

NORTH YORKSHIRE COUNCIL

AUDIT COMMITTEE

24 JUNE 2024

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT

1.0 PURPOSE OF THE REPORT

- 1.1 To provide a summary of the internal audit work performed in 2023/24 and to express an opinion on the overall framework of governance, risk management and control in place within North Yorkshire Council.
- 1.2 To inform Members of Veritau's conformance to professional standards and the conclusions arising from the Quality Assurance and Improvement Programme (QAIP).

2.0 BACKGROUND

- 2.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015, relevant professional standards, and the Council's Internal Audit Charter. The applicable standards for local government are the Public Sector Internal Audit Standards (PSIAS).
- 2.2 In accordance with the Standards, the Head of Internal Audit is required to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control operating within North Yorkshire Council. The Head of Internal Audit should also contribute to the preparation of the Annual Governance Statement by identifying any significant control issues identified during the course of audit work, and report any material breaches of the Council's Financial, Procurement and Contract, Staff Employment and Property Procedure Rules to the Audit Committee.
- 2.3 The Head of Internal Audit is also required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance with the Standards. The QAIP consists of various elements, including:
 - maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities

- periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).

2.4 In addition, a formal external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken between June and August 2023¹. This concluded that internal audit working practices generally conform to the PSIAS².

2.5 The results of customer feedback, the annual self-assessment and the external assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

3.0 **ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT**

3.1 The annual report of the Head of Internal Audit is attached at **appendix 1**. The report includes details of the internal audit work completed during 2023/24, the annual opinion of the Head of Internal Audit and the results of the Quality Assurance and Improvement Programme.

3.2 In addition to the annual opinion the Head of Internal Audit is required to provide:

- (a) details of any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- (b) details of any particular control weakness judged to be relevant to the preparation of the council's annual governance statement
- (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.

4.0 **BREACHES OF PROCEDURE RULES**

4.1 As in previous years, breaches of the Council's procedures rules may be identified through ongoing internal audit work.

4.2 Where breaches are identified, it is usually sufficient to draw the matter to the attention of management for the appropriate remedial action to be taken. If a wider training need is identified this will be addressed accordingly. Finally in those cases where the breach identifies a fundamental weakness/deficiency in the relevant Procedure Rule this will be addressed separately as part of the ongoing review process for all the Council's Procedure Rules.

¹ Reported to the Audit Committee in October 2023.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

4.3 There were no material breaches of the Procedure Rules identified during the year although a number of issues were raised with management through the normal audit reporting process.

5.0 **RECOMMENDATIONS**

5.1 Members are asked to note:-

- (i) the **Reasonable Assurance** opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating within North Yorkshire Council as set out in appendix 1
- (ii) the four significant control issues which are recommended for inclusion in the 2023/24 Annual Governance Statement
- (iii) the outcome of the quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

MAX THOMAS
Head of Internal Audit

Report prepared and presented by Max Thomas, Head of Internal Audit

Veritau - Assurance Services for the Public Sector
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6 June 2024

ANNUAL HEAD OF INTERNAL AUDIT REPORT

Date: 24 June 2024

Appendix 1

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Stuart Cutts
Assistant Director - Audit



Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit Committee



Background

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to present an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the Annual Governance Statement
 - (c) a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



Internal audit work carried out in 2023/24

- 2 Internal audit work this year at North Yorkshire Council has focused on the transitional arrangements required in the first year of being a brand-new organisation. The introduction and embedding of new strategic, financial, and governance arrangements has been a priority for the Council. In a number of areas, the Council has continued to operate legacy systems whilst at the same time starting the process to deliver efficiency improvements and financial savings.
- 3 The 2023/24 internal audit programme was formally agreed by the Audit Committee on 26 June 2023. During the year audit work has continued to be prioritised based on risk and the need to provide coverage of the Council's framework of governance, risk management and control.
- 4 In addition to undertaking specific audits, we have been involved in gathering assurance from a number of sources to help support our opinion and understand the risks and controls for the Council. This work has included attendance at key governance and operational groups such as the Finance Improvement Board and Corporate Governance Officer Group (CGOG), review of full council, executive and other key meetings, and high-level reviews on areas such as property asset management.
- 5 We have also continued to promote good governance, provide advice and make recommendations to management to help improve controls. Auditors meet with the s151 Officer, deputy s151 Officer and other senior officers on a regular basis to help identify and address key governance issues and concerns. Senior managers at the Council have continued to support the delivery of internal audit work during 2023/24.

- 6 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all final audit reports have been presented to the Audit Committee as part of regular progress reports.
- 7 A summary of internal audit work undertaken during the year and relevant to the opinion is contained in annex A.
- 8 Annex B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the Audit Committee. Annex C provides an explanation of our assurance levels and priorities for management action.

