

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

5 DECEMBER 2013

INTERNAL AUDIT WORK FOR THE BUSINESS AND ENVIRONMENTAL SERVICES DIRECTORATE

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the **internal audit work** performed during the year ended 30 November 2013 for the Business and Environmental Services (BES) directorate and to give an opinion on the systems of internal control in respect of this area.

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the BES Directorate, the Committee receives assurance through the work of internal audit (as provided by Veritau Limited), as well as receiving a copy of the latest directorate risk register and the relevant Statement of Assurance (SoA).
- 2.2 In line with recent practice, this agenda item is considered in two parts. This first report considers the work carried out by Veritau and is presented by the Head of Internal Audit. The second part is presented by the Corporate Director and considers the risks relevant to the directorate and the actions being taken to manage those risks.

3.0 WORK DONE DURING THE YEAR ENDED 30 NOVEMBER 2013

- 3.1 Details of the work undertaken for the BES directorate and the outcomes of these audits are provided in **appendix 1**.
- 3.2 Veritau has also been involved in carrying out a number of other areas of work in respect of the Directorate. This work has included;
- providing advice on various control issues;
 - auditing and certifying the Fuel Rebate Summary Claims for April 2012 to September 2012 and for October 2012 to March 2013;
 - certifying the Local Transport Grant 2012/13 return to ensure that it had been prepared in accordance with Department of Transport grant conditions.
- 3.3 As with previous audit reports, an overall opinion has been given for each of the specific systems or areas under review. The opinion given has been based on an

assessment of the risks associated with any weaknesses in control identified. Where weaknesses are identified then remedial actions will be agreed with management. Each agreed action has been given a priority ranking. The opinions and priority rankings used by Veritau are detailed in **appendix 2**.

- 3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau follow up all agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the year, the Head of Internal Audit is satisfied with the progress that has been made by management to implement previously agreed actions necessary to address identified control weaknesses.**
- 3.5 All internal audit work undertaken by Veritau is based on an Audit Risk Assessment. Areas that are assessed as well controlled or low risk are reviewed less often and in our experience continue to be satisfactory between audits. Veritau's audit work therefore focuses on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern. The scope of many audits means that a large number of processes are reviewed with many of these being found to be satisfactory or better.

4.0 **AUDIT OPINION**

- 4.1 Veritau performs its work in accordance with the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant standard (2450) states that the chief audit executive (CAE)¹ should provide an annual report to the board². The report should include:
- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (ie the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 4.2 The overall opinion of the Head of Internal Audit on the controls operated within the Business and Environmental Services directorate is that they provide **substantial assurance**. This opinion is based on the individual opinions / risk ratings as detailed in the appendix of this report. Substantial assurance is defined by Veritau as:

¹ The PSIAS refers to the chief audit executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit Committee.

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.

5.0 RECOMMENDATION

- 5.1 That Members consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Business and Environment Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

15 November 2013

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau Ltd at 50 South Parade, Northallerton.

Report prepared by Roman Pronyszyn, Client Relationship Manager, Veritau and presented by Max Thomas, Head of Internal Audit.

FINAL AUDIT REPORTS ISSUED IN THE YEAR ENDED 30 NOVEMBER 2013

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Waste Management (follow up)	High Assurance	The audit was a follow up review to assess the progress made by management to address the issues identified in the 2011/12 audit.	January 2013	All the agreed actions were found to have been implemented.	No actions raised in the report.
B	Highways Maintenance Contract Final Settlements Payments	High Assurance	The audit reviewed the process followed to resolve any outstanding issues relating to the contract with Balfour Beatty Infrastructure Services. The audit also reviewed the work undertaken to agree the final valuation.	May 2013	No issues were identified.	No actions raised in the report.
C	Bedale, Aiskew and Leeming Bar Bypass	Moderate Assurance	This was the first in a number of planned audits over the life of the project. The audit reviewed the information used to prepare the financial analysis contained in the Business Case presented to Department for Transport (DfT) and the proposed contract tendering procedures.	May 2013	Some areas for possible improvement were identified for future projects of this nature.	Three P2 actions were agreed. Responsible Officer Assistant Director – Highways and Transportation

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
D	Strategic Planning and Development Control	High Assurance	The audit reviewed the systems used to process planning applications.	August 2013	The audit found that risks were being well managed and that an effective control environment was operating.	No actions raised in the report.
E	Trading Standards E-Crime Unit	Substantial Assurance	The audit reviewed the systems and controls operating within the e-crime unit. The unit was established in 2012 and is funded by the Trading Standards Institute. The audit considered a number of areas including business planning, governance arrangements and financial reporting.	September 2013	Overall arrangements were found to be good. The e-crime unit currently has funding until 2015 but new opportunities for work are being developed. As a consequence service managers should consider updating the vision and business plan.	Two P3 actions were agreed. Actions have been agreed and further discussions with the Board will be undertaken in January 2014. Responsible Officer Assistant Director – Trading Standards.
F	Tour De France	High Assurance	A review of the arrangements in place to manage the key risks for the County Council underpinning the delivery of the Tour de France.	October 2013	Good progress has been made in developing the arrangements to help successfully deliver the County Council's responsibilities as part of the overall project. Effective project and risk management arrangements are in place. The financial costs have also been estimated and approved by the Executive. The challenge for the County Council is to ensure that the current project and risk management arrangements continue to work effectively to deliver the desired outcomes.	No actions raised in the report.

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
G	Trading Standards – Regulation of Investigatory Powers (RIPA)	High Assurance	A review of the progress made to implement the recommendations made by the Office of Surveillance Commissioner and the Interception of Communications Office.	October 2013	The majority of the recommendations had been implemented although there was still a need to complete the required training.	<p>One P3 action was agreed</p> <p>The training programme needs to be rolled out to all other relevant prime users (including people outside of Trading Standards).</p> <p>Responsible Officer Assistant Director Trading Standards and Planning Services</p>
H	Concessionary Fares	High	The audit reviewed the payments made to operators to ensure that they were in line with the concessionary fares scheme and the overall budget provision.	November 2013	Overall arrangements were found to be effective. No issues were identified.	<p>No actions raised in the report.</p>

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
<i>High Assurance</i>	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
<i>Substantial Assurance</i>	<i>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.</i>
<i>Moderate assurance</i>	<i>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.</i>
<i>Limited Assurance</i>	<i>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.</i>
<i>No Assurance</i>	<i>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.</i>

Priorities for Actions

<i>Priority 1</i>	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</i>
<i>Priority 2</i>	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
<i>Priority 3</i>	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>