



Selby District Council

Internal Audit Progress Report 2018/19



Audit Manager:	Phil Jeffrey
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	24 October 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). The Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2018/19 Internal Audit Plan at their meeting on the 18th April 2018. The total number of planned days for 2018/19 is 375 (including 33 days for risk management). The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2017/18

- 3 A summary of the audit work completed in the year to date is attached at Annex A.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit and Governance Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau facilitate the Council's risk management process and provide support, advice and training in relation to risk management. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (Veritau does not assess or score individual risks).
 - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
- 5 An overall opinion is given for each of the specific systems under review.
- 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 All 2015/16 agreed actions have now been successfully followed up with the responsible officers, with the exception of 5 actions relating to the 2015/16 audit of Information Governance. These actions have been revised to reflect the requirements of the General Data Protection Regulation (GDPR) and an action plan agreed as a result. Further details can be found at Annex A.

10 A total of 60 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 58 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. A further 4 remaining 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	58	1	22	35

Revised date agreed	2	0	2	0
Follow up in progress	1	0	0	1
Not yet followed up	3	0	3	0
Total agreed actions	64	1	27	36

- 11 A total of 35 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 22 have been satisfactorily implemented. In a further 13 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 further 4 remaining actions agreed in 2017/18 audits have not yet been followed up 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:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	22	1	12	9
Revised date agreed	13	1	6	6
Follow up in progress	3	0	0	3
Not yet followed up	1	0	1	0
Total agreed actions	39	2	19	18

- 12 At the time of drafting this report, there are seven 2018/19 audits in progress. One of these reports is currently at draft report stage. One 2017/18 report has been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2019 (the cut off point for 2018/19 audits).

Annex A

2018/19 Audits

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
Savings Delivery	Not started	
Programme for Growth	In progress	
Economic Development Framework	Not started	
<u>Financial Systems</u>		
Benefits	Not started	
Capital Accounting	Not started	
Council House Repairs	Not started	
Council Tax & NNDR	In progress	
Creditors	Not started	
General Ledger	Not started	
Payroll	Not started	
<u>Regularity / Operational Audits</u>		
Community Engagement	Not started	
Data Quality	Not started	
Housing Development	Draft report issued	
Organisational Development	Not started	
Performance Management	In progress	
Planning	Not started	
<u>Technical / Project Audits</u>		
Business Continuity and Disaster Recovery	Not started	
Contract Management and Procurement	Not started	
ICT Governance	In progress	
Information Security	Not started	
Insurance	In progress	
Project Management	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Creditors	12 th October 2018	Substantial Assurance	0	0	2

Summary of audits completed to 12 October 2018; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
Creditors	Substantial Assurance	It was found that there had been improvement in the usage of purchase orders however due to a comprehensive 'exclusion list' (i.e., purchases that the Council has decided do not require a purchase order) the overall usage was relatively low. No duplicate payments were identified in this year's audit.	12 th October 2018	0	0	2	N/A	

¹ Priority 2 or above

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance (2015/16)	<p>A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated.</p> <p>The data protection policy will be reviewed as a priority.</p>	2	Solicitor to the Council	30 Nov 2016	Completed.
Information Governance (2015/16)	<p>The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.</p> <p>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.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau has been undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. This process is almost complete.</p> <p>Revised date of 30 Jan 19.</p>
Information Governance (2015/16)	<p>In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy.</p> <p>Information risks will be considered by all services and significant risks identified</p>	2	Solicitor to the Council	30 Nov 2016	In its capacity as DPO, Veritau has been undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete

	through this process will be included in the service based risk registers.				and accurate. This process is almost complete. 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 30 Jan 19.
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 has been undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. This process is almost complete. A corporate privacy notice has been drafted and made available on the council's website. Part of Phase 2 will also involve the drafting of privacy notices for service

					areas. Revised date of 30 Jan19.
Information Governance (2015/16)	<p>The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all decisions to share information are recorded and that data sharing agreements are in place.</p> <p>Data sharing agreements will be drawn up under the Multi Agency Information Sharing Protocol (MAISP) where required.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau has been undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. This process is almost complete. MAISP data sharing agreements will be drawn up where necessary as part of Phase 2 and other data sharing arrangements will be revisited to ensure that these are in place.</p> <p>Revised date of 30 Jan19.</p>
Information Governance (2015/16)	<p>A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy.</p> <p>This will apply to all records held and in</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau has been undertaking 'Phase 2' of the IAR project with service areas to ensure the</p>

	all formats and will be made available throughout the organisation.				registers are complete and accurate. This process is almost complete. Retention and disposal forms part of the IAR. Revised date of 30 Jan19.
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	RDC have responded to the draft SLA but have queried the £5m insurance liability and 8 month termination clause. This is now with NYCC Legal. If changes are agreed (i.e. lowering of insurance amount and extension of termination notice to 12 months) then sign-off expected in November. Revised date of 30 Nov 18.
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	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018

	being linked to the finance system) and will enable all materials and jobs to be checked.				
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
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	Completed.
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 Apr 2018	This is on the list of constitution amendments to include before the next municipal year. A timetable has been drawn up to consult with Executive and Audit & Governance before being

					presented to Full Council. Revised date of 31 Mar 19.
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 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.	2	Planning Development Manager	31 Jan 2018	Completed.
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 Apr 2018	This action is currently being followed-up. The resource is not available to carry out a manual process on Anite. Alternative actions including accepting the risk will be considered.
Council Tax & NNDR	Notifications on new builds are not always sufficient due to a lack of	2	Data & Systems Team Leader	31 Mar 2018	Completed.

