

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

21 MARCH 2022

INTERNAL AUDIT WORK FOR THE CENTRAL 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 for the period 1 June 2021 to 31 January 2022 for the Central Services (CS) 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 Central Services 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 DONE FOR THE PERIOD TO 31 JANUARY 2022

- 3.1 Details of the final reports issued during the period for the directorate and the outcomes of these audits are provided in **Appendix 1**. The Covid-19 pandemic has continued to cause some delays in audit work. A number of other audits are therefore currently at draft report stage or fieldwork is still progressing. No significant issues have been identified in the work completed to date.
- 3.2 Veritau has also been involved in carrying out a number of other assignments for the directorate. This work has included;
- Attendance at various project groups and providing advice and support to a variety of specific project leads (particularly relating to Local Government Reorganisation)
 - Providing advice and support as a result of specific control issues
 - Undertaking financial assessments on behalf of Central Services to support the Council's procurement process
 - Meeting regularly with Central Services management and maintaining ongoing awareness and understanding of key risk areas

- 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 scope of the audit work is limited or the audit 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 note the results of internal audit work performed in the period for the Central Services directorate.

MAX THOMAS
Head of Internal Audit

Veritau
County Hall
Northallerton

18 February 2022

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau.

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

FINAL AUDIT REPORTS ISSUED IN THE PERIOD TO 31 JANUARY 2022

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Creditors (20/21)	Substantial Assurance	The audit reviewed the controls in place for processing invoices while staff are working from home, and for setting up and amending supplier records in Oracle.	September 2021	<p>It was found that the invoices tested were processed in accordance with policy and procedure. The processes were appropriately adapted for home working.</p> <p>All invoices over £30k had been authorised appropriately.</p> <p>There was an appropriate process in place for setting up new supplier details through the use of a 'Supplier set up form'. All new accounts tested were found to have been set up correctly. Similarly all changes to supplier details that were tested had been processed correctly.</p>	N/A
B	Main Accounting System (21/22)	Substantial Assurance	The audit reviewed the controls relating to user access to Oracle, and the operation of feeder systems and the accuracy of	December 2021	The audit found that access to Oracle was controlled effectively, and management checks are in place.	N/A

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
			<p>information. The use of journals, suspense accounts and bank reconciliations was also reviewed.</p>		<p>For the three feeder systems tested, information was accurate and appropriate tests and reconciliations were in place.</p> <p>The journals tested were processed correctly, and reviewed through budget monitoring and formal quarterly reporting.</p> <p>Transactions posted to suspense accounts were reviewed and cleared promptly in line with procedures. Exchequer Services maintain and update a list on a monthly basis of the status of their holding and suspense accounts.</p>	

Audit Opinions and Priorities for Actions

Audit Opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Priorities for Actions	
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.