

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 OCTOBER 2021

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 year ended 30 September 2021 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 Business and Environmental Services (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 YEAR ENDED 30 SEPTEMBER 2021

- 3.1 Details of the work undertaken 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 over the last year. 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;
- Providing ad-hoc advice on various control issues
 - Auditing and certifying a number of grant returns such as the Local Transport Plan, the Local Enterprise Partnership (LEP) Growth Hub, Local Authority Bus Subsidy Grant, Transforming Cities Fund and Covid-19 related support such as the Bus Service Support Grant and the Travel Demand Management Grant. For each 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 highways maintenance, planning and waste services
 - Specific 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 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 Business and Environment Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

6 October 2021

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau.

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

AUDIT REPORTS ISSUED IN THE YEAR ENDED 30 SEPTEMBER 2021

| | System/ Area | Audit Opinion | Areas Reviewed | Date Finalised | Comments | Action Taken |
|---|-------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | Trading Standards | Substantial Assurance | <p>Trading Standards uses a 'Filter & Matrix' system to assess, record and action all service requests and complaints received. The service also hosts:</p> <ul style="list-style-type: none"> • NYtech which provides digital forensics' services across the UK • the National E-Crime unit, under an agreement with National Trading Standards. <p>The audit reviewed whether:</p> | November 2020 | <p>The 'Filter and Matrix' system was being used effectively and had supported decision making on the responses to consumer advice cases.</p> <p>All the cases we reviewed were recorded correctly with sufficient information entered on the case management system. The cases had also been appropriately discussed, reviewed, and re-scored, where necessary.</p> <p>Appropriate governance and financial monitoring was in place for NYtech. All staff members of the National E-Crime unit had been appropriately vetted. All mandatory corporate training and technical CPD training had also been completed appropriately and was up to date.</p> <p>Expenditure on goods and services below £25k was not always following NYCC procedures (including the need to complete a best value form) or ISO17025 (that all purchases should</p> | <p>2 P3 actions were agreed.</p> <p>Responsible Officer: National E-Crime Co-ordinator</p> <p>A procurement plan developed for the E-Crime lab, consistent with NYCC and ISO 17025 policies is to be produced. Appropriate records of all procurements retained to evidence best value.</p> <p>An E-Crime training plan, establishing role specific training requirements will be put in place for all NYCC contracted staff within the team.</p> |

| System/ Area | Audit Opinion | Areas Reviewed | Date Finalised | Comments | Action Taken |
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| | | <ul style="list-style-type: none"> The Filter & Matrix system was being used effectively The performance of NYtech was being regularly monitored The E-Crime unit performed key processes in line with the council's procedures. | | <p>only be made from suppliers on an Approved Suppliers List).</p> <p>Whilst members of the E-crime team had training plans for each individual, both NYCC and ISO17025 require training plans to be role based.</p> | |
| B | Fleet Management | Substantial Assurance | <p>The audit reviewed the systems and processes operating within the fleet management service to determine whether:</p> <ul style="list-style-type: none"> The processes for procurement and leasing are operating effectively | <p>The Council has a framework for purchasing and leasing vehicles which the Procurement Assurance Board, and the Assistant Director (IPT) have reviewed and approved. Other appropriate supporting processes and documentation are also in place.</p> <p>All long-term and short term hire arrangements reviewed had been made in line with the framework agreement. However, the Fleet Management procedure notes for procurement do not clearly outline authorisation</p> | <p>1 P3 action was agreed.</p> <p>Responsible Officer: Assistant Director – BES</p> <p>A form has recently been designed which outlines the required authorisation for orders. The form will be used for all future orders.</p> |

| System/ Area | Audit Opinion | Areas Reviewed | Date Finalised | Comments | Action Taken |
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| | | <ul style="list-style-type: none"> • All vehicles are subject to appropriate servicing and maintenance, and systems enable adequate management of this function • All expenditure is appropriately authorised and accurate payments are made, including the use of fuel cards | | <p>requirements from the service area requesting the vehicle.</p> <p>The Council currently uses a spreadsheet for documenting MOT and servicing information which is time consuming and resource intensive to maintain. The Council is in the process of procuring a new fleet management system which should remove the need to use spreadsheets and enable processes to be automated.</p> <p>Council records at the time of the audit showed all required MOT's and services had been completed.</p> <p>The process in place for the payment of invoices, orders and allocating and managing fuel cards was operating as expected.</p> | |
| C | Highways Opening Balances | No opinion given | On 1 June 2021 North Yorkshire Highways (a Council owned Teckal company) became responsible for maintaining the road | <p>Officers agreed schedules and prices of all assets in advance of the transfer.</p> <p>On the morning of 1 June 2021, we visited three Highways sites and reviewed and compared the assets 'on-site' with those included on the previously agreed schedules. In the</p> | All identified discrepancies followed up as necessary. No further action required. |

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| | | <p>network in North Yorkshire.</p> <p>Council officers worked closely with the previous contractor (Ringway) to help identify and agree those assets which transferred to the new organisation.</p> <p>Veritau worked closely with officers, and external audit to plan site visits to provide management and external audit with sufficient assurance over the existence of those assets being transferred.</p> | | <p>majority of instances we confirmed the existence of the assets on the lists provided. There were a small number of minor differences, details of which were provided to NY Highways and NYCC to investigate further.</p> | | |
| D | Countryside Services – follow up | No opinion given | Following an audit in 2019/20 a number of areas were identified as requiring | October 2021 | We found that good progress has been made in addressing the weaknesses identified in the 2019/20 audit report. | Further audit follow up work will be undertaken to confirm the remaining issues have been addressed. |

| System/ Area | Audit Opinion | Areas Reviewed | Date Finalised | Comments | Action Taken |
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| | | improvement in the management and operation of the service. The final report was issued in June 2020. This audit reviewed the progress made by management to implement the agreed actions from the previous audit report. | | <p>A new Principal Definitive Map Officer was appointed in December 2020, training objectives have been developed, changes have been made to the allocation of work and a new case management system has been implemented. The team also now review the risk register every six months, and the results are shared with the wider Countryside Access Services Team. Service planning and performance management have also improved.</p> <p>Whilst good progress has been made by the Service there are still a number of areas where further work is required. An increase in the number of applications for Definitive Map Modification Orders (DMMOs) and the impact of Covid-19 has also resulted in a backlog of case work. Performance remains below target and additional resources have therefore been allocated to the Service to help address the issue.</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. |