



Selby District Council

Internal Audit Progress Report 2019/20



Audit Manager:	Phil Jeffrey
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	23 rd October 2019

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 2019/20 Internal Audit Plan at their meeting on 10th April 2019. The total number of planned days for 2019/20 is 355 (including 33 days for risk management). This a 20 day reduction from last year in order to fund additional priority counter fraud work. This is a temporary one year reduction to reflect increased demand on the counter fraud service and will be reviewed at the end of the year. 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 2019/20

- 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 eight 2019/20 audits in progress. There are currently three 2018/19 reports at draft report 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 2020 (the cut off point for 2019/20 audits).
- 5 Veritau officers are involved in work in a number of other related areas:
 - **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.

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.

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 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.

- 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). This is currently expected to be completed by 31 December 2019 and further details can be found at Annex 3.
- 11 All 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 63 have been satisfactorily implemented. The final action relates to an audit of Development Management where an implementation date cannot yet be agreed due to resourcing issues.
- 12 All 42 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 39 have been satisfactorily implemented. The other three 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:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	39	1	19	19
Revised date agreed	3	1	1	1
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	42	2	20	20

- 13 A total of 28 agreed actions from 2018/19 audits have been followed up with the responsible officers. Of these, 22 have been satisfactorily implemented. In the other 6 cases, 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 26 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	22	1	14	7
Revised date agreed	6	0	2	4
Follow up in progress	3	0	2	1
Not yet followed up	23	0	16	7
Total agreed actions	54	1	34	19

Annex 1: 2019/20 Audits

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
Savings Delivery	Not started	
Financial Resilience	Not started	
Organisational Development	Not started	
<u>Financial Systems</u>		
Benefits	Not started	
Capital Accounting (carried forward)	In progress	
Council Tax & NNDR	In progress	
Creditors	Not started	
General Ledger	Not started	
Housing Rents	Not started	
<u>Regularity / Operational Audits</u>		
Absence Management	Not started	
Assurance Mapping	Not started	
Community Engagement	In progress	
Community Infrastructure Levy	In progress	
Data quality	Not started	
Emergency Planning	Not started	
Health & Safety	Not started	
Planning	Support/Advice provided	
<u>Technical / Project Audits</u>		
Better Together	In progress	
Contract Management and Procurement	Not started	
ICT – Cyber Security Awareness	In progress	
ICT – User Access Levels	Not started	
Information Security	In progress	
Project Management	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
ICT Disaster Recovery	28 th August 2019	Reasonable Assurance	0	5	0
Performance Management	2 nd October 2019	Limited Assurance	0	6	1
General Ledger	2 nd October 2019	Substantial Assurance	0	1	1

Annex 2: Summary of audits completed to 3 October 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
ICT Disaster Recovery	Reasonable Assurance	An audit of the Council's disaster recovery arrangements. It found that reasonable processes are in place, but a number of improvements were identified.	28 th August 2019	0	5	0	<p>The IT Disaster Recovery Plan (DRP) will be reviewed and updated to ensure that the information contained within it is correct. It will then be approved by the relevant Heads of Service at the Council and NYCC (the Council's ICT service provider)</p> <p>The IT risk register on Pentana will be reviewed and updated in line with the Council's Risk Management Guidance.</p> <p>As part of the review of the IT DRP, it will be updated to reflect priorities for system recovery.</p> <p>A testing schedule covering different sections</p>	<p>Due 31 December 2019</p> <p>Action complete.</p> <p>Due 31 December 2019</p> <p>Due 31 December 2019</p>

