Hambleton District Council

Internal Audit Progress Report 2013/14

Period to 28 February 2014

Audits Completed to 28 February 2014	
High Assurance	4
Substantial Assurance	4
Moderate Assurance	0
Limited Assurance	1
No Assurance	0

Audit Manager: John Barnett
Client Relationship Manager: Roman Pronyszyn
Head of Internal Audit: Max Thomas

Circulation List: Member of the Audit Governance and Standards Committee
                                 Director of Resources (S151 Officer)

Date: 26 March 2014

Background

1   The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to regularly report progress in delivery of the Internal Audit Plan to the Audit, Governance and Standards Committee and to identify any emerging issues which need to be brought to the attention of the Committee.

2   Members approved the Internal Audit Plan 2013/14 at their meeting on the 27 March 2013. The total number of planned audit days for 2013/14 is 285. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises progress made in delivering that plan.

Internal Audit Work Carried Out 2013/14

3   A summary of the internal audit reports issued is attached at **Appendix A**. This is the third progress report to be received by the committee during 2013/14.

3.1   Veritau officers are involved in a number of other areas relevant to corporate matters:

   o   *Support to the Audit Governance & Standards Committee*; this is mainly ongoing through our support and advice to Members. We assist by facilitating the attendance at Committee of managers to respond directly to Members questions and concerns over the audit reports and the actions that managers are taking to implement agreed recommendations.

   o   *Contractor Assessment*; this work involves supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (Credit Rating Agency) in order to confirm the financial robustness of contractors.

   o   *Risk Management;* Veritau advise on the Council's Risk Management processes.

   o   *Systems Development;* Veritau attend development group meetings in order to ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.

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

3.2   As with previous audit reports an overall opinion has been given for each of the specific systems under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in controls identified.

3.3   The opinions used by Veritau are provided for the benefit of Members 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.

Moderate 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.

3.4   The following categories of opinion are also 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.

3.5   It is important that agreed actions are formally followed-up to ensure that they have been implemented. This is carried out throughout the year with appropriate testing being completed, the results shown in the Summary of Key Issues – Management Actions Agreed, column below.

3.6   In the period between April and February, inclusive, we have completed **9** out of **17** internal audit reviews to final report stage. A further **2** audits are at draft report stage and **6** other audits are in progress. This represents **53%** of the plan delivered to final report stage and **65%** including draft reports.

Table of 2013/14 audit assignments completed

Audit	Status	Audit Committee
Strategic Risk Register		
Shared Service - Advice		
Affordable Housing	**Completed ~ Substantial Assurance**	**March 2014**
Local Development Framework	Draft Report	
Community Infrastructure Levy	**Completed ~ High Assurance**	**January 2014**
Savings Delivery	**Completed ~ High Assurance**	**March 2014**
Information Governance & Data Protection	**Completed ~ Limited Assurance**	**October 2013**
Performance Framework	**Completed ~ High Assurance**	**March 2014**
Fundamental/Material Systems		
Council Tax/NNDR	In Progress	
Benefits	In Progress	
Creditors	In Progress	
Income/Receipting System	In Progress	
General Ledger	**Completed ~ High Assurance**	**March 2014**
Treasury Management	Draft Report	
Capital Accounting	In Progress	
Regularity Audits		
Equalities	**Completed ~ Substantial Assurance**	**October 2013**
Technical/Project Audits		
ICT	In Progress	
Workspace	**Completed ~ Substantial Assurance**	**January 2014**
Contingency		
- Licensing Charges	**Completed ~ Substantial Assurance**	**October 2013**
Follow-Ups		

Summary of Key Issues from audits completed to 28 February 2014; previously not reported

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Affordable Housing	Substantial Assurance	To provide assurance that the controls it has put in place to manage key risks relating to the achievement of local and national targets for affordable housing are effective**.**	10 February 2014	**Strengths** It was found that the arrangements for managing risk were very good and that an effective control environment appears to be in operation. **Key Weaknesses** No key weaknesses identified.	
Savings Delivery	High Assurance	The purpose of the audit was to provide assurance to management that the controls and measures it had put in place to manage key risks relating to Savings Delivery were effective.	19 February 2014	**Strengths** It was found that the arrangements for managing risk were very good with the processes supported effectively by officers. **Key Weaknesses** No key weaknesses identified.	
Performance Framework	High Assurance	A review to provide assurance that the framework for managing 'performance' within the Council, is robust.	10 February 2014	**Strengths** The monitoring and reporting of performance is carried out effectively to a high standard by appropriately trained officers. **Key Weaknesses** No key weaknesses identified.	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
General Ledger	High Assurance	A limited review to provide assurance that the key controls around budget setting, monitoring processes and reconciliations are working as intended and that adequate budgetary control is exercised.	13 February 2014	**Strengths** There is a good management of risk with officers carrying out the day to day functions in the maintenance of the ledger, effectively. **Key Weaknesses** No key weaknesses identified.	