(2017/18)	reporting functionality from the systems uses. Data and Systems will liaise with the software suppliers and the planning department to find a solution.				
Debtors (2017/18)	Data & Systems will investigate the cause of the problem [whereby the COA system does not assign invoice numbers sequentially] with the software supplier and take further action to prevent its reoccurrence as necessary.	2	Data & Systems Team Leader	30 Jun 2018	There is an outstanding call with the software suppliers (ABS) who cannot find a resolution. This is still being investigated and will be chased up as a matter of urgency. Revised date of 30 Nov 18.
Agency Staff (2017/18)	The [Authority To Recruit (ATR) forms will be updated to take into account all of the points raised within the audit and the wording on the forms will be reviewed to ensure that the correct information is captured at the first time and obtain clear sign off/approval from the appropriate officer for the process. Incomplete forms will be returned without processing to the recruiting manager.	2	Head of Business Development & Improvement	31 Aug 18	Completed.
Agency Staff (2017/18)	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	2	Head of Business Development & Improvement	31 Aug 18	Completed.

	<p>escalate as required.</p> <p>Communication will go out to all officers to remind them of the correct process.</p>				
ICT Governance (2017/18)	As of 20 th December 2017, the ICT strategy has been approved by the Extended Leadership team, and the Council is working in alignment with it. The strategy and the delivery programme to be approved by Executive July 2018 includes actions for ICT governance considering national standards to be reviewed.	2	Director of Corporate Services & Commissioning	31 Jul 18	Completed.
Information Security Checks (2017/18)	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.	2	Solicitor to the Council	31 Oct 18	<p>The police co-location is expected to be completed in March 2019.</p> <p>Revised date of 31 Mar 19.</p>
Information Security Checks (2017/18)	The terms of reference for the Corporate Information Governance Group will be reviewed to ensure that ongoing compliance with the General Data Protection Regulation is contained within its remit. This will include physical information security.	2	Solicitor to the Council	31 Jul 18	Completed.
PCI DSS (2017/18)	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	1	Head of Business Development & Improvement	30 Sep 18	A bid has been put in for procurement of Civica Pay (or similar) as part of annual budget process.

	<p>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 NYCC that compliance requirements are being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements.</p> <p>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.</p>				<p>Implementation of Civica Pay to resolve PCI DSS issues.</p> <p>Revised date of 30 Jun 19.</p>
Payroll (2017/18)	<p>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.</p> <p>It will then be signed off by an appropriate officer.</p>	2	Head of Business Development & Improvement	31 Aug 18	<p>The SLA with NYCC is currently being reviewed. The procedure manual will be completed once this is agreed.</p> <p>Revised date of 31 Dec 18.</p>
Payroll (2017/18)	<p>Training on payroll procedures will be provided to at least one other member of</p>	2	Head of Business Development &	31 Aug 18	<p>The SLA with NYCC is currently being</p>

	staff and access to ResourceLink and Bond HR will be arranged for them.		Improvement		reviewed. Revised date of 31 Dec 18.
Payroll (2017/18)	The payroll authorisation document will be amended to include a statement to the effect that the HBDI authorises the payroll for payment. This will be provided to NYCC each month as proof of the authorisation.	2	Head of Business Development & Improvement	31 Aug 18	Completed.
Payroll (2017/18)	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 process.	2	Head of Business Development & Improvement	31 Aug 18	Completed.
Payroll (2017/18)	The Finance team will carry out and sign off the reconciliations completed in Part 2 of the Payroll Audit Control documents.	2	Head of Finance	31 Aug 18	Completed.
Payroll (2017/18)	The errors and discrepancies in the costing file will be investigated and resolved by 31 August 2018.	2	Head of Finance	31 Aug 18	There are still some discrepancies in the costing file which need to be resolved. Revised date of 31 Mar 19.
Payroll (2017/18)	Officers will review the SLA to ensure it meets SDC's needs and ensure it is agreed and signed by 31/8/2018.	2	Head of Business Development & Improvement	31 Aug 18	Discussions have taken place with NYCC. However, potential further changes to the SLA are being considered due to possible rollout

					of HR self service software (MyView). Revised date of 31 Oct 18.
Contract Management and Procurement (2017/18)	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 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.	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	Due 31 March 2019.