

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 APRIL 2013

INTERNAL AUDIT PLAN FOR 2013/14

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval for the planned programme of audit, counter fraud and information governance work to be undertaken in 2013/14 by Veritau Limited.

2.0 BACKGROUND

- 2.1 An early draft copy of the proposed internal audit plan for 2013/14 was presented to the Audit Committee at its last meeting on 7 March 2013. Since then, further meetings have been held with management and, where appropriate, the plan has been changed to reflect the comments received although most of changes have been minor in nature.
- 2.3 As in previous years, the Audit Plan has been discussed with the External Auditor (Deloitte), who are satisfied with the level of cover being proposed. The External Auditor has also indicated that they will take into account the systems and areas to be audited when planning their own work programme. Furthermore, the External Auditor has highlighted those audits in the proposed Plan, which are of particular relevance to their work.

3.0 AUDIT PLAN 2013/14

- 3.1 One of the main customers for the work of Veritau is the Corporate Director – Strategic Resources who, under the Accounts and Audit Regulations 2011, is the designated officer with Internal Audit responsibility.
- 3.2 The proposed Annual Audit Plan for 2013/14 is attached at **Appendix 1**. The Plan details the proposed audits and number of days within each directorate, specialist area and outside body (where the work is undertaken by Veritau on behalf of the County Council). A summary of the days allocated between each directorate or audit area is provided in **Appendix 2**.

4.0 KEY ISSUES REFLECTED IN AUDIT PLAN 2012/13

- 4.1 The Audit Plan for 2013/14 is intended to reflect the financial pressures faced by the County Council over the coming years. As a result, many of the proposed audits are specifically focused on the initiatives planned by the County Council to achieve budget savings or to deliver efficiencies, in particular:

Value for Money – 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;

Social care Providers – 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

- **Post Implementation Reviews** - a number of post implementation reviews of key systems to ensure that they have achieved the benefits identified in the original business case; and
- **Information Governance** - 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.

4.2 PricewaterhouseCoopers (PwC) have completed their fifth and final year as Veritau's IT internal auditors. The contract with PwC ended 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.

Outside Bodies

4.3 The external bodies to be audited by Veritau on behalf of the County Council in 2012/13 are:

- North York Moors National Park
- North Yorkshire Fire and Rescue Authority

5.0 RECOMMENDATIONS

5.1 That Members approve the Internal Audit, Counter Fraud and Information Governance Plan of work for 2013/14.

MAX THOMAS
Head of Internal Audit
Veritau

Background Documents

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County Hall
Northallerton

26 March 2013

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



1. CORPORATE

<u>Ref</u>	<u>Days</u>	
Credit Control and Income	20	
An audit of the key controls established to ensure debtors invoices are raised, income collected and monies owed to NYCC are recovered in a timely manner.		
Savings Delivery – Internal Control	20	
A review of a sample of proposed savings to establish whether the control environment has been compromised.		
Savings Delivery – Planning and Value for Money	30	
A review to establish whether or not changed working practices introduced as a result of identified savings represent optimal value for money and to recommend additional areas in which VFM can be improved.		
IT Asset Registers	15	
A review of the IT asset register to provide assurance that all IT assets are identified, recorded and monitored.		
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	
A series of unannounced audit visits to various County Council premises to ascertain the extent to which staff are protecting sensitive and personal data and information assets e.g. laptops being secured, paper files locked away. The findings will be reported to the Senior Information Risk Owