

# NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

26 JUNE 2021

### 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 during the year ended 31 May 2021 for the Central Services 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 (delivered by the council's shared service provider, 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 DURING THE YEAR TO 31 MAY 2021

- 3.1 Details of the final reports issued during the year for the directorate and the outcomes of these audits are provided in **Appendix 1**. The Covid-19 pandemic has caused some delays in audit work. A number of other audits are therefore currently at draft report stage or fieldwork is 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;
  - 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 consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Central Services Directorate is both adequate and effective.

MAX THOMAS  
Head of Internal Audit

Veritau  
County Hall  
Northallerton

10 June 2021

#### **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 YEAR ENDED 31 MAY 2021

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Purchasing Cards and VAT (2019/20)	Reasonable Assurance	The audit reviewed compliance with NYCC policy on the use of purchase cards. Usage was reviewed to ensure cards are not used to avoid normal purchasing procedures, and checks were carried out to ensure payments are reconciled and valid VAT receipts/invoices were available.	July 2020	<p>VAT invoices/receipts were not available for all purchases and in one instance VAT had been deducted when the purchase was zero VAT.</p> <p>In more than half the cases tested, the card logs had not been submitted by the cardholder's manager to evidence independent verification of expenditure and reconciliation.</p> <p>Card logs also lacked detailed descriptions for individual transactions.</p>	<p><b>Two P2 actions and two P3 actions were agreed</b></p> <p><b>Responsible Officer</b> Senior Accountant – Statutory Accounts, Strategic Resources</p> <p>A VAT Training course has been written and is being rolled out to staff.</p> <p>The Senior Accountant will send Barclaycard guidance to staff. A new agreement has been developed in Exchequer to be sent to all card holders. When returns are not sent to Exchequer from Budget Managers an email will be sent requesting authorisation and the card will be suspended if this is not actioned. A new platform will be introduced which has the functionality to control and suspend cards.</p>

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
					Exchequer will download statements retrospectively and will challenge inappropriate expenditure.	
B	Debtors (2019/20)	Reasonable Assurance	The audit reviewed the processes in place to ensure the timely and accurate raising of invoices, appropriate authorisation of credit memos and debit notes, and the prompt recovery of outstanding debt and write offs.	September 2020	<p>The debt management system is reliant on a number of manual process and therefore includes elements of duplication and inefficiency. The additional workload that this creates then impacts on the ability to undertake prompt recovery action and review.</p> <p>Some debts had been significantly delayed and recovery action was not being taken promptly.</p> <p>VAT rates were not being robustly checked and VAT types were not being accurately stated on invoices.</p> <p>Invoice request forms were being turned around within the 5 working day timescale. However, there were some minor inaccuracies regarding</p>	<p><b>One P2 action and three P3 actions were agreed.</b></p> <p><b>Responsible Officer</b> Credit Control Manager and Senior Accountant – Statutory Accounts, Strategic Resources (CSD).</p> <p>Plans are in place to explore ways to automate and streamline the debt management process as currently there is no automation in Oracle for reminders.</p> <p>The 'Raising an AR Invoice' page will be linked to the invoice request forms where staff can access the VAT Guide A random sample will be tested and built into checks finance staff undertake.</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>supplier addresses and company names.</p> <p>No issues were found with credit memos, debit notes or write offs although we were unable to see some hard copy information due to Covid-19.</p>	<p>Credit Control did not previously receive updates from the Legal Department regarding delayed cases, however this has now been resolved</p>

### Audit Opinions and Priorities for Actions

<b>Audit Opinions</b>	
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.

<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.