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 in progress and completed in the year to date is attached at Annex 1.

4   At the time of drafting this report, there are seventeen 2018/19 audits in progress. Two of these audits are currently at draft report stage and another five are at the fieldwork complete stage. Three reports have been finalised since the last report to this committee (Annex 2). 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.

No Opinion Given — An opinion is not provided when a piece of work is non-assurance or limited in scope. This may include work such as grant claims, fact-finding work, projects, a review of follow-up implementation or consultancy work.

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   A number of actions have revised implementation dates. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Detailed updates on revised actions at Priority 2 and above can be found at Annex 3.

11   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). This is currently expected to be completed by 30 June 2019 and further details can be found at Annex 3.

12   All 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 59 have been satisfactorily implemented. In a further 5 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:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	59	1	22	36
Revised date agreed	5	0	5	0
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	**64**	**1**	**27**	**36**

13   A total of 38 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 34 have been satisfactorily implemented. In a further 4 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	34	1	18	15
Revised date agreed	4	1	2	1
Follow up in progress	4	0	0	4
Not yet followed up	0	0	0	0
Total agreed actions	**42**	**2**	**20**	**20**

14   A total of 2 agreed actions from 2018/19 audits have been followed up with the responsible officers. Of these, one has been satisfactorily implemented. In the other case, the action 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 6 remaining actions agreed in 2018/19 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:

2018/19 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	1	0	1	0
Revised date agreed	1	0	1	0
Follow up in progress	1	0	0	1
Not yet followed up	5	0	3	2
Total agreed actions	**8**	**0**	**5**	**3**

15   Two audits have been cancelled during the year in order to fund other work. The Organisational Development strategy was not as developed as originally envisaged and a review of Better Together was agreed with the Chief Finance Officer as a higher priority. It therefore replaced the Organisational Development audit.

16   An audit of Community Engagement was planned for Q4 of 2018/19. The service asked for a deferral to early 2019/20 and this was agreed with the Chief Finance Officer due to the relatively short delay and to fund additional priority work in the counter fraud service.

17   Both audits have been included in the 2019/20 audit plan.

Annex 1: 2018/19 Audits

Audit	Status	Audit Committee

Audit	Status	Audit Committee
Corporate Risk Register		
Savings Delivery	In progress	
Programme for Growth – Selby 950	No Opinion Given	April 2019
Economic Development Framework	Fieldwork complete	
Financial Systems		
Benefits	In progress	
Capital Accounting	In progress	
Council House Repairs	In progress	
Council Tax & NNDR	Substantial Assurance	April 2019
Creditors	In progress	
General Ledger	In progress	
Payroll	Fieldwork complete	
Regularity / Operational Audits		
Community Engagement	Cancelled	
Data Quality	Not started	
Housing Development	Draft report issued	
Organisational Development	Cancelled	
Performance Management	Fieldwork complete	
Planning	In progress	
Technical / Project Audits		
Business Continuity and Disaster Recovery	In progress	
Contract Management and Procurement	In progress	
ICT Governance	Draft report issued	
Information Security	Reasonable Assurance	April 2019
Insurance	Fieldwork complete	
Project Management	Fieldwork complete	
Better Together	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Programme for Growth – Selby 950	18th February 2019	No Opinion Given	0	2	0
Council Tax & NNDR	25th February 2019	Substantial Assurance	0	0	3
Information Security	22nd March 2019	Reasonable Assurance	0	3	0

Annex 2: Summary of audits completed to 21 March 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[1]	Progress against key actions
				1	2	3		
Programme for Growth – Selby 950	No Opinion Given	The Selby 950 project team had used Pentana effectively to track and record progress. However, following the submission of the brief to Executive in May 2018, the project has not been in full compliance with the Council's project management framework. The project team has made a commitment to produce a PID before entering into the delivery phase.	18th February 2019	0	2	0	The Selby 950 project team will produce a Project Initiation Document and present this to the Programme for Growth Delivery Board for approval. Once approved, the document and evidence of approval will be published on Pentana.

