

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	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	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	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.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

Priority

1 (High)

Long Definition

Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.

These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.

Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.

Short Definition – for use in Audit Reports

A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

Priority

Long Definition

Short Definition – for use in Audit Reports

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

Draft Reports Issued

Seventeen internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows.

Opinion	Number	Reports
High Assurance	2	Gas Servicing; High Needs SEN.
Substantial Assurance	5	Canon Lee Secondary School; Data Quality; Housing Rents; Members' Allowances; Implementation of Schools Financial System.
Reasonable Assurance	3	Access to Key IT Systems; Schools' Information Governance Arrangements; Schools' Procurement Arrangements.
Limited Assurance	5	Direct Payments; Overtime; Sub-Contracting Arrangements (Civil Engineering and Building Maintenance); Officers' Registers of Interests; Use of Interims, Specialists and Consultants.
No Assurance	0	
Not given (non assurance work)	2	Partnership Arrangements; PCI DSS Compliance.

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in April 2016. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Opinion	Number of Agreed Actions			Work done / significant weaknesses / issues identified
		P1	P2	P3	
Bishopthorpe Infant School	High Assurance	0	0	3	A routine audit of financial, operational and governance procedures at the school. Systems were working well.
Carr Junior School	High Assurance	0	0	1	A routine audit of financial, operational and governance procedures at the school. Systems were working well.
Cashiers and Income Management	High Assurance	0	0	0	An audit of procedures for ensuring that council income is accurately processed, banked and accounted for. The controls in place were operating effectively. Banking arrangements were working well, income is reconciled, and record keeping is of a good standard.
Lord Deramore's Primary School	High Assurance	0	0	1	A routine audit of financial, operational and governance procedures at the school. Systems were working well.

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Naburn Primary School	High Assurance	0	0	0	A routine audit of financial, operational and governance procedures at the school. Systems were working well.
St Mary's CE Primary School	High Assurance	0	0	1	A routine audit of financial, operational and governance procedures at the school. Systems were working well.
Treasury Management and Prudential Code	High Assurance	0	0	0	A health check audit testing key controls for ensuring that the council's cash balances are well managed. Appropriate policies are in place, in line with the requirements of the Prudential Code. Decisions about loans and investments were in line with the policy, and were authorised correctly. Systems are in place to ensure transactions are correctly accounted for.
Budget Savings	Substantial Assurance	0	0	1	A review of agreed budget savings to assess whether the values and timescales for achieving savings are realistic and action plans are in place to deliver them.

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					<p>It also examined the reporting of progress against them and the identification of risks that might prevent them being achieved.</p> <p>The audit looked at the following savings.</p> <ul style="list-style-type: none"> • Transforming Young People’s Services - Further Stretch • Street Lighting Efficiencies • Highways Maintenance • Place Based Services • Transactional Efficiencies across Finance • Adult Care <p>Overall, it was found that savings were well organised and planned. Savings estimates were reasonable, and timescales were achievable (all of the savings reviewed had been achieved within the 2015/16 financial year). Key targets had been identified beforehand and were adhered to. Service managers were supported</p>

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					<p>by monthly budget monitoring meetings with Finance.</p> <p>The action relates to the need to report to members where there are significant changes to the way that agreed savings are to be achieved.</p>
Joseph Rowntree Secondary School	Substantial Assurance	0	0	7	<p>A health check audit looking at implementation of actions agreed during the last audit and a review of significant changes in finance, governance and operational systems. A number of actions were agreed to improve procedures. None of the issues represented a significant weakness in control.</p>
Main Accounting System	Substantial Assurance	0	0	2	<p>An audit of the arrangements for ensuring that financial activity is correctly accounted for in the general ledger.</p> <p>Overall, controls were found to be operating effectively. For example control accounts were being monitored and reconciled, journals were</p>

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					<p>entered and authorised appropriately, suspense accounts are monitored and cleared and user access is appropriately restricted.</p> <p>The findings relate to the need to improve clarity in recording budget adjustments and virements; and to minimise the value of income coded to miscellaneous accounting codes, to improve accuracy and consistency.</p>
Woodthorpe Primary School	Substantial Assurance	0	0	3	A routine audit of financial, operational and governance procedures at the school. Systems were generally working well.
York Financial Assistance Scheme	Substantial Assurance	0	1	3	<p>An audit of the arrangements for assessing applications under the York Financial Assistance Scheme.</p> <p>Procedures for managing the scheme were working well. Guidance documents were available on the internet, and contained all the necessary details to help applicants. The</p>