Follow up of agreed actions

- 9 It is important that agreed actions are followed up to ensure they have been implemented. Veritau has followed up agreed actions during the year, taking account of the timescales previously agreed with management for implementation.
- 10 Our work shows that generally, good progress has continued to be made by management to address previously identified control weaknesses. Where improvement actions are required, management are completing these within acceptable timescales. There are therefore no significant outstanding actions to report to the Committee at this time.

Professional standards

- 11 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the Audit Committee each year as part of the annual report. The QAIP consists of various elements, including:
 - ▲ maintenance of a detailed audit procedures manual and standard operating practices
 - ▲ ongoing performance monitoring of internal audit activity
 - ▲ regular customer feedback
 - ▲ training plans and associated training and development activities
 - ▲ periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 12 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit

working practices was undertaken between June and August 2023¹. This concluded that Veritau internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive. Further details of the QAIP are given in Annex D.

- 13 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit Committee. No changes are proposed at this time.
- 14 The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). New IIA professional standards were published in January 2024 and will apply from 9 January 2025.
- 15 The UK Public Sector Internal Audit Standards Advisory Board (IASAB) is currently reviewing the implications for the PSIAS. Any subsequent changes to the UK's PSIAS will be subject to consultation and will apply from 1 April 2025.



Opinion of the Head of Internal Audit

- 16 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides **Reasonable Assurance**.
- 17 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. No reliance was placed on the work of other assurance providers in reaching this opinion.
- 18 Members attention is also drawn to the following significant control issues which is considered relevant to the preparation of the 2023/24 Annual Governance Statement:

Creditors

There were inconsistencies in the processes and controls operating in the former district / borough councils. Purchase orders were being used inconsistently and incorrectly, and in a small number of service areas not at all. A number of order forms were not approved in line with delegated authority. Supplier set up, and amendment forms were incomplete or not being used within some of the legacy processes. Goods received and delivery notes were not being retained consistently to demonstrate completeness of procedures. A number of these issues were as a result of staff vacancies or changes in team structures prior to local government reorganisation. Implementation, training and enforcement of the Council's improved 'Procure to Pay' processes seek to address these issues.

¹ Reported to the Audit and Governance committee in October 2023.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

Housing stock

The policies, systems and processes for managing the Council's housing stock need to be improved. Stock conditions surveys have also not been routinely conducted and some data held on systems used to manage repairs and maintenance work is missing or incomplete. The Council is aware of these issues and during the year referred itself to the Regulator of Social Housing (RSH) on the grounds that it is not meeting all the requirements of the new Social Housing (Regulation) Act 2023.

Property asset management

The property records on the Council's concerto system are not as complete and accurate as they need to be to support effective property asset management. Work to consolidate, cleanse and verify property asset records is ongoing and remains a priority for officers.

Information security

Further improvements are still required to ensure compliance with the Council's data protection policies. Ongoing work has identified continuing poor practice with the handling of documents and information security. There have also been a number of serious data security breaches in the year, including 6 incidents that have required reporting to the Information Commissioner's Office.

Annex A: Internal Audit work in 2023/24

Final reports issued

Audit	Issued	Opinion
Main accounting	June 2023	Substantial Assurance
Developing stronger families	June 2023	No opinion given
Creditors	July 2023	Substantial Assurance
Fairburn CP School	July 2023	No opinion given
Pension fund – investments	August 2023	Substantial Assurance
Schools themed audits - schools ICT	September 2023	Limited Assurance
Pension fund - income	September 2023	Reasonable Assurance
Schools themed audits - related party transactions	October 2023	Reasonable Assurance
Debtors	October 2023	Reasonable Assurance
Information security incident – adult social care system (Liquid Logic and ControCC)	November 2023	No opinion given
Liquidlogic (adult social care system)	November 2023	Substantial Assurance
Highways performance management	November 2023	Substantial Assurance
Highways Ringway contract demobilisation	November 2023	Substantial Assurance
Payroll	December 2023	No opinion given
Aftercare services for mental health (s117)	December 2023	No opinion given
Creditors	March 2024	Limited Assurance
Review of care provider data	March 2024	No opinion given
General ledger	March 2024	No opinion given
Yorwaste performance management	March 2024	Substantial Assurance
Council companies	March 2024	No opinion given
Health and safety	April 2024	Reasonable Assurance
Risk management	April 2024	Substantial Assurance
Childrens direct payments	April 2024	Reasonable Assurance
Income collection and receipting	May 2024	Substantial Assurance
Housing stock conditions survey	May 2024	Limited Assurance
Staff registers of interests	May 2024	Substantial Assurance
Sundry debtors and debt recovery	May 2024	Substantial Assurance

