removed. | Action complete at issue (progress will be followed-up along with the other actions) |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|-------|---------|----------|-------------|:---:|:---:|:---:|------------------------|------------------------------|
| | | | | **1** | **2** | **3** | | |
| | | | | | | | Ways to regularly raise Council-wide awareness of ICT developments will also be explored. | |
| Information Security | Reasonable Assurance | Unannounced checks were made after staff had left for the day. It found that storage was not locked and some IT assets were left unsecured, although the clear desk policy had been better observed. | 12th July 2018 | 1 | 4 | 0 | The detailed findings from the information security checks will be shared with directors and heads of service via Extended Leadership Team and with team leaders via the Service Manager Group. More information security checks are planned for 2018/19. | Action complete at issue |
| | | | | | | | The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete. | Due 31 October 2018 |
| | | | | | | | Any issues with | Action complete at |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | availability of storage, broken locks or absence of keys will be identified and addressed and key safes will be purchased and installed so that all information is capable of being securely locked away. | issue |
| | | | | | | | An instruction will be issued to all staff clarifying the procedure for locking the archive rooms at the end of the day. The keys for the archive rooms will be held overnight in the key safe belonging to a department that makes use of the room. | Action complete at issue |
| | | | | | | | The terms of reference for the Corporate Information Governance Group will be reviewed to ensure that ongoing compliance with the General Data | Due 31 July 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | Protection Regulation is contained within its remit. This will include physical information security. | |
| PCI DSS | Limited Assurance | The audit found that there is no secure segmentation of the Council's cardholder data environment and, therefore, the PCI DSS security requirements extend to all network components. No corporate decision has been taken as to which (if any) of scope reduction options will be pursued. | 12th July 2018 | 1 | 0 | 0 | Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from | Due 30 September 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | **1** | **2** | **3** | | |
| | | | | | | | NYCC that compliance requirements are being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements.<br><br>The content of policy and procedures for PCI DSS will be influenced by the option chosen by Leadership Team. Once a corporate decision has been taken the policy and procedures will be developed accordingly. | |
| Payroll | Reasonable Assurance | The audit identified issues in relation to procedure notes, authorisation of the payroll, the costing file and the SLA with NYCC. | | 0 | 7 | 1 | The payroll procedure manual will be reviewed and updated.  It will be tested by a member of staff unfamiliar with the system to ensure it is adequate and comprehensive.  It will then be signed off by an appropriate officer.<br><br>Training on payroll | Due 31 August 2018<br><br><br><br><br><br><br><br>Due 31 August 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | procedures will be provided to at least one other member of staff and access to ResourceLink and Bond HR will be arranged for them. | |
| | | | | | | | The payroll authorisation document will be amended to include a statement to the effect that the Head of Business Development and Improvement authorises the payroll for payment. This will be provided to NYCC each month as proof of the authorisation. | Due 31 August 2018 |
| | | | | | | | Authorisation will not be given until all amendments have been made. If any amendments to the payroll are required post-authorisation, these will be dealt with through a separate authorisation | Due 31 August 2018 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | **1** | **2** | **3** | | |
| | | | | | | | process. | |
| | | | | | | | The Finance team will carry out and sign off the reconciliations completed in Part 2 of the Payroll Audit Control documents. | Due 31 August 2018 |
| | | | | | | | The errors and discrepancies in the costing file will be investigated and resolved by 31 August 2018. | Due 31 August 2018 |
| | | | | | | | Officers will review the SLA to ensure it meets SDC's needs and ensure it is agreed and signed by 31/8/2018. | Due 31 August 2018 |
| Contract Management & Procurement | Reasonable Assurance | The audit found that a contract was not always in place for the suppliers reviewed. | 12th July 2018 | 0 | 1 | 1 | A framework contract using the M3NHF Schedule of rates for responsive maintenance and void work will be procured this financial year. The framework contract will | Due 31 March 2019 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions[10] | Progress against key actions |
|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | consist of several lots reflecting the schedule and various trade disciplines. Preparatory work is currently underway to ensure all current and local suppliers are supported prior to and during the formal tender process. | |
| Performance Management | Reasonable Assurance | The audit found generally robust processes in place. However, improvements could be made to embed the corporate performance framework, guidance for service planning and measuring performance. | 13th July 2018 | 0 | 0 | 4 | None. | n/a |

**Audits reported previously: progress against key agreed actions**

| Audit | Agreed Action | Priority rating | Responsible Officer | Due | Notes |
|---|---|---|---|---|---|
| Information Governance (2015/16) | A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated.<br><br>The data protection policy will be reviewed as a priority. | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate.<br><br>Revised date of 24 Aug 18. |
| Information Governance (2015/16) | The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.<br><br>Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council. | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate.<br><br>Revised date of 31 Aug 18. |
| Information Governance (2015/16) | In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy. | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to |

| | Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers. | | | | ensure the registers are complete and accurate. It is anticipated that any specific information security risks will be identified as part of this and will be reflected in SBRRs where appropriate.

