

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

26 OCTOBER 2020

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 period from 1 December 2019 to 30 September 2020 for the Business and Environmental Services (BES) directorate.

**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) as well as receiving a copy of the latest directorate risk register.
- 2.2 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 CARRIED OUT DURING THE 10 MONTH PERIOD TO 30 SEPTEMBER 2020**

- 3.1 Details of the work undertaken for the 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 assignments for the directorate. This work has included;
- Providing ad-hoc advice on various control issues
  - Auditing and certifying a number of grant returns such as the Local Transport Plan, the LEP Growth Hub, Local Authority Bus Subsidy Grant and Covid19 related areas such as the Bus Service Support Grant. We review relevant supporting information to ensure expenditure has been incurred in accordance with the scheme conditions
  - Meeting with BES management and maintaining ongoing awareness and understanding of key risk areas such as the highways maintenance contract and long term waste service

- Considering matters raised via 'whistleblowing' procedures
- 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**. Where the audits undertaken focused on value for money or the review of specific risks as requested by management then no audit opinion will be given. The work completed for the directorate and the opinions given following each audit contribute to the annual report and opinion of the Head of Internal Audit.
- 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 period, 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 The programme of audit work is risk based. Areas that are assessed as well controlled or low risk are reviewed less often with audit work instead focused on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern.

#### 4.0 **RECOMMENDATION**

- 4.1 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  
County Hall  
Northallerton

26 October 2020

#### **BACKGROUND DOCUMENTS**

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

Report prepared by Stuart Cutts, Assistant Director – Audit Assurance, Veritau and presented by Max Thomas, Head of Internal Audit, Veritau

## FINAL AUDIT REPORTS ISSUED IN THE PERIOD ENDED 30 SEPTEMBER 2020

System/Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken	
A	Highways Demobilisation	Substantial Assurance	June 2020	<p>The council delivers its highways service through contracts with Ringway Infrastructure Services (RIS) and WSP. RIS is the maintenance contractor and WSP provide professional consultancy services. The contracts are ending in March 2021 and March 2020, respectively.</p> <p>The audit reviewed whether exit plans were in place and agreed with contractors ahead of each contract's expiry.</p> <p>We also considered whether a 'critical path' had been identified to enable completion of tasks required for contract demobilisation, and whether appropriate arrangements were in place to ensure service continuity when the contracts expire.</p>	<p>An exit plan had been agreed and was in operation for the Highways Engineering Design and Consultancy contract with WSP. The plan covered all the expected areas. Regular meetings were taking place to progress, update and amend the plan as appropriate.</p> <p>The exit plan for the Maintenance contract with RIS had not yet been fully developed. Consequently the key activities and tasks required for contract demobilisation are not fully set out.</p> <p>There was good awareness for the need to develop exit plan arrangements with RIS. The directorate and service risk registers both included risks relating to demobilisation and so risk management procedures will cover these areas.</p> <p>A transition plan for the Highways 'Teckal' company had been developed and a starting point of March/April 2020 was scheduled. There was also a risk log, decision log and five work streams to complement this plan.</p>	<p><b>1 P2 action and 1 P3 action were agreed.</b></p> <p><b>Responsible Officers:</b> Assistant Director – Strategic Resources / Assistant Director - Highways and Transportation</p> <p>The demobilisation plan for the RIS contract will continue to be developed. Activities will be identified and monitored until the contract ends. Demobilisation will be managed separately to the mobilisation of the proposed 'Teckal' company.</p> <p>Actions were planned to be completed by the end of September 2020.</p>
B	Countryside Services (Definitive Map)	Limited Assurance	June 2020	<p>Sufficient information regarding the Definitive Map Modification (DMMO) and Public Pathways Orders (PPO) applications is available to the public.</p>	<p><b>4 P2 actions and 2 P3 actions were agreed.</b></p> <p><b>Responsible Officer:</b></p>	

System/Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken	
		<p>required to maintain a record of all public rights of way on a definitive map.</p> <p>The audit reviewed whether:</p> <ul style="list-style-type: none"> <li>• Appropriate policies and procedures were in place to meet definitive map statutory obligations.</li> <li>• effective risk management arrangements are in place</li> <li>• service performance is managed appropriately.</li> </ul> <p>In addition, management arrangements were reviewed to evaluate the effectiveness of day-to-day operations and service delivery.</p>		<p>Sample case review identified a lack of standardisation in completing Definitive Map Modification Orders (DMMO) and updating the database. Information in the database was incomplete and there was no process in place to monitor quality and timeliness. Some staff were unaware of the documented internal procedures.</p> <p>Risk management arrangements were identified at management level, but were not effectively cascaded down to staff.</p> <p>A team plan for the Countryside Services and Definitive Map team had not been finalised. A draft plan was in place but had no set date for completion.</p> <p>Processes for allocating and monitoring work was inadequate. Work allocation was uneven across teams.</p> <p>Performance was not being effectively managed or challenged. There were no set timescales to guide the completion of DMMOs and Public Pathway Orders (PPO). As a result, there were some significant delays and inconsistencies in the time taken to complete cases.</p>	<p>Assistant Director (Transport, Waste &amp; Countryside)</p> <p>Current internal procedures will be reviewed and guidance notes for new starters drafted.</p> <p>The risk register will be reviewed, updated and shared at team meetings. A team plan will be developed and finalised during 2020-21.</p> <p>Workload allocation is to be reviewed. Performance targets are to be set and performance to be challenged at 'Keep in Touch' (KIT) meetings and appraisal reviews.</p> <p>A follow up review by Veritau to assess progress and support improvement is included in the 2020/21 audit plan. (Note – the review started in September 2020)</p>	
C	Highways New Arrangements	Substantial Assurance	The current highways maintenance contract ends in March 2021.	September 2020	<p>Risk management information was generally up-to-date at the time of review. A risk register highlight report is reviewed on a monthly basis by the project board to assess</p>	<p><b>2 P3 actions were agreed.</b></p> <p><b>Responsible Officer:</b> Corporate Director -</p>

System/Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
		<p>A wholly owned 'Teckal' company is being established to take over the provision of highways maintenance when the current contract ends.</p> <p>This audit reviewed whether there was effective project governance and risk management arrangements in place, and whether adequate business continuity plans had been established.</p>		<p>any changes. Regular reminders are issued to risk owners and risk owners are actively engaged with the maintenance of the risk register. An operations risk register is also in place for the ICT working group. This document was also up-to-date and complete at the time of review.</p> <p>Sufficient detail on roles and responsibilities was set out in the project governance terms of reference. Groups meet on a regular basis and outcomes from these meetings are appropriately evidenced. The highlight reports are discussed at project meetings and information is distributed to all relevant members of the project community.</p> <p>There was a lack of clarity around authorisation levels and responsibilities for signing off documentation, or items of a certain value.</p> <p>There were also no business continuity plans in place relating to the project. A business continuity plan would help to improve project resilience.</p>	<p>Business and Environmental Services</p> <p>A new Governance framework is now in place to support and address the risk identified regarding the Teckal decision-making process and communication of decisions within the framework.</p> <p>A new level has been added to the structure, and clarity has been given regarding the authorisation levels.</p> <p>By the end of January 2021, a business continuity plan will be formulated for the project, to ensure all continuity risks are addressed.</p>

### Audit Opinions and Priorities for Actions

<b>Audit Opinions</b>	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
<b>Opinion</b>	<b>Assessment of internal control</b>
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.

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