Audit	Issued	Opinion
Transparency Code	June 2024	No opinion given
Treasury Management	June 2024	Substantial Assurance

Audits in progress

Audit	Status
Killinghall school	Draft report issued
Schools themed audit – Business Continuity	Draft report issued
Budget monitoring	Draft report issued
Claro Road depot	In progress
Governance	In progress
ICT governance	In progress
ICT access controls	In progress
Transformation governance	In progress
Contract management - waivers	In progress
Climate change	In progress
Revenues	In progress
Benefits	In progress
Housing Rents	In progress
Children leaving care	In progress
Early years payments	In progress
Schools follow up	In progress
CCTV	In progress
Scarborough Waterpark (Alpamare)	In progress

Other work completed in 2023/24

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Follow up of agreed management actions
- Grant certification work:
 - ▲ Local Enterprise Partnership (LEP) growth hub
 - ▲ Local transport grant
 - ▲ Bus subsidy operators grant
 - ▲ Sustainable warmth
 - ▲ Supporting Families Programme
 - ▲ Pooling of housing capital receipts
 - ▲ Bus recovery fund
- Consultation on grant schemes including UK shared prosperity fund, local electric vehicle infra-structure capital fund & weekly food waste collections
- Direct support to the NYC finance function
- Completing financial appraisals
- Targeted assurance work including
 - ▲ Museums financial procedures, specific social care cases and capital expenditure schemes
 - ▲ Specific areas raised by council management and/or council officers
 - ▲ A range of areas and questions in respect of maintained schools
- Consultative engagements, including:
 - ▲ Finance improvement board
 - ▲ Task and finish group on high-cost placements
 - ▲ Providing regular support and advice in respect of financial systems, schools and other matters
- Additional assurance gathering to inform our opinion
 - ▲ Updating our knowledge on the control and risk management arrangements of the council within the 11 key areas for our annual opinion. Targeted reviews covering areas such as performance and property asset management.
 - ▲ Reviewing key council documents and also relevant information on internal control and governance matters including council agendas.

Annex B: Summary of key issues from audits finalised since the last report to the committee

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Creditors	Limited Assurance	<p>The audit reviewed the controls in place to ensure:</p> <ul style="list-style-type: none"> The PO process is followed, with purchase orders and invoices receiving appropriate authorisations and suitable records being kept There are suitable procedures in place for setting up new suppliers and amending supplier details and these are followed correctly Duplicate invoices are identified, investigated and payment prevented 	March 2024	<p>Some purchase order forms and logs were incomplete or inaccurate across the council. Authoriser's signatures and names had not been recorded. Purchase order forms were also not being retained. These issues increase the risks of inappropriate and unauthorised expenditure.</p> <p>There was a lack of clarity about schemes of delegation to approve orders because of staff changes following LGR.</p> <p>Supplier set up and amendment forms had not been properly and fully completed across the former districts and boroughs. Guidance about these processes was either lacking or inconsistent.</p> <p>Goods received and delivery notes were not always being kept with some officers unclear about whether they should be retained or not.</p> <p>A suitable process was in place to check invoices to identify duplicate payments with the system. Processes are in place for recovering any duplicates paid.</p>	<p>7x Priority 2 & 1x Priority 3 actions were agreed.</p> <p>Responsible officer(s): Business Support Manager; Central Finance Manager</p> <p>The Central Finance team confirmed that the P2P system will be going live in June. This will replace all manual processes that were in place at the previous district/borough councils. The "no PO no pay" process will be enforced. All communication to staff will be delivered within June as part of the roll out of the P2P system.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
					All actions should be complete by the end of June.
Healthcare provider	No opinion given	We reviewed the data being provided by a care provider to support the delivery of care.	March 2024	Supporting information was provided to officers to help their wider management of matters in respect of the provider.	No management actions
General Ledger	No opinion given	<p>We reviewed the latest bank reconciliation position (at the time of the fieldwork) to identify the controls the Council had in place to assist the former councils in completing their bank reconciliations.</p> <p>The Council's suspense accounts and holding codes were also reviewed to ensure transactions were effectively being transferred from legacy general ledgers, into Oracle at NYC. We focused on the main suspense accounts that were used for filtering legacy information.</p>	March 2024	<p>We found adequate controls were in place to manage bank reconciliations, suspense accounts, and holding codes. There was effective communication and support between the legacy district teams and the finance function.</p> <p>There have been challenges interfacing legacy systems to the ledger. At the time of the review (in 2023), council tax and NNDR income and refunds were being recorded to a general holding code. These had not been cleared because of discussions about how to record them in the ledger. This arrangement caused difficulty identifying a legacy council's council tax and NNDR income.</p> <p>Legacy district and borough timescales have resulted in inconsistencies with the timeliness of bank reconciliations.</p>	No management actions