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					<p>process for making applications was reasonable, although evidence was not always kept to support decisions to approve or reject applications. The security procedures for storing unused vouchers relating to the YFAS scheme were generally sound.</p> <p>Improvements were necessary in a small number of areas. In particular, there is a need to introduce spot checks for lower level payments where assessors can both create and authorise payments.</p>
Car Parking	Reasonable Assurance	0	2	0	<p>An audit of arrangements for ensuring that income from car parking and penalty charge notices (PCNs) is correctly banked and accounted for and that the write off of uncollectable charges is appropriately authorised.</p> <p>The audit found weaknesses in the reconciliation of PCN income between the</p>

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					parking system and general ledger; and in the authorisation of write off of unrecoverable PCN income.
Section 106 Agreements	Reasonable Assurance	0	4	0	<p>An audit of the process for drawing up agreements in relation to Section 106 of the Town and Country Planning Act 1990. This included the maintenance of accurate records and the controls for ensuring contributions are spent on the agreed purposes.</p> <p>The audit examined final legal agreements drawn up by the council to ensure they reflected the contributions agreed as part of the planning decision. No significant errors were identified.</p> <p>However, the audit found that there is not a central register of all Section 106 agreements entered into by the council and there is also no framework to ensure agreements are monitored.</p> <p>A further audit is planned in quarter 4 of</p>

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					2016/17.
Project Management	Limited Assurance	0	3	1	<p>The review looked at arrangements to ensure that the council's chosen project management methodologies are embedded and applied across the council. The audit did not examine specific projects in detail.</p> <p>The work identified a number of areas where attention was required including identifying responsibility for oversight of project management across the council and the maintenance of the corporate toolkit.</p> <p>In addition the toolkit risk register template did not reflect the council's risk management guidance (October 2015) and there was no complete central register of projects.</p> <p>No guidance or standards were available, to promote consistency in the information about projects recorded in VERTO (the council's</p>

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					<p>corporate project management system).</p> <p>The audit was undertaken over an extended period (July 2015 to January 2016). It was noted that issues were being addressed during the course of the work and all of the areas noted have now either been addressed or actions are in the process of being agreed.</p>
Section 117 of the Mental Health Act	Limited Assurance	1	1	0	<p>The audit examined the processes in place at the council and the NHS Partnership Commissioning Unit. This was a joint audit undertaken with auditors from the NHS. Separate reports were prepared, reflecting the issues for the different organisations.</p> <p>The audit reviewed arrangements for:</p> <ul style="list-style-type: none"> • confirming eligibility for s117 aftercare, review, and discharge • agreement / allocation of health and social care funding • effective utilisation of existing commissioned

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					<p>services</p> <ul style="list-style-type: none"> • monitoring the use of services outside existing contracts, to inform future commissioning decisions • handling complaints. <p>Two significant issues were identified:</p> <ul style="list-style-type: none"> • There were no procedures for reviewing eligibility for s117 aftercare. • S117 arrangements are operated as part of wider social care responsibilities and there was insufficient clarity on policy, or documentation of arrangements, relating specifically to s117.

Other non-opinion audit work completed

Area of work	Work done / significant weaknesses / issues identified
Internal audit support to the project to implement the new children's social care IT system (Mosaic).	Ongoing internal audit involvement and advice during the implementation of the new IT system. This included a review of project documentation and advice on data migration and user acceptance testing.
Contract Management of New Service Delivery Models - Follow Up.	<p>In February 2015 Veritau issued an internal audit report on the contract management arrangements for new service delivery models (for example, Be Independent, Explore and Make It York). This work followed up outstanding issues from the initial audit, and reviewed progress in implementing agreed actions.</p> <p>It was found that progress was being made against each of the actions agreed during the original audit and a number had been completed. Those in progress or outstanding will be followed-up when they are due in 2016/17.</p>