Revised date of 31 Aug 18. |
|---|---|---|---|---|---|
| Information Governance (2015/16) | A privacy notice will be written that applies to information collected across a range of council functions and this will be made available on the Council website. The review of the information asset register will identify the types of information held and how it is used. This will be used to determine which areas need specific privacy notices covering the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website. | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. Part of Phase 2 will involve the drafting of privacy notices for service areas.

Revised date of 31 Aug 18. |
| Information Governance (2015/16) | The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with |

| | | | | | |
|---|---|---|---|---|---|
| | decisions to share information are recorded and that data sharing agreements are in place.<br><br>Data sharing agreements will be drawn up under the Multi Agency Information Sharing Protocol (MAISP) where required. | | | | service areas to ensure the registers are complete and accurate. MAISP data sharing agreements will be drawn up where necessary as part of Phase 2.<br><br>Revised date of 31 Aug 18. |
| Information Governance (2015/16) | A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy.<br><br>This will apply to all records held and in all formats and will be made available throughout the organisation. | 2 | Solicitor to the Council | 30 Nov 2016 | In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. Retention and disposal forms part of the IAR.<br><br>Revised date of 31 Aug 18. |
| Sundry Debtors (2016/17) | Management will look to review and renegotiate the server hosting SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit. | 2 | Chief Finance Officer | 30 Sep 2017 | This action is currently being followed up with the responsible officer.<br><br>Finance is currently waiting for the RDC legal team to agree the SLA. |

| | | | | | |
|---|---|---|---|---|---|
| Council House Repairs (2016/17) | Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked. | 2 | Head of Operational Services | 30 Nov 2018 | Due 30 November 2018 |
| Council House Repairs (2016/17) | A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system. | 2 | Head of Operational Services | 30 Nov 2018 | Due 30 November 2018 |
| Council House Repairs (2016/17) | Included in the specification for the new housing management system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented. | 2 | Head of Operational Services | 30 Nov 2018 | Due 30 November 2018 |
| Project Management (2016/17) | Update project management guidance to be used for all projects across the Council – to cover all aspects of project management including, initiation, scoping, planning, resourcing, communicating, monitoring, management of risk and review. | 2 | Head of Business Development & Improvement | 30 Sep 2017 | Completed. |
| Project Management (2016/17) | Rollout of training on the revised project management framework and guidance – commencing October 2017. | 2 | Head of Business Development & Improvement | 31 Dec 2017 | Completed. |

| Information Security Checks (2016/17) | Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away. | 2 | Solicitor to the Council | 30 June 2017 | Completed. |
|---|---|---|---|---|---|
| Information Security Checks (2016/17) | Responsibility for shared storage and rooms (e.g. archive room) to be made clear to ensure they are locked when not in use / at the end of the day. | 2 | Solicitor to the Council | 30 June 2017 | Completed. |
| Savings Delivery (2016/17) | Monitoring of savings and progress will be allocated to a specific team member.

Future proposals and actions to be undertaken will be subject to comprehensive risk assessments. | 2 | Head of Planning | 31 Jan 2018 | This action is currently being followed up with the responsible officer. |
| Development Management (2016/17) | The specific officer delegations for non executive (council) functions with respect to planning and development management will be amended. They will require that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received. | 2 | Solicitor to the Council | 30 April 2018 | This action is currently being followed up with the responsible officer and a revised date will be required. |
| Development Management (2016/17) | The planning service review action in respect of a revised pre-application duty advice service will be progressed. This action sets out to reconsider the provision of the duty service and to ensure that the advice offered is first reviewed by a | 2 | Planning Development Manager | 31 Jan 2018 | This action has been part completed. The duty service has now been limited to providing advice on householder |