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Yorwaste performance management	Substantial Assurance	<p>We reviewed the arrangements in place to ensure:</p> <ul style="list-style-type: none"> • Service and contract objectives were clearly defined to evaluate the success of the contract • Appropriate performance management arrangements were in place, robust and fit for purpose • Risks relating to statutory, and contractual compliance requirements are controlled • Robust, and clearly defined financial management arrangements were in place to enable the Council to adequately monitor the contract under the Teckal agreement 	March 2024	<p>The contract was comprehensive with a number of schedules used to detail the operational requirements of the different services. The council demonstrated a good level of checking and challenge as part of the management of this contract with regular contract monitoring meetings, site inspections and review of the monthly data provided by Yorwaste as specified in the contract.</p> <p>Contract objectives were in line with planned service objectives.</p> <p>Systems and processes monitored compliance in relation to both statutory and non-statutory elements of service delivery as detailed in the service contract.</p> <p>In respect of the financial management arrangements of the contract we found the formula used to calculate the charges is difficult to understand, operate, and manage effectively.</p> <p>We also highlighted some improvements which could be made to future budgeting processes.</p>	<p>2 x Priority 2 actions were agreed.</p> <p>Responsible Officer: Head of Waste (contracts)</p> <p>A review of the payment mechanism will be considered.</p> <p>Information to support the 2025/26 budgeting process will be requested.</p> <p>The deadline for both actions to be completed is 30 November 2024.</p>
Council companies	No opinion given	In 2022, CIPFA published updated guidance for local authorities to consider in	March 2024	Appropriate arrangements are in place to oversee and monitor the council's companies.	No management actions.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		<p>relation to the governance processes for any local authority owned companies.</p> <p>The council has a number of companies and ensuring appropriate arrangements are in place is a key element of the council's internal control framework.</p> <p>The purpose of this review was to ensure arrangements are in place for monitoring the governance of the council's companies.</p>		<p>The results of commercial governance reviews for each of the council's companies are being reported to the Audit and Shareholder Committees.</p> <p>The most recent summary of all companies' compliance checklists identified several areas for improvement including declarations of interests for company directors, contents of business plans, completion of risk registers, implementing changes to SLAs, and the completion of Teckal calculations.</p> <p>Eleven recommendations have been identified from Corporate Governance reviews which officers plan to progress in 2024/25.</p>	
Health and safety	Reasonable Assurance	The audit reviewed the Council's management of health and safety risks.	April 2024	<p>Progress is ongoing with the implementation of the new Council's health and safety arrangements. The Council has implemented a health and safety management system (HSMS) that allows the Health and Safety Team to make incident reports and give officers tools and guidance to monitor, assess and report on health and safety matters.</p> <p>Due to ongoing restructures, many service areas are still operating legacy council arrangements.</p>	<p>2 x Priority 2 actions were agreed.</p> <p>Responsible officer(s):</p> <p>Directors - Corporate, with support from Corporate Health and Safety & Heads of Service</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				<p>Directorate health and safety action plans have been developed; however, service managers are not fully aware of these and what will be required of them.</p> <p>Services are generally reviewing their risk assessments, however, not updating them to the new corporate risk assessment template.</p> <p>Services are not always collating the findings of risk assessments in their risk register. Completed risk registers will help services to manage hazards and controls, develop mitigation plans, and identify training needs.</p>	<p>Directorates will agree and adopt their Health and Safety Action Plans, based on a risk rated approach. This is planned to be completed by 31 July 2024.</p> <p>Departments will ensure that health and safety risk assessments are reviewed for validity and reflect operational arrangements. The deadline for completion is 31 March 2025.</p>
Risk Management	Substantial Assurance	<p>We reviewed the council's arrangements to ensure:</p> <ul style="list-style-type: none"> Risk management processes align to the new risk management policy and procedure. Appropriate governance arrangements were in place to oversee risk management. 	April 2024	<p>A corporate risk management policy and procedures was developed and approved prior to local government reorganisation (LGR). However, the policy has not been reviewed since then.</p> <p>Governance arrangements were found to be in place to oversee risk management. However, the corporate risk management group has not met since 1 April 2023.</p>	<p>3x Priority 3 actions were agreed.</p> <p>Responsible officer(s):</p> <p>Head of Insurance and Risk Management</p> <p>Policy updates are to be agreed and incorporated into a revised policy and procedures.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		<ul style="list-style-type: none"> Risk registers are in place and reviewed consistently to identify, measure, and assess risks. Actions to mitigate risks are clearly assigned to responsible officers and progress is monitored. 			The Corporate Risk Management and Resilience Group (CRM RG) has since met on 12 April 2024, and the Central Services group is being reformed following significant changes to membership. This will be completed by 31 July 2024.
Childrens direct payments	Reasonable Assurance	<p>The audit reviewed the Council's arrangements to ensure:</p> <ul style="list-style-type: none"> Policies and procedures are in place to underpin the Council's direct payment process, and these are followed correctly Payments are correctly calculated, authorised appropriately and made in a timely manner Checks are undertaken to ensure excessive surplus balances are not accumulated in individual 	April 2024	<p>There is a clear procedure in place to support the direct payment process, and officers involved in managing and coordinating direct payments have access to a range of guidance including training webinars, policies, and template forms. The procedures in place are generally followed consistently by social workers and direct payments' advisors.</p> <p>Direct payment agreements were in place for all cases sampled.</p> <p>Actions in the direct payment set up procedure do not always occur within the desired timeframes.</p> <p>There is a significant amount of funding held in surplus balances. Recovery and /</p>	<p>3x Priority 2 actions and 1 Priority 3 action were agreed.</p> <p>Responsible officer(s): Direct Payments Support Service Manager</p> <p>Work is underway to recruit and train new Direct Payment Advisors (DPAs).</p> <p>The team has recently completed a project to build a more reliable DP database, to streamline processes</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		direct payment accounts and payments are claimed and used appropriately.		or alternative intervention is not taking place consistently	and support better data collection and monitoring. The Direct Payments Support Service Manager and Head of Disabled Children and Young People's Service will meet twice a year to review surplus balances and agree actions to be taken. All actions should be completed by 31 October 2024.
Income	Substantial Assurance	The audit reviewed the controls in place to ensure: <ul style="list-style-type: none"> All income due to the council is being posted to the Oracle financial system promptly and accurately The source of any unidentified and unallocated income is identified and posted correctly to the Oracle financial system in a timely manner. 	May 2024	Training and process notes were provided to the legacy council teams. The process notes do not state how often income should be posted to the financial system, however it is normal practice for income to be uploaded daily. All the legacy council teams were posting income to Oracle daily, apart from Craven who were posting income weekly. All the legacy teams were reconciling their IMS postings to Oracle on a monthly basis (Selby and Richmondshire were doing this daily). All the areas were producing their	No management actions

