Selby District Council

Internal Audit Progress Report 2018/19

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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 standards, 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 2018/19

3   A summary of the audit work completed in the year to date is attached at Table 1.

4   At the time of drafting this report, there are sixteen 2018/19 audits in progress. Two of these reports are 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).

5   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 facilitates the Council's risk management process and provides 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.

6   An overall opinion is given for each of the specific systems under review.

7   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.

8   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

9   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.

10   Five outstanding actions relating to the 2015/16 audit of Information Governance have been consolidated into one action. This action reflects ongoing work to achieve compliance with the General Data Protection Regulation (GDPR). Further details can be found at Table 3.

11   A total of 59 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 57 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 5 remaining actions agreed in 2016/17 have not yet been followed up because follow up work is still in progress.   For these outstanding actions, we expect completion imminently or they are being followed-up as part of a 2018/19 audit. 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	57	1	21	35
Revised date agreed	2	0	2	0
Follow up in progress	5	0	4	1
Not yet followed up	0	0	0	0
Total agreed actions	**64**	**1**	**27**	**36**

12   A total of 38 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 32 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 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	31	1	15	15
Revised date agreed	6	1	3	2
Follow up in progress	3	0	1	2
Not yet followed up	2	0	1	1
Total agreed actions	**42**	**2**	**20**	**20**

Table 1: 2018/19 Audits

Audit	Status	Audit Committee
Corporate Risk Register		
Savings Delivery	In progress	
Programme for Growth – Selby 950	Draft report issued	
Economic Development Framework	In progress	
Financial Systems		
Benefits	Not started	
Capital Accounting	In progress	
Council House Repairs	In progress	
Council Tax & NNDR	In progress	
Creditors	In progress	
General Ledger	Not started	
Payroll	In progress	
Regularity / Operational Audits		
Community Engagement	Not started	
Data Quality	Not started	
Housing Development	Draft report issued	
Organisational Development	Cancelled	
Performance Management	In progress	
Planning	Not started	
Technical / Project Audits		
Business Continuity and Disaster Recovery	In progress	
Contract Management and Procurement	Not started	
ICT Governance	In progress	
Information Security	In progress	
Insurance	In progress	
Project Management	In progress	
Better Together	In progress	

Table 2: Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Governance Arrangements	21st August 2018	Substantial Assurance	0	1	0

Table 3: Summary of audits completed to 16 January 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[1]	Progress against key actions
				1	**2**	**3**		
Governance Arrangements	Substantial Assurance	Overall, the Council substantially meets the requirements of the CIPFA good governance framework. However, the Council's Annual Governance Statement does not explicitly review arrangements against the CIPFA framework and it has no consolidated document or information that clearly outlines its governance arrangements.	21st August 2018	0	1	0	A summary document will be produced that sets out the systems, processes, policies and other arrangements that make up the Council's governance arrangements and will explicitly reference the CIPFA delivering good governance principles.	Completed.

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[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)	The agreed actions from the audit have been consolidated into one action and is summarised as follows: • review the Information Asset Register (IAR) • ensure Information Asset Owners (IAOs) and SIRO are identified and their responsibilities captured in JDs • ensure any relevant risks from the review are reflected in risk registers • ensure the information is used to drive the creation and publication of Privacy Notices for key information assets • ensure the review of the IAR identifies information that is shared with others – and IAOs confirm all the relevant protocols are in place • learning from the review of the IAR used to update and consolidate the corporate records retention and disposal schedule in line with the document retention policy. • 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	These actions have been included in the Council's GDPR action plan – with Veritau acting as DPO for SDC. In this capacity, a new Information Governance Action Report has been developed by Veritau for Q4 2018/19 which will address these outstanding actions. Veritau are scheduled to report progress on this action plan to the SIRO and CIGG by 29 March 2019. It is proposed to share this report with Audit & Governance Committee on 10 April 2019. Revised date 31 Mar

					2019
Sundry Debtors (2016/17)	Management will look to review and renegotiate the Service Level Agreement between Richmondshire District Council and Selby District Council, taking into account the matters raised in the audit including logging and resolving issues between the two parties.	2	Chief Finance Officer	30 Sep 2017	RDC have responded to the draft SLA and agreement has been reached on the £5m insurance liability and termination clause (now 12 months). Sign-off expected imminently.
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	This action will be followed up as part of the 2018-19 audit.
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	This action will be followed up as part of the 2018-19 audit.
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	The new housing system 'contractor module' is being developed by Civica and will not be available to go live until August 2019.

					Revised date of 31 Aug 19.
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 has been scheduled for inclusion as part of the annual update to be presented to Executive in January 2019 and to Council in March 2019.

Revised date of 31 Mar 19. |
| Development Management (2016/17) | 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 | The resource is not available to carry out a manual process on Anite. Alternative actions including accepting the risk will be considered.

This action will be followed up as part of the 2018-19 Planning audit. |
| 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 | 2 | Data & Systems Team Leader | 30 Jun 2018 | Data & Systems has confirmed that the COA system does assign invoice numbers sequentially |

	reoccurrence as necessary.				– there is no technical issue. The explanation for 'missing' invoice numbers is operational (i.e. the 'missing' invoices are those raised incorrectly and subsequently deleted). We are currently following this up to ensure that these controls are robust.
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	Completion has been delayed due to changes to Police Co-location Project and slippage. Police now expected to occupy the Civic Centre by late March 2019. Revised date of 31 Mar 19.
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 understand the future of PARIS and	1	Head of Business Development & Improvement	30 Sep 18	Civica have bought Northgate PARIS – the Council's current payments and income management system – and will no longer

	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. 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.				commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20. Implementation of new software will resolve PCI DSS issues. Revised date of 30 Sep 19.
Payroll (2017/18)	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.	2	Head of Business Development & Improvement	31 Aug 18	Completed. The procedure manual has been updated for the processes as they are currently. It will require further update once MyView is rolled out.
Payroll (2017/18)	Training on payroll procedures will be provided to at least one other member of staff and access to ResourceLink and	2	Head of Business Development & Improvement	31 Aug 18	The Senior HR Officer will process the February payroll using

	Bond HR will be arranged for them.				the updated procedure manual and under the supervision of HR Officer. Revised date of 10 Feb 19.
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	Completed. The historical issues around pension and NI and Tax are now resolved. Finance is reconciling the payroll control accounts and issues are being picked up, investigated and resolved as they arise. These issues are ad-hoc and not the recurring issues that had been encountered in the past.
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	The SLA is still under review. NYCC have revised the offer for the Council to access MyView with costs now to be incorporated into the Payroll SLA. This has

					required a further review and negotiation. Revised date of 31 Mar 19.
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.