

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****7 MARCH 2013****DRAFT INTERNAL AUDIT PLAN FOR 2013/14****Report of the Head of Internal Audit****1.0 PURPOSE OF THE REPORT**

- 1.1 To present Members with the draft programme of audit work to be delivered by Veritau Limited, on behalf of the County Council, in the financial year 2013/14.

2.0 BACKGROUND

- 2.1 Since 1 April 2009, Veritau Limited, a company jointly owned by North Yorkshire County Council and the City of York Council, has provided the County Council with internal audit, counter fraud and information governance services.
- 2.2 In accordance with proper practice¹, internal audit plans are prepared on the basis of a risk assessment. This is intended to ensure that limited audit resources are prioritised towards those systems and areas which are considered to be the most risky and/or which contribute the most to the achievement of the County Council's corporate priorities and objectives. Consultation with members and with senior council officers is an essential part of the risk assessment process, to ensure that their views on the risks facing the organisation are taken into account. As in previous years, the draft audit plan is therefore being presented to the Audit Committee for consideration and comment. The final plan will be presented the Committee for approval at the meeting scheduled for April 2013.

3.0 AUDIT PLAN 2013/14

- 3.1 The draft Internal Audit Plan for 2013/14 is attached at **Appendix 1**. The Plan details the proposed audits and number of days within each

¹ Proper practice is currently set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK. From April 2013, this will be replaced by the Public Sector Internal Audit Standards and specific guidance on these standards for local government, to be issued by CIPFA. The requirement for engagement with senior managers and members in the audit planning process will remain the same.

directorate, specialist area and outside body. The Plan has been based on a risk assessment process and prepared in accordance with Veritau's Audit Strategy, which was approved by Members in April 2010. The basis for the assessment of risk may be the County Council's corporate and directorate risk registers, a separate audit risk assessment or a combination of both. Risk assessments are kept under review but formally updated at the end of each year, to take into account the results of audit work performed and changes in County Council services and systems.

3.2 The draft Plan is intended to reflect the financial and other pressures now faced by the Council. In particular the Plan includes:

- A specific allocation of time to carry out value for money work on the operations of the Council, including benchmarking performance and financial information against similar organisations;
- pro-active audit work covering external social care providers. This is in response to a number of management and control issues identified in this area in recent years;
- a number of post implementation reviews of key systems to ensure that they have achieved the benefits identified in the original business case; and
- an increase in time allocated to Information Governance compliance checks in order to provide assurance that the Council is not unnecessarily exposed to risks in this area.

3.3 Members should also note that the proposed Plan for 2013/14 is 290 days less than for 2012/13. This reflects the fact that the number of finance trainees seconded to Veritau as part of their training has been reduced (as part of the County Council's savings programme). This reduction was discussed at the meeting of the Committee in December.

3.4 The views of the Chief Executive, Assistant Chief Executives, Corporate Directors, and directorate management teams are being canvassed. This consultation process is still ongoing and, where appropriate, the Plan will be amended to take their views into consideration. Indeed, the Plan will continue to evolve throughout the year to take account of changes in the Council's priorities and risk profile. The draft Plan should therefore be viewed as a working document at this stage.

3.5 A Fraud and Loss Risk Assessment (included in a separate report on this agenda) has been prepared. Based on this Assessment, specific audits have also been included in the Plan to address areas where there is considered to be a greater risk of fraud and corruption.

- 3.6 The draft Plan is being discussed with the External Auditor (Deloitte) so as to reduce the risk of overlap and to maximise the benefit of audit provision.
- 3.7 PricewaterhouseCoopers (PwC) have completed their fifth year as Veritau's IT internal auditors. The contract with PwC will end on 31 March 2013, and a tender exercise is currently underway to appoint a new supplier. One of the first tasks of the successful supplier will be to develop a detailed IT audit plan for the County Council, for 2013/14.

4.0 **RECOMMENDATION**

- 4.1 Members are requested to consider and comment upon the draft Internal Audit Plan 2013/14.

Report prepared by Roman Pronyszyn, Client Relationship Manager, Veritau Ltd and presented by Max Thomas, Head of Internal Audit

MAX THOMAS
Head of Internal Audit
Veritau Limited
County Hall
Northallerton

20 February 2013

Background Documents: None

**NORTH YORKSHIRE COUNTY COUNCIL
DRAFT INTERNAL AUDIT PLAN 2013/14**



1. CORPORATE

<u>Ref</u>	<u>Days</u>
Credit Control and Income	20
Savings Delivery – Internal Control	20
Savings Delivery – Planning and Value for Money	30
IT Asset Registers	15
Information Governance Compliance (Strategic Review)	20
A review of current arrangements against ICO best practice and the list of common failings	
Information Security Compliance Checks	30
One Council	20
Council Business – Performance and Value for Money	20
Key HR Systems	30
Post Implementation Reviews	30
An allocation of time to review new systems following their introduction. Each review will determine whether the project has been effectively managed, business case objectives met and lessons learnt.	
Advisory	
An allocation of time to provide ongoing advice and support to corporate initiatives and developments.	10
TOTAL – Corporate Audits	245