| | Principal Planning Officer following the appointment. Steps will also be taken to ensure that the duty service is used to provide advice only in relation to householder permitted development inquiries or householder proposals and the council's website will be updated to reflect this. | | | | enquiries.<br><br>A revised date will be required for completion of this action. |
|---|---|---|---|---|---|
| Development Management (2016/17) | In the meantime, development management will introduce a process to ensure that all documents which the ICO recommends are removed from the public planning register are removed once the application has been determined. | 2 | Planning Development Manager | 30 April 2018 | This action is being considered as part of the development management enterprise project.<br><br>Revised date of 30 Sep 18. |
| Council Tax & NNDR (2017/18) | Training and support will be provided to the staff members who have taken over key roles and this will be put into practice during the test billing run in January. | 2 | Data & Systems Team Leader | 31 Jan 2018 | Completed. |
| Council Tax & NNDR (2017/18) | Data and Systems will liaise with the software suppliers and the planning department to find a solution. | 2 | Data & Systems Team Leader | 31 March 2018 | Data & Systems will meet with the service unit to understand exactly what information is required from the building control department that cannot be obtained from other business units within |

| | | | | | SDC. This is before Data & Systems asks the software supplier to quote for an integration connection.

Revised date of 31 Aug 18. |

**VERITAU**

**INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

**1.0   Background**

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual

- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy

- the requirement for all audit staff to complete annual declarations of interest

- detailed job descriptions and competency profiles for each internal audit post

- regular performance appraisals

- regular 1:2:1 meetings to monitor progress with audit engagements

- induction programmes, training plans and associated training activities

- the maintenance of training records and training evaluation procedures

- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)

- the results of all audit testing and other associated work documented using the company's automated working paper system (Galileo)

- file review by senior auditors and audit managers and sign-off of each stage of the audit process

- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)

- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement

- performance against agreed quality targets monitored and reported to each client on a regular basis.

On an ongoing basis, samples of completed audit files are also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained.  Any key learning points are shared with the relevant internal auditors and audit managers.  The Head of Internal Audit will also be informed of any general areas requiring improvement.  Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards.  As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role.  Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement.  Any specific changes or improvements are included in the annual Improvement Action Plan.  Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board[11] as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards.  The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above).  Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.
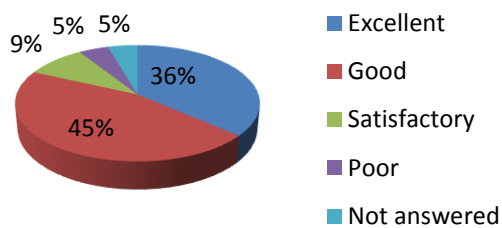
## 2.0   Customer Satisfaction Survey – 2018

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2018.   Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau.  A total of 159 surveys (2017 – 149) were issued to senior managers in client organisations.  22 surveys were returned representing a response rate of 14% (2017 - 21%).  The surveys were sent using Survey Monkey and respondents were asked to identify who they were.  Respondents were asked to rate the different elements of the audit process, as follows:

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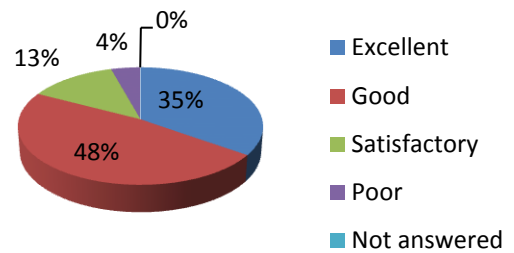[11] As defined by the relevant audit charter.

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:
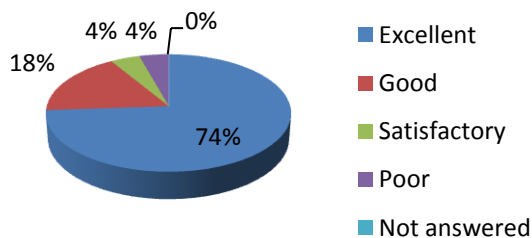
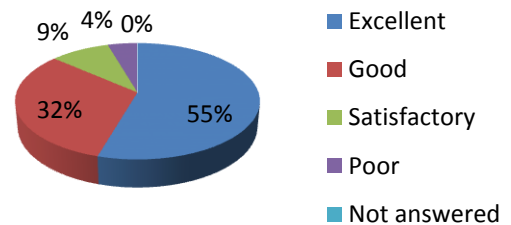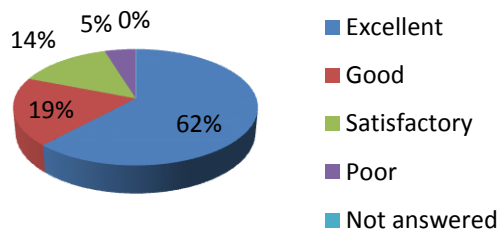## Quality of audit planning / overall coverage