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				own version of reconciliations, and copies of these were being provided to the central finance function.	
Housing stock conditions survey	Limited Assurance	<p>New benchmark standards have been set by the Regulator of Social Housing (RSH), that all social landlords must now follow.</p> <p>The purpose of this audit was to:</p> <ul style="list-style-type: none"> Ensure the collation of information and the identification of scheduled maintenance works is effective. Ensure the condition of the Council's housing stock, including all repairs and maintenance works carried out on the properties meet the relevant standards. 	May 2024	<p>Both the Richmondshire and Harrogate areas have continued to use their own systems to monitor the age and condition of housing components.</p> <p>The quality of data available does not provide assurance that the Council can accurately monitor the condition of its housing stock:</p> <p>There are no recent surveys of the full housing stock. We were given verbal assurance that individual properties are surveyed when they become void.</p> <p>There is missing and inaccurate data which could result in components exceeding their lifespan. We could not confirm how the condition status', entered on to the systems, had been verified.</p> <p>Inspection reports relating to mould and damp complaints were not made available at the time of the audit.</p> <p>Response times for repairs and maintenance work were going beyond the respective target completion dates.</p>	<p>6x Priority 2 actions were agreed</p> <p>Responsible officer(s):</p> <p>Head of Homes and Places</p> <p>The council has self-referred itself to the RSH.</p> <p>There has been progress on operational processes. An improvement plan has been developed. A new single cloud-based asset management has been procured and is awaiting approval for implementation.</p> <p>As part of a service restructure, a new team of surveyors has been created to implement the rolling</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				Policy and procedure documents were not provided on request. The Council's responsibilities and practices were available online; however, the intended audience this information are the tenants.	programme of stock condition surveys. All actions should be completed by 30 September 2024.
Staff declarations of interest	Substantial Assurance	<p>New processes were introduced for officer declarations of interests in 2023.</p> <p>The audit reviewed the council arrangements to ensure:</p> <ul style="list-style-type: none"> • Relevant guidance and communications on declaring interests is provided to officers. • An appropriate register of officers' interests has been established and maintained. • Officers are declaring their interests when starting their role. 	May 2024	<p>Guidance and documents have been made available to relevant officers. New starters are advised of the declaration process. However, the guidance needs to be added to the new starters process.</p> <p>MyView has been used to manage officer's declarations of interests since October 2023. Development of the new process is ongoing and, at the time of the audit, has only been rolled out for budget managers. Consideration is being given to the further roll out to other officers.</p> <p>The declaration form covers the expected areas to ensure both the employee and the council are protected.</p> <p>There are currently no notifications to inform line managers that an officer has submitted a declaration form on MyView. Instead, the process relies heavily on officers informing their managers.</p> <p>Since the new process was implementation in October 2023, about two-thirds of the</p>	<p>1x Priority 3 action was agreed</p> <p>Responsible Officer(s): Head of Democratic Services and Scrutiny</p> <p>Discussions are to be held with IT and HR services to agree the implementation of the MyView register of interest form into the new starter process as well as the appraisal process through the IPM system.</p> <p>All actions should be completed by 31 August 2024.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				relevant officers have submitted their declaration forms. Reminder emails are being sent out to officers who have not made a submission, although the frequency at which reminders should be sent is still under consideration.	
Sundry debtors	Substantial Assurance	<p>The audit examined whether the following procedures were operating effectively:</p> <ul style="list-style-type: none"> The prompt and correct identification and raising of invoices Debt management and write off procedures. <p>This audit focused on the operations of the former district and borough council teams after LGR.</p>	May 2024	<p>A corporate Debt Recovery Policy was adopted by the council on 1 April 2023. However, the policy does not appear to have been well communicated, understood by officers, and used consistently by the legacy council teams.</p> <p>Invoices were generally being raised in a timely manner. Reasonable explanations were given where we identified variances in the amount of debt raised between June and July 2023 and the same period in 2022.</p> <p>There appropriate monitoring of debt and recovery action being taken, although we noted that in Craven, recovery actions are not recorded on the system. We also saw appropriate processes for monitoring accounts that are on hold, with the reasons being recorded.</p> <p>Debt write offs are being authorised within delegated authority. However, there was an inconsistent frequency of write offs</p>	<p>3x Priority 3 actions were agreed.</p> <p>Responsible Officer(s): Head of Finance – Corporate and Technical</p> <p>From 1 April 2024, all legacy debts have now been migrated and all new debtors' invoices are being raised through Oracle enabling the processes to be aligned with the NYC policy. Formal review of the policy has been proposed to take place at least every 3 years.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				across the areas. The corporate Debt Recovery Policy is not clear on how frequently write offs should be carried out to ensure a consistent approach is being taken.	Debt recovery procedures are to be updated to include guidance on quarterly write-offs and annual reviews of overall aged debts. All actions should be completed by the 30 September 2024.
Treasury Management	Substantial Assurance	<p>The audit examined whether:</p> <ul style="list-style-type: none"> A treasury management strategy is in place which complies with the requirements of the CIPFA Prudential Code and Treasury Management Code of Practice Investments and loans are made in accordance with the treasury management strategy, appropriately authorised and documented Cashflow, loans, and investments are accurately accounted for 	June 2024	<p>The Council has a treasury management strategy that complies with the CIPFA codes. Members are provided with quarterly performance updates on treasury management activity.</p> <p>Members have been offered training to ensure that they have the relevant skills and knowledge to monitor and scrutinise treasury management activity effectively.</p> <p>Treasury management activity is consistent with the strategy. There are sufficient controls in place to ensure the Council do not exceed approved limits on investments.</p> <p>Cashflow is being accurately recorded and monitored. Debt reprofiling is kept under review but not currently being considered.</p>	No management actions