Summary of Key Issues from audits completed and previously reported

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Community Infrastructure Levy	High Assurance	The Community Infrastructure Levy allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The audit was to ensure that processes were in place for setting the correct levy.	10 October 2013	**Strengths** The process for setting the CIL is being efficiently managed and is progressing in line with prescribed requirements. **Key Weaknesses** No key weaknesses identified.	
Workspace	Substantial Assurance	Within the Workspace Portfolio there are units situated on business parks throughout Hambleton which are	23 October 2013	Regarding credit checks, no opinion has been given as it is the Council's decision which, if any, of the options suggested they decide to use – the most	

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		available to let. The aim of the units is to help small businesses set up and then move forward. **Through discussion, it was agreed that the most value could be added by identifying alternative methods of credit checking potential tenants**. Due to the nature of them being start-up businesses, there are often no sets of accounts to check, and no company credit history.		applicable one being the National Landlords Association. **Strengths** Regarding the controls in operation, it was found that the arrangements for managing risk were good with few weaknesses identified. **Key Weaknesses** There is a formal procedure for rent reviews, which culminates in a report taken to the Director of Customer Services for authorisation. A view will be taken by the Director and, as long as this is within their area of authority, rents may be amended to reflect the market conditions. In the case reviewed, the amendments were agreed but the authorisation was only verbal rather than written.	
Information Governance & Data Protection	Limited Assurance	To ensure compliance with the Data Protection Act 1998 and in particular, with the 'HMG Information Assurance Maturity Model and Assessment Framework	28 August 2013	**Strengths** Some assurance could be gained from the security of electronic data as the Council have strict network and system controls in place to ensure only authorised	

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		(IAMM)'.		Officers can access confidential and sensitive information. In addition, only encrypted devices can be used for external storage and can only be obtained from the IT section, with management approval. Although system and network back ups have posed some significant issues recently, management have reacted accordingly and reduced the risks in this area by strengthening the back up process. Additionally the Council are in the process of updating their Data Protection policy to ensure compliance to the Data Protection Act 1998, this is to reflect the current working practices now that the shared service with Richmondshire DC is no longer in place. **Key Weaknesses** At present there is no Member involvement for Information Governance and therefore appropriate training has not been given. It is stated in the 'HMG Information Assurance Maturity Model and Assessment Framework' that there should be main board	An Information Strategy and Action Plan has been written to address a number of key issues raised in this audit report and are due to go to Management Team for discussion and approval, these include actions to specifically address issues

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				recognition on the importance of information, and board commitment to effective Information Management; at Hambleton this is not currently the case. In addition, it should be ensured that an appropriately trained Senior Information Risk Officer is allocated responsibility for information governance, with a delegated risk owner to assist in each Directorate; this should be clearly stated in all policies. Information Management training has not been carried out for a number of years, it is essential that Officers are adequately trained in this area to avoid inappropriate distribution of information, and sensitive data being stored, issued and disposed of incorrectly. Although the current policy is still in draft and training will be provided once the document is finalised, it is vital that this is done on a timely basis.	in the audit findings: • the identification of key roles and responsibilities • training for Members (and officers) • a centralized information register is created indicating data owners and review dates • a programme of data quality checks to be introduced *1 November 2013* *Update - Completed* An initial Corporate wide Data Protection training programme has been agreed and will be delivered by Veritau. This commences on the 19th September and will run on a number of sessions until November. *Update - Completed* A communication plan to raise staff awareness of Information Security issues will commence in August 2013. *Update - Completed*

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					Ongoing revisionary and new starter training in Date Protection and wider Information Security will be delivered by ICT, with a delivery plan to be drawn up. *1 November 2013* *Update - Ongoing*
				Currently there is no contract in place for the disposal of confidential waste; the Improvement Manager issued a report to Management Team in February 2013, to address this issue however nothing has been actioned as a result of this. The report outlines the risks that are currently exposed to the Council by not having a contract in place. Currently waste is stored in a 'low security' skip, which is located outside the Council grounds, for up to six months. Although the skip is locked it is not impossible to gain access.	To meet the requirements identified in this audit and within those of the Fire Risk Assessment, the confidential waste skip is being upgraded to a more secure storage solution. The ongoing requirements for Confidential Waste removal are to be determined by end October. *Immediate* *Update - Completed*
				The Document Management Policy, which is still in draft, does not include guidance relating to clear desk rules and the importance of sensitive	The Information Strategy and Action Plan, also outlines a number of measures to resolve issues in the above findings:

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				information security, or guidance relating to data sharing with other Authorities and 3rd parties. In addition, the policy does not allocate responsibility for Information Governance.	• the identification of key roles and responsibilities • the requirements for a number of Policies to be reviewed/written to ensure a strong approach to Information Management within the Council • updated Document Management and Retention Policy to include electronic data *30 November 2013* *Update – completed*
Equalities	Substantial Assurance	A review to ensure that the Council is complying with the Equalities Act 2010.	27 August 2013	**Strengths** Although it is early days with the Equalities policy only being approved in April 2013, management are well aware of the work to be carried out to ensure that compliance with legislation and good practice is achieved and therefore the risks identified, mitigated. **Key Weaknesses** There is no system in place, within Human Resources, to monitor and report upon officer	An appropriate process will be implemented for monitoring and reporting

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				data to ensure that the Council is adopting the Equalities objectives and complying with policy when recruiting new staff or within the existing establishment. There is also no comparison of data carried out regionally or with industry standard data to ensure the Council is up to date with equalities and the Equalities Act 2010.	new starter and employee data to ensure corporate objectives are being achieved and the Council is compliant with the Equalities Act 2010. *1 March 2014*
Licensing	Substantial Assurance	A European Directive (from 2010) states that "charges which a Council imposes on applicants/licensees under an authorisation scheme must be proportionate and reasonable in the circumstances to the fees or costs payable under the provision of the scheme". Following High Court action against Westminster Council the Local Government Association briefing recommended that "Councils take the opportunity to ensure that all locally set licence	19 August 2013	The Council is already in the process of ascertaining the cost of each type of licence in order that they are an accurate representation of the cost of work involved.	

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		fees are based on an up to date cost recovery approach which is established and regularly reviewed in a transparent manner that can be understood by both businesses and residents". The review was to ensure that licence fee setting arrangements within HDC are compliant with the European Directive and UK legislation.			