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		
							<p>of the plan will be included in the revised IT DRP. It will require test results to be recorded and any issues identified during testing to be resolved.</p> <p>A new backup solution is now operational and allows daily backups to the DR site at NYCC, which will be stored for up to 3 months. Backup testing will be included in a new testing schedule.</p>	Due 31 December 2019
Performance Management	Limited Assurance	This reviewed the Council's performance review cycle for staff. It found that improvements could be made to training, guidance, completion rates and quality	2 nd October 2019	0	6	1	The PDR guidance will be reviewed, updated and re-issued in advance of the 2020/21 PDR process. This will cover the issues raised around timings and timeliness of response. Training was provided as part of the 2019/20 cycle and will be offered again to all those undertaking PDRs. For managers, this will	Due 31 December 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
		assurance.					<p>include guidance on the most appropriate style of PDR to undertake with specific groups of employee.</p> <p>The PDR forms have now been updated to include all required elements.</p> <p>For the 2020 PDR process regular reminders will be issued to ensure a significantly improved return rate by the 31 May deadline. This will ensure all staff have their training requirements considered as part of the training planning process</p> <p>For the 2020 cycle, completed PDRs will be reviewed by HR and returned to the manager involved if they have not been signed off.</p> <p>The training plan for the 2020 cycle will be</p>	<p>Implemented.</p> <p>Due 31 May 2020</p> <p>Due 31 May 2020</p> <p>Due 31 May 2020</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
							<p>completed within the timescales dictated by the Council guidance.</p> <p>HR will review completed PDRs to ensure that they contain all of the expected elements. Any with information missing will be returned to the manager involved.</p>	Due 31 May 2020
General Ledger	Substantial Assurance	An audit of the main accounting system and budgetary control. It found processes were working well but improvements could be made in relation to budget monitoring.	2 nd October 2019	0	1	1	The audit findings in relation to providing explanations for significant variations will be fed back to Extended Leadership Team and the need for engagement and ownership by budget managers will be re-emphasised. The results from quarterly monitoring at Q2 will be summarised and reported to Directorate Leadership Teams and if necessary (i.e. if engagement from budget managers is not evident)	Due 31 October 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
							this will be escalated to Leadership Team by the Head of Finance (and then repeated quarterly).	

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

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance	<p>The agreed actions from the audit have been consolidated into one action and is summarised as follows.</p> <ul style="list-style-type: none"> • Review the Information Asset Register (IAR). • Ensure Information Asset Owners (IAOs) and SIRO are identified and their responsibilities captured in job descriptions. • 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	<p>These actions have been included in the Council's GDPR action plan – with Veritau acting as DPO for SDC.</p> <p>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 job descriptions, in particular HR, Housing, Legal.</p> <p>Relevant risks are covered in the Corporate Risk Register. The IAR is currently being updated to include service specific risks to information. Most</p>

				<p>services have identified low/medium/high risks on IAR, still ongoing with some areas.</p> <p>Service specific Privacy Notices are in various stages of drafting. It has been identified where areas require more than one Privacy Notice.</p> <p>The IAR identifies controllers and processors who the information is shared with. It has not yet been identified where sharing agreements are in place.</p> <p>Retention periods for information assets have either been identified or are being queried on the IAR. This is ongoing and key areas missing are HR, Housing, and Legal.</p>
--	--	--	--	--

					Revised date 31 Dec 19
Development Management	Development management will introduce a process to ensure that all documents which the ICO recommends be 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.
PCI DSS	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	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. The Council has now put the order in to purchase CivicaPay – a hosted solution that removes the software

	<p>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>risks around compliance. Software to be implemented Q2 next year.</p> <p>Revised date of 30 Sep 20</p>
Contract Management and Procurement (2017/18)	<p>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.</p>	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	<p>Formal arrangements have been put in place or previous arrangements have 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.</p> <p>Initial preparatory work has been done on the framework and it is expected to be fully in place by March 2020.</p>

					Revised date of 31 March 2020
Payroll	Training on payroll procedures will be provided and access to Resource Link for relevant officers is to be confirmed.	2	Head of Business Development & Improvement	31 July 2019	HR is going through a major service change that has impacted on who should be trained in which areas. This is likely to become clearer towards the end of 2019. Revised date of 31 March 2020
Project Management	As a result of actions implemented, there will be clearer oversight for the correct project documentation to be completed at the correct stages. Once all priority projects have been reviewed by LT it will be clearer as to which projects are falling short of the Council's project management requirements and LT will be able to address these.	2	Head of Business Development & Improvement	31 Dec 2019	In progress.
Project Management	A working group will be set up to align Pentana and the Project Management Guidelines so that it is clear what is expected going forward (revising and producing guidance when applicable). This will be linked to how Pentana is used and how the structure is set to allow for clear reporting and monitoring within themes and programmes.	2	Head of Business Development & Improvement	31 Dec 2019	In progress.