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		<ul style="list-style-type: none"> Prudential indicators are accurately calculated and monitored. 		Calculations for prudential indicators were appropriate and correct. A comparison of the working papers to the quarter update reports confirmed that the prudential indicators are accurately reported to members.	
Transparency Code	No opinion given	<p>The purpose of the audit was to provide assurance that:</p> <ul style="list-style-type: none"> The data requirements specified by the Local Government Transparency Code are being complied with, and the data is published in an accessible format as per the required timeframes. Effective governance arrangements are in place, including defined roles and responsibilities for ensuring continued compliance with the Code The Council has processes in place to identify and appropriately publish legacy data in line with the Transparency Code, and that arrangements are in 	June 2024	<p>The Council has published the quarterly expenditure data, and quarterly contract register information in a timely manner. However, not all contracts listed included complete data for all the given categories.</p> <p>The Council's land and asset register on Concerto does not include all required data, particularly for building tenure and location. Additionally, the tenure data that is available is not viewable in a machine-readable format, unlike the other required categories of property data.</p> <p>Some areas of annual data for 2023/24 have not yet been published or had their publication date confirmed. While almost all areas of annual publication are timetabled internally, the date and method of publication for grant data has not yet been determined because there is no central register of grants.</p> <p>Data of continued public interest from former councils is not complete up until</p>	<p>3x Priority 3 & 3x priority 2 actions were agreed.</p> <p>Responsible Officer(s):</p> <p>Senior Data Governance Officer; Head of Finance – Corporate and Technical</p> <p>Data Governance will continue to liaise with the VAT team to determine how the amount of VAT that cannot be recovered is recorded, and how this will be published in the future.</p> <p>Procurement have confirmed that all fields</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		place for future NYC-wide publication.		<p>the financial year 2022/23, most importantly for expenditure data.</p> <p>The transparency terms of reference, setting out responsibility for compliance with the Transparency Code and the procedure for publication, has not been updated to reflect the current requirements of NYC. This includes documenting the procedures for preventing potential data breaches.</p>	<p>required by the Transparency Code are now mandatory in the e-tendering system.</p> <p>The Property Data Manager will work with Concerto to ensure the tenure field can be exported to Excel. Data Governance will confirm with the Property Data Manager that this has been completed and the publication format is thus made compliant.</p> <p>Data Governance will liaise with Finance to consider how grant data may best be collated on an ongoing basis, for example through a central register of grants or through identifying grants within expenditure data. Data Governance will review the record of completion for 2022/23 legacy data and review</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
					<p>which areas should be updated. In particular, the team will liaise with Finance to determine whether the district and borough expenditure data for 2022/23 is able to be published in full.</p> <p>Data Governance will update the existing transparency terms of reference to reflect the data categories required of NYC and the current publication procedure. The existing publication timetable will be updated to reflect the responsible officer roles, deadlines and data categories.</p> <p>All actions should be completed by 30 September 2024.</p>

