

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 MARCH 2023

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 February 2022 to 31 January 2023 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 2023

- 3.1 Internal audit work is planned and delivered on the basis of risk. In the last year, audit work has been heavily focused on supporting the LGR programme. We have attended a number of LGR related project groups and meetings, and have provided advice, challenge and support to a variety workstreams. We are continuing to work with officers to understand the key changes to financial processes and controls which are planned for the new North Yorkshire Council. We have also provided advice and data analytics support in a number of areas including creditors, bank reconciliations and the feeders into the Oracle system.
- 3.2 Work is ongoing to complete our financial systems audits of Payroll, Main Accounting System, Creditors and Debtors. These audits are planned to be completed in time to inform the annual Head of Internal Audit opinion.
- 3.3 Details of the internal audit work undertaken for the directorate and the outcomes of these audits are provided in **Appendix 1**.
- 3.4 Veritau has also been involved in carrying out a number of other assignments for the directorate. This work has included:

- 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
- 3.5 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
- 3.6 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.

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

3 March 2023

Background Documents: None

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 2023

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Registration Services	Reasonable Assurance	The audit reviewed the arrangements for managing wedding ceremonies. This included the systems and processes used to allocate work, and the controls in place to monitor the hours worked by staff on annualised contracts.	May 2022	<p>The allocation of work to members of staff appeared to be fair and appropriate.</p> <p>Processes were in place to monitor hours worked by annualised staff members. However, there were some working practices which differed from normal HR expectations. There were also some inconsistent internal practices, for example in respect of staff 121s and the application of probation periods for new starters.</p> <p>It was noted that the mix of relief and annualise hours staff varied significantly between areas. This could lead to some areas of the service being vulnerable to staff shortages at peak times.</p>	<p>2 P2 and 3 P3 actions were agreed.</p> <p>Responsible Officer(s): General Manager-Registration, Archives and Coroners,</p> <p>Quarterly meetings will take place between the service and HR to clarify expectations and improve understanding.</p> <p>Information will be communicated to Area Managers to help ensure consistent practices are followed.</p> <p>A staffing review will be undertaken to help increase staffing resilience.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
B	Expenses	No opinion provided	The audit reviewed the process for claiming expenses in MyView. The audit was requested following a specific issue with the payment of Adoption Panel expenses. A significant overpayment occurred as a result of an input error by a claimant. The overpayment was identified by the claimant and repaid.	October 2022	<p>The claimant entered an incorrect value into a field in MyView by mistake. This was the first claim they had made, and they were therefore unfamiliar with the system.</p> <p>As this was the first claim it was also not identified on the regular exception report.</p> <p>The claim was then authorised for payment by an officer who did not have direct responsibility for the service area.</p> <p>Whilst it is likely that the error would have been identified by the budget holder, other expected controls did not prevent the overpayment occurring.</p>	<p>Authorisation for this type of claim has been changed to the manager with direct responsibility for the service area.</p> <p>ESS staff have been reminded to notify authorising officers immediately of all errors.</p> <p>The monitoring of salary difference reports has also been improved.</p> <p>All similar payments in MyView now have a maximum limit of 9 units to prevent similar overclaims and to minimise the risk of future overpayments.</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.