2. HEALTH AND ADULT SERVICES

<u>Ref</u>	<u>Days</u>
Care Homes	60
Visits to care homes (both external and NYCC operated).	
Care Management System (Protocol)	20
Support to the AIS/Swift replacement project.	
Court of Protection	15
A review of the efficiency and cost effectiveness of current arrangements.	
Fairer Contribution	25
Public Health	30
Planning and Advice	15
An allocation of time for discussing audit matters with directorate management and for providing advice and assistance as required. The allocation of time also allows for Internal Audit input at safeguarding conferences and meetings as required.	
TOTAL – Health and Adult Services	165

3. BUSINESS & ENVIRONMENTAL SERVICES

<u>Ref</u>	<u>Days</u>
Local Transport Funding	10
Concessionary Fares	20
E-Crime Unit	15
The audit will examine the governance and management of the unit, including the recharging of costs, budgetary control and management of risk.	
Tour de France (in North Yorkshire)	10
Flood Risk Management	10
Planning	10
Waste PFI	15
Bedale, Aiskew and Leeming Bar (BALB) By-pass	20
A review of management controls over the project, including monitoring and reporting arrangements, contracting and financial controls.	
Trading Standards (RIPA)	15
A review surveillance operations conducted by relevant County Council services (including Trading Standards) to ensure compliance with legislation and best practice.	
Symology	15
A review of the new interface between the Ringway finance system (Symology) and NYCC systems.	
Meetings, Planning and Advice	5
An allocation of time for discussing audit matters with directorate management and for providing advice and assistance as required.	
TOTAL – Business and Environmental Services	145

4. CENTRAL SERVICES

<u>Ref</u>	<u>Days</u>
Emergency Planning / Service Continuity	10
A review of the procedures in place for supporting service continuity planning across the County Council.	
Members Allowances	25
A regularity audit of all types of allowances payable to elected members including travel and subsistence. A sample of allowances paid by District Councils, the Police, Fire and Rescue and the National Park Authorities will be compared to those paid by the County Council to identify potential duplicate claims.	
<u>Financial Systems</u>	
Debtors	15
Creditors	
A review of controls in place to ensure that payments are properly authorised, processed accurately and correctly accounted for.	
Treasury Management	10
A review of the procedures in place for the investment of surplus cash (including investments made on behalf of a number of external bodies), and the County Council's short term and long term borrowing arrangements.	
Main Accounting	25
A review of financial reporting systems and the procedures in place to ensure budgets are set up correctly and properly monitored. The audit will also check that bank and other control account reconciliations are carried out regularly and accurately. The allocation of time will also be used to support the planned review of financial management arrangements.	
Capital Accounting	10
A review of the procedures in place in respect of capital accounting. The audit will cover budgeting and the recording and classification of capital expenditure. The procedures for maintaining the County Council's fixed asset register will also be reviewed.	
Feeder Systems	10
A review of the controls and procedures associated with a number of the feeder systems to Oracle Financials. The audit will also consider the controls in place to reduce the likelihood of erroneous or duplicate payments being made.	
Meetings, Planning & Advice	5
An allocation of time for discussing audit matters with directorate management and for providing advice and assistance as required.	
TOTAL – Central Services	125

5. CHILDREN & YOUNG PEOPLE'S SERVICES

<u>Ref</u>	<u>Days</u>
<u>Schools</u>	
School visits	100
Visits to schools to undertake establishment audits. These visits will be made to either those schools that were judged to offer limited or no assurance in 2012/13 or have been identified by officers in the directorate as causing concern. It is anticipated that approximately 20 such visits will be made in the year.	
Pupil Referral Unit visits	20
Visits to the 5 Pupil Referral Units that are to receive delegated budgets for the first time on 1 April 2013. It is anticipated that the visits will be undertaken towards the end of the summer term to review progress with delegation.	
Schools Financial Value Standard	20
Provision to review the returns made by schools and to undertake any necessary follow up.	
Schools Computing and Banking Systems	10
Provision for internal audit involvement in reviewing changes to schools financial software and the introduction of BACS payment systems to replace cheques.	
CYPS Training	30
Provision for a number of CYPS training initiatives including termly Schools Audit Newsletters; delivering training on LMS Procedure Rules to school staff, sound financial controls to school governors, and presentations at Bursar conferences; and the review of School Finance Manual.	
Themed audits	100
Provision for 4 themed audits of schools. Visits will be made to a number of schools to review their practices in each of these areas with the aim of producing Good Practice guidance to all schools.	
School Funding Formula	25
A post implementation review of the new funding formula which was introduced for the 2013/14 financial year. This will incorporate a review of the accuracy of the data on which the calculations are based.	
<u>Other audits</u>	
Early Years	40
Provision for visits to a number of private, voluntary and independent providers of early years education. In addition, the work of the CYPS Finance team which supports these providers will be reviewed.	
Young People in Custody	15
A review of the arrangements adopted by the Authority for this service area, which transferred from the Ministry of Justice in April 2013.	
Friends & Family Care	15