Annex C: Audit opinions and priorities for action

Audit opinions

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.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
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.

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.

Annex D: Internal Audit - Quality Assurance and Improvement Programme 2024

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance meetings
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using our audit management system (previously Sword Audit Manager but now replaced by K10 Vision)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, completed audit work is subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for

example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit and other members of the Internal Audit management team also participate in various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey 2024

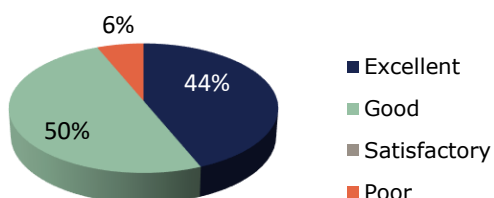
In March 2024 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 163 surveys (2023 – 176) were issued to senior managers in client organisations. A total of 17 responses were received representing a response

³ As defined by the relevant audit charter.

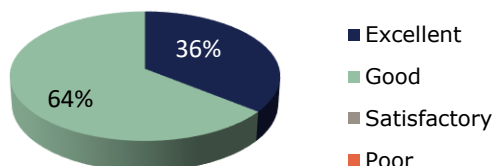
rate of 10.4% (2023 – 10.8%). Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 6%).

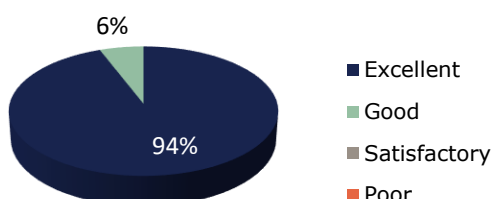
Quality of audit planning / coverage



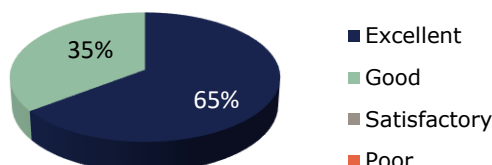
Provision of advice / guidance



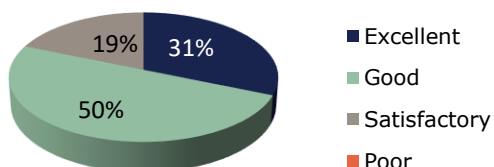
Staff conduct and professionalism



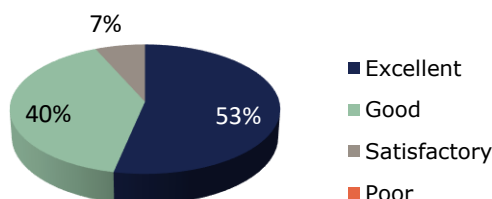
Ability to establish positive rapport



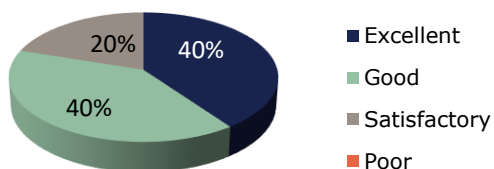
Knowledge of area being audited



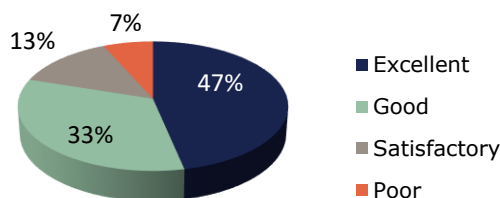
Minimising disruption for area being audited