Project Management	Project evaluation and lessons learned logs will be added as part of the process going forward. Outputs will be evidenced and stored for future reference. Any key issues may lead to change within the process / gateways / approval processes	2	Head of Business Development & Improvement	31 Dec 2019	In progress.
Economic Development Framework	The work to develop action plans and budgets is currently underway with the aim of having the first phase, aligning the ten Priority Work Streams with the Programme 4 Growth budgets, ready to support the 2019/20 first quarter one budget reports.	2	Head of Economic Development and Regeneration	31 July 2019	Action complete.
Economic Development Framework	Each of the ten Priority Work Streams is made up of several individual components and action plans, many of which are not interdependent, so consequently each will have a separate project plan and subsequent approval process over differing periods across the two year delivery period. With some of the Priority Work Streams this work has already commenced and it is intended that the full, time-based plan will be completed during the second quarter 2019/20.	2	Head of Economic Development and Regeneration	30 Sep 2019	Action complete.
Council House Repairs	The new Housing Management System is modular and the repairs module will be implemented in the final phase.	2	Head of Operations	31 Mar 2020	In progress.

	This module is not yet available as the software is still in the development stage and the system provider has yet to confirm when it will be complete.				
Creditors	The procedure for processing requests to change supplier details will be explicitly followed in all circumstances on all occasions.	1	Customer Service Manager	Immediately	Implemented.
Creditors	Procedures for reviewing changes of supplier details will be updated to include dual controls and ensure that records of communication with the supplier are recorded. The process of monitoring changes of supplier details will be reviewed and a separation of duties within the completion of the report will be introduced. Findings will be reported to a separate individual and senior management will develop a policy for addressing persistent issues identified.	2	Customer Service Manager	1 Sep 2019	The procedure has been updated for a dual check on a change of supplier. This is recorded on e-financials to illustrate the audit of the checks. Veritau has requested the procedure for review; this is in progress.
Creditors	Fraud awareness training relating to cyber security will be provided to all relevant staff.	2	Business & Revenue Service Manager	1 Sep 2019	Action complete.
Creditors	A report of new creditor accounts created will be run on a monthly basis and this will be reviewed by a separate member of staff from the individual who originally	2	Customer Service Manager	1 Sep 2019	A month end report is collated and the Customer Service Manager works

	created the creditors account. The results of this monitoring will be recorded on the report and reported to senior management on a regular basis.				through the change of supplier for that month, checking all details and that e-financials has been updated accordingly. Veritau has requested a report to review; this is in progress.
Creditors	Data and Systems will review the E-procurement system with the supplier to ascertain whether the system has the capability to ensure that goods cannot be invoiced and paid for without confirmation of goods receipting. Data and Systems will also review the authorisation controls in place with the supplier to ensure e-Procurement is able to enforce delegated authorisation limits and separation of duties. All cases of invoices authorised above the officer's delegated authority will be investigated to confirm the authorisation was appropriate.	2	Data & Systems Team Leader	1 Sep 2019	An upgrade to the software is due in January 2020 so the service plan to wait for this to be completed before looking at any revised configuration. Revised date of 31 Mar 2020.
Creditors	When forms confirming changes to the Delegated Authority list are received they will be sent to Data and Systems, who will subsequently update the e-Procurement System authorisations. Reconciliations between the Register and the e-Procurement System list of	2	Customer Service Manager	1 Sep 2019	Action complete.

	authorising officers will be made quarterly. Where individuals have not replied to requests to update their delegated authority, these cases will be escalated to the Finance team.				
Contract Management and Procurement	The Contract Procedure Rules will be updated to include reference to breaches being a serious matter that need to be reported so that they can be investigated further. Once breaches have been identified they will be recorded so that they can be reported to the Council's Leadership Team. The Council's Leadership Team will decide whether further action should be taken on breaches that have been reported.	2	Director of Corporate Services & Commissioning	31 Dec 2019	In progress.
Contract Management and Procurement	All breaches and waivers will be regularly reported to the Council's Leadership Team as part of a general report on procurement activities.	2	Director of Corporate Services & Commissioning	31 Dec 2019	In progress.