5% 5%
9%
36%
45%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

## Provision of advice / guidance

0%
13% 4%
35%
48%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

## Staff - conduct / professionalism

4% 4% 0%
18%
74%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

## Ability to provide unbiased / objective opinions

9% 4% 0%
32%
55%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

## Ability to establish positive rapport with customers

5% 0%
14%
19%
62%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

## Knowledge of system / service being audited

4% 0% 14%
23%
59%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered
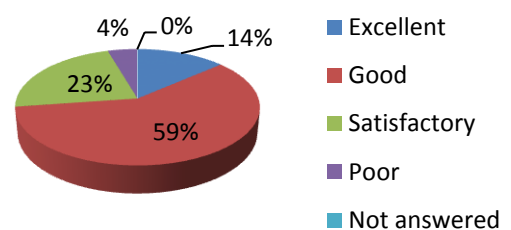
## Ability to focus on areas of greatest risk

| | |
|---|---|
| Excellent | 25% |
| Good | 46% |
| Satisfactory | 21% |
| Poor | 0% |
| Not answered | 8% |
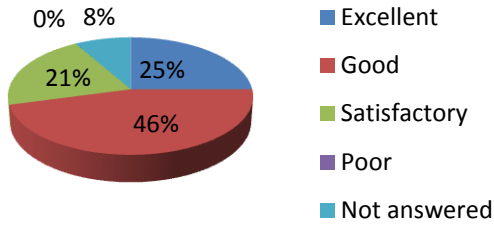
## Agreeing scope / objectives of the audit

| | |
|---|---|
| Excellent | 43% |
| Good | 43% |
| Satisfactory | 9% |
| Poor | 0% |
| Not answered | 5% |
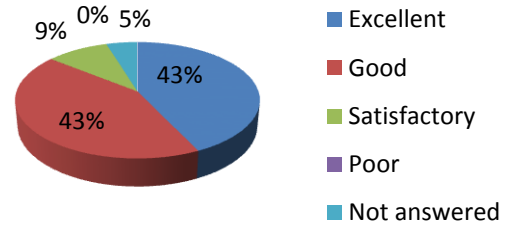
## Minimising disruption to the service being audited

| | |
|---|---|
| Excellent | 36% |
| Good | 55% |
| Satisfactory | 9% |
| Poor | 0% |
| Not answered | 0% |
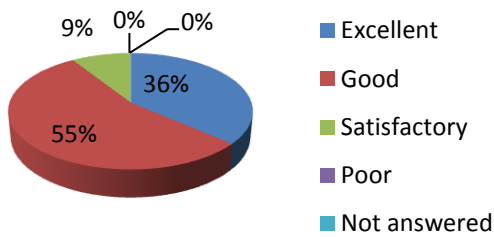
## Communicating issues during the audit

| | |
|---|---|
| Excellent | 41% |
| Good | 45% |
| Satisfactory | 4% |
| Poor | 5% |
| Not answered | 5% |
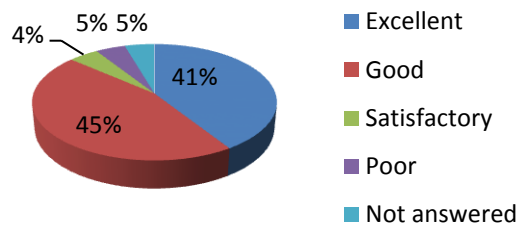
## Quality of feedback at end of audit

| | |
|---|---|
| Excellent | 32% |
| Good | 45% |
| Satisfactory | 9% |
| Poor | 5% |
| Not answered | 9% |
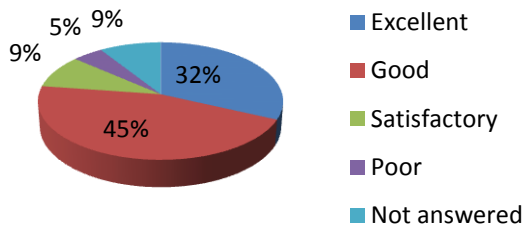
## Accuracy / format / length / style of audit report