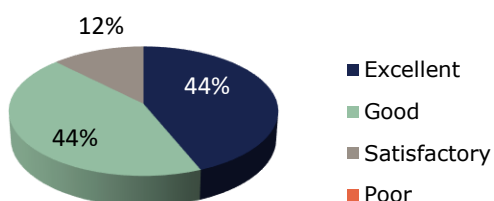
Communication of issues during audit



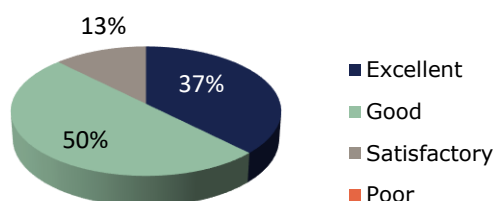
Quality of feedback at end of audit



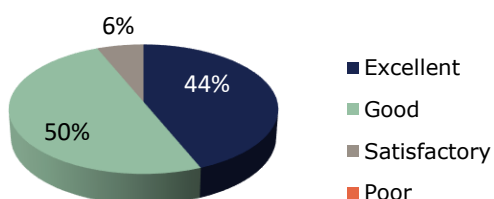
Accuracy / format / length / style of report



Relevance of audit opinions / conclusions



Overall rating for the Internal Audit service



The overall ratings in 2024 were:

	2024		2023	
Excellent	7	44%	13	69%
Good	8	50%	5	26%
Satisfactory	1	6%	1	5%
Poor	0	0%	0	0%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2024

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist is reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action. The following table shows the areas of non-compliance, which remain unchanged from last year.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements may be commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	The development of assurance mapping and the use of other sources of assurance has been included as an action in the refreshed internal audit strategy (see below). Our approach will be informed by further guidance from CIPFA and the LGA which is expected in 2024. Any use of the methodology will also be dependent on securing client engagement in the assurance

Conformance with Standard	Current Position
	mapping process.
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	Historic targets used as performance measures do not provide meaningful information about the value of audit work delivered. The development of new and effective measurement tools is being done as part of the implementation of the refreshed internal audit strategy (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS⁴ and, overall, the findings of the review were very positive. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

The report concluded that Veritau 'generally conforms' to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response
The Chief Audit Executive (CAE) should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the	Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to.

⁴ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

Recommendation	Response
effectiveness of assurance provided to key stakeholders.	

A copy the external assessment report was reported to this committee on 23 October 2023

5.0 Improvement Action Plan

Overall, the internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that there is a need to continually review and update aspects of the service to ensure it stays up to date and continues to deliver good value.

We refreshed our internal audit strategy during 2023/24. The updated strategy identifies the working practices we will prioritise for development over the next three years, to ensure we:

- ▲ understand our clients' organisation, the environment they operate in and emerging pressures. We need to plan work flexibly to meet changing needs and target areas that are most important for our clients and where we can add the most value.
- ▲ focus on providing support at the right time. Retrospective audits providing commentary after the fact have limited benefit in a fast-changing environment. We should anticipate change, provide advice in advance, and focus on providing ongoing assurance in real time.
- ▲ maximise the benefit of audit work through the use of technology. For example, using data to analyse whole populations or detect emerging issues; develop better information for clients to help them understand and act on outcomes from audit work; and understand and make use of emerging technologies such as artificial intelligence to improve our efficiency.

To achieve these objectives, we will focus on the following key areas:

- ▲ embedding a strategic approach to work programme development and the use of the audit opinion framework
- ▲ Redesigning and modernising our audit working practices (including assignment planning and reporting)
- ▲ further developing our use of data analytics
- ▲ developing our key performance indicators and the measures of added value

Detailed action plans have been prepared to support each area of focus, and a number of these actions have already been completed. For example, our standard audit committee reports have been redesigned, a pilot exercise to test the use of agile audit techniques has been completed and new performance

dashboards have been created (for use by auditors, managers and clients). Progress is being tracked each month. The next areas to focus on include taking steps to reduce elapsed time (the time between an audit starting and the final report being agreed) and providing clients with an interface to allow them to update agreed actions themselves.

In addition, we have replaced our existing audit management system with a new system called K10 Vision. The new system has been developed using the latest technology and offers improved functionality for both users and clients.

6.0 Overall Conformance with PSIAS ***(Opinion of the Head of Internal Audit)***

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.