Ref**Days**

A review of the revised policy to ensure controls over the delivery of financial help are effective, help is appropriately targeted and that revised procedures have been implemented. This audit was deferred from 2012/13.

Children's Social Care Establishments 15

A regularity review of services provided by three establishments.

Learning Disability 15

A review of the arrangements adopted by the Authority for supporting 16-25 year olds with Learning Disabilities.

Troubled Families Programme 15

A review of the controls over the implementation of the programme and compliance with central government requirements

Direct Payments 20

A review of the systems and procedures put in place by the County Council to monitor Direct Payment Agreements for Children and Young People and compliance with the rules and regulations. The scope of the audit will specifically include:

- the monitoring procedures in place to ensure that Direct Payments are used for the purpose for which they are provided;
- the periodic review of supporting documentation; and
- the procedures in place to follow up recipients who do not provide supporting documentation in a timely manner
- the process for Direct Carer Support.

The Fostering and Adoption Service 15

Review of systems to implement government initiatives in terms of streamlined adoption procedures.

Special Educational Needs 15

A review of controls over the processing of Statements in accordance with the Code of Practice for Special Educational Needs. This audit was deferred from 2012/13.

County Music Service 25

A review of the arrangements for managing the delivery of the peripatetic music service. The audit will also review the work of the Music Centres.

Traded Services for Schools 25

A review of the work of two of the County Council services that trade with schools. This review was requested by the Traded Services Panel.

Meetings, Planning and Advice 10

An allocation of time for discussing audit matters with directorate management and for providing advice and assistance as required.

TOTAL – Children and Young People's Services 530

6. COMPUTER AUDIT

<u>Ref</u>		<u>Days</u>
	Systems Development and Implementation	5
	Provision for audit involvement in the implementation of new computer systems or the enhancement of existing systems. Veritau will also provide advice on controls in the systems, in particular processing and access controls.	
	Meetings, Planning & Advice	5
	Provision for liaison with staff from ICT Services in respect of audit matters, and attendance at IT related meetings.	
	Internal IT Audit Provision	60
	A number of reviews to be undertaken by our computer audit contractors. The actual assignments will be agreed as part of a separate audit risk assessment and planning process. Veritau will meet periodically with the contractor in order to monitor progress against the IT audit plan.	
	TOTAL - Computer Audit	70

7. PROCUREMENT AND CONTRACT AUDIT

<u>Ref</u>		<u>Days</u>
	Capital Contracts	20
	The audit will involve a detailed examination of two contracts, preferably within the capital programme or where issues have emerged. The purpose of the audit will be to ensure that agreed procedures are being followed and that Contract Procedure Rules are being complied with.	
	Revenue Contracts	20
	A review of a sample of contracts for supplies and services to ensure that effective and timely contract monitoring arrangements are in place. The choice of contracts will be made in consultation with the Functional Procurement Management Team (FPMT).	
	Contract and Procurement Related Matters	10
	An allocation of time to provide advice and assistance to directorates on contract related matters as and when they arise. A member of Veritau will also attend meetings of the Functional Procurement Management Team (FPMT) as required. The allocation time will also enable Veritau to contribute to the annual review and update of the Contract, Finance and Property Procedure Rules.	
	Final Accounts	15
	An allocation of time to review all the final accounts submitted to Veritau and, where certain criteria are met, to carry out a detailed audit.	
	TOTAL – Procurement and Contract Audit	65

8. PENSION FUND

<u>Ref</u>		<u>Days</u>
	NORTH YORKSHIRE PENSION FUND	
	The work will follow the framework for the audit of Local Authority Pension Funds, drawn up by CIPFA and the Society of County Treasurers.	
	Pension Fund Expenditure	10
	To include the interface between the BACS and Axis systems	
	Pension Fund Income	15
	Pension Fund Investments	15
	Pension Fund Administration and Governance	10
	An allocation of time to work with management to develop and implement new ways of working and other efficiency proposals.	
	TOTAL – North Yorkshire Pension Fund	50