| | |
|---|---|
| Excellent | 41% |
| Good | 32% |
| Satisfactory | 14% |
| Poor | 4% |
| Not answered | 9% |
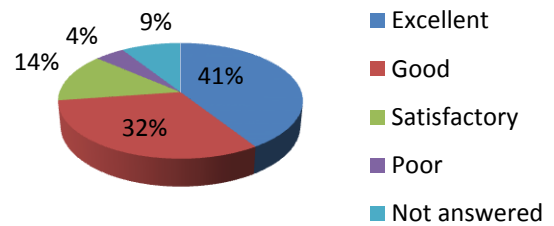
## Relevance of audit opinions / conclusions



Excellent 38%
Good 33%
Satisfactory 19%
Poor 5%
Not answered 5%
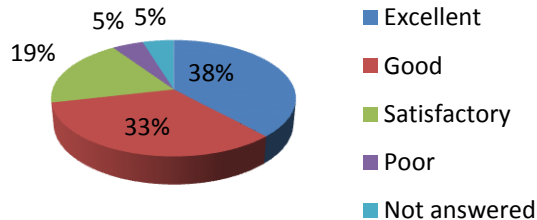
## Agreed actions are constructive / practical



Excellent 28%
Good 43%
Satisfactory 19%
Poor 5%
Not answered 5%
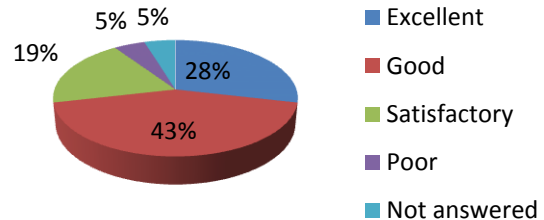
## Overall rating for Internal Audit service



Excellent 44%
Good 44%
Satisfactory 4%
Poor 4%
Not answered 4%
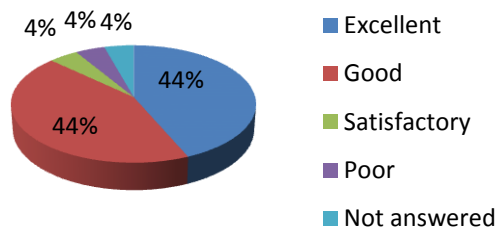
The overall ratings in 2018 were:

|              | 2018 |     | 2017 |     |
|--------------|------|-----|------|-----|
| Excellent    | 10   | 45% | 11   | 27% |
| Good         | 10   | 45% | 19   | 63% |
| Satisfactory | 1    | 5%  | 2    | 10% |
| Poor         | 1    | 5%  | 0    | 0%  |

The feedback shows that the majority of clients continue to value the service being delivered.

### 3.0   Self Assessment Checklist – 2018

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed.  The checklist was originally completed in March 2014 but has since been reviewed and updated annually.  Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

The current working practices are generally considered to be at standard.  However, a few areas of non-conformance have been identified.  These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services.  None of the issues

identified are considered to be significant and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:

| Conformance with Standard | Current Position |
|---|---|
| Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit? | The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal. |
| Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal? | See above |
| Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted? | Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau. |
| Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work? | Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee). |
| Are consulting engagements that have been accepted included in the risk-based plan? | Consulting engagements are commissioned and agreed separately. |
| Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? | Reliance may be placed on other sources of assurances where this is considered relevant. However, the Head of Internal Audit will only rely on other sources of assurance if he/she is satisfied with the competency, objectivity |

| Conformance with Standard | Current Position |
|---|---|
|  | and reliability of the assurance provider. |

## 4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards.  The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014.  Both Gerry and Ian are experienced internal audit professionals.  The Partnership is a similar local authority controlled company providing internal audit services to a number of local authorities.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors.  The assessors also interviewed an audit committee chair.

The conclusion from the external assessment was that working practices conform to the required professional standards.  Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

## 5.0 Improvement Action Plan

No specific changes to working practices have been identified in 2018.  However, to enhance the overall effectiveness of the service, the following areas continue to be a priority in 2018/19:

- Further development of in-house technical IT audit expertise

- Implementation of the data analytics strategy (stage 1) and investment in new capabilities

- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work.

## 6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.