A risk workshop will be held to identify, analyse and prioritise project risks. The output from the workshop will help form the project risk register which will then be updated on Pentana and kept under regular review. | The Project Initiation Document has been completed and will be presented at the next available meeting of the Programme for Growth Delivery Board.

The original agreed date was 28 February 2019; a revised date will be required.

Action completed |

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[1] Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[1]	Progress against key actions
				1	2	3		
Council Tax & NNDR	Substantial Assurance	Regular reconciliations are carried out between Northgate and Valuation Office Agency data; and discounts, exemptions, disregards and reliefs are only granted for justified reasons. Arrears are being recovered in line with the Council's recovery timescales with refunds and write offs only being processed for valid reasons.	25th February 2019	0	0	3	None.	
Information Security	Reasonable Assurance	An improvement in physical information security was observed, compared to the	22nd March 2019	0	3	0	The detailed findings from the information security checks will be shared with Directors, Heads of Service and service managers. In areas where	Due 30 April 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[1]	Progress against key actions
				1	2	3		
		previous check in March 2018. However, some storage is still being left unlocked and some items are being left on desks. It appears that, despite the implementation of the key safes at the Civic Centre (which had been in operation for six months at the time of the audit) more work is required to ensure they are being used as intended.					the audit identified concerns, managers will be required to consider more targeted communication and training/awareness raising; and, where necessary, to review storage facilities to ensure they are sufficient for their service area. The expectations on use of the key safes will be reiterated to all staff. 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. This supersedes an action in the previous Information Security report.	 Due 30 April 2019 Due 30 June 2019

Annex 3: Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance	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 will be 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. The IAR has been reviewed and amended to include extra information. IAOs have been identified as has the SIRO. Work still needs to take place to capture these in JDs. Relevant risks are covered in the Corporate Risk Register. The IAR is also in the process of identifying service specific risks to information. Service specific Privacy Notices are in

| | | | | | various stages of drafts. It has been identified where areas require more than one Privacy Notice.

The IAR identifies controllers and processors who the information is shared with. It has not yet been identified were sharing agreements are in place,

Retention periods for information assets have either been identified or are being queried on the IAR.

Revised date of 30 June 2019 |
|---|---|---|---|---|---|
| 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 | 2 | Head of Operational Services | 30 Nov 2018 | The housing management system is modular and the repairs module will be the implemented in the final phase. This module is not yet |

| | checked. | | | | available as the software is still in the development stage and the system provider has yet to confirm when it will be complete.

Implementation is expected to happen towards the end of 2019.

In the meantime, Veritau and the service are discussing the effectiveness of possible mitigating actions.

Revised date of 31 Dec 19. |
|---|---|---|---|---|---|
| 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 | See action above.

Revised date of 31 Dec 19. |
| 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 | 2 | Head of Operational Services | 30 Nov 2018 | See action above.

Revised date of 31 Dec 19. |

	implemented.				
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	The annual review of the constitution was presented to Full Council for approval at its 26 March meeting and included these changes. Action complete.
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 options are being considered and software changes are currently being discussed with IT. As yet there is no date for implementation. Revised date required.
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	Data & Systems has confirmed that the COA system does assign invoice numbers sequentially – 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).
					Action complete.
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 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	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 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.

	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.				Revised date of 30 Sep 19.
Payroll (2017/18)	Training on payroll procedures will be provided to at least one other member of staff and access to ResourceLink and Bond HR will be arranged for them.	2	Head of Business Development & Improvement	31 Aug 18	Training is ongoing and is expected to be completed by April 2019. Revised date of 30 Apr 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	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. This is currently being followed-up as part of the 2018/19 Payroll audit.
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	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	Formal arrangements have been put in place or previous arrangements have

	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.				ended with four of the five identified suppliers with which there was no contract, preferred supplier or framework agreement in place. The fifth supplier will be part of a new framework agreement. Initial preparatory work has been done on the framework and it is expected to be fully in place by March 2020. This is being considered as part of the 2018/19 audit.