9. COUNTER FRAUD & CORRUPTION

<u>Ref</u>	<u>Days</u>
National Fraud Initiative - Data Matching	15
A provision of time to co-ordinate the submission of data for the National Fraud Initiative and to review the output of the bi-annual data matching exercise organised by the Audit Commission. The auditors will use IDEA to interrogate output from the exercise where possible.	
Special Investigations	300
A contingency for investigating suspected frauds and irregularities reported during the year. The allocation will also enable a number of pro-active counter fraud exercises to be carried out.	
Counter Fraud Strategy	10
An allocation of time to review and update the County Council's Counter Fraud Strategy, Fraud & Risk Loss Assessment and associated policies.	
Fraud Awareness	15
An allocation of time to support the process of raising awareness of potential fraud risks.	
TOTAL – Counter Fraud & Corruption	340

10. INFORMATION GOVERNANCE

Ref

Days

Provision of Information Governance Services

An allocation of time for the provision of Information Governance services to the County Council, including:

- co-ordination of responses to Data Protection and Freedom of Information requests; **200**
- monitoring compliance with DP and FoI requirements, and; **200**
- assisting in the development and implementation of the Information Governance policy framework **140**

TOTAL – Information Governance

540

11. OTHER CHARGEABLE AUDIT WORK

<u>Ref</u>	<u>Days</u>
Follow Up Audit Work	25
<p>An allocation of time to follow up on the implementation of previously agreed actions. This will involve producing quarterly reports from the audit management system to ascertain which actions should have been completed according to the date specified at the time of the audit. Responsible officers within directorates will be contacted and asked to confirm whether the actions have been implemented as agreed. Sample testing on the responses received will be carried out in order to provide evidence of implementation, particularly for priority 1 recommendations.</p>	
Risk Management for Audit	10
<p>This allocation of time will cover the continued development of links between the Risk Management service and Internal Audit, so that audit work can effectively contribute to the Risk Management process and audit resources are better targeted. This allocation of time will also allow for attendance at:</p> <ul style="list-style-type: none">• Corporate Risk Management Group• Health & Safety Risk Management Group• Monthly meetings with the Risk and Insurance Manager	
Audit Committee	35
<p>A provision of time to prepare and present reports on internal audit and governance related work undertaken during the financial year. The reports will be presented in accordance with the agreed timetable of the Audit Committee. Time is also included to provide training to Members of the Audit Committee and Working Parties as and when required and to offer guidance on the reviews of effectiveness for the Audit Committee and internal audit.</p>	
Audit Risk Assessment	5
<p>Provision to update the Audit Risk Assessment used to assist in the preparation of the Audit Plan. The time allocation includes an allowance to ensure that the criteria and associated weightings are consistent with other local authorities.</p>	
External Audit liaison	5
<p>Liaison with the external auditors to avoid duplication of effort and to maximise the overall benefit of the audit services provided to the County Council.</p>	
Corporate Governance	15
<p>Representation on the Corporate Governance Officer Group to assist in the development and maintenance of the County Council's governance arrangements.</p>	
Annual Audit Plan	15
<p>A provision of time for the preparation and compilation of the Annual Audit Plan, taking into account the results of the Audit Risk Assessment and the likely available resources. Corporate Directors and Service Unit Heads will be consulted as part of the planning process.</p>	
Special Assignments	110
<p>Time allowed for unplanned but essential audit projects arising after the annual audit plan is produced.</p>	

TOTAL – Other Chargeable Audit Work

220

12. NON AUDIT DUTIES

<u>Ref</u>		<u>Days</u>
	An allocation of days to deal with work for the County Council which is not directly related to audit work.	15
	TOTAL – Non Audit Duties	15

13. EXTERNAL CLIENTS (internal audit services provided by Veritau on behalf of NYCC)

<u>Ref</u>	<u>Days</u>
North Yorkshire Fire and Rescue Authority	95
North York Moors National Park Authority	25
TOTAL – External Clients	120
GRAND TOTAL AUDIT DAYS	2920

SUMMARY OF AUDIT DAYS 2010/11 - 2013/14

Audit Area	2013/14	2012/13	2011/12	2010/11
Corporate	245	260	380	385
Health and Adult Services (formerly Adult & Community Services)	165	270	215	272
Business & Environmental Services	145	160	155	115
Chief Executive's Group	---	47	32	37
Central Services	125	---	---	---
Children & Young People's Services	530	622	612	1118
Computer Audit	70	70	90	105
Procurement and Contract Audit	65	90	100	85
Finance & Central services	---	97	37	60
Material Systems	---	----	107	167
Pension Fund	50	50	50	60
Counter Fraud & Corruption	340	350	270	295
Information Governance	540	540	540	540
Other Chargeable Audit Work	220	226	246	215
Non Audit Duties	15	18	27	27
External Clients	120	120	155	155
TOTAL AUDIT DAYS	2630	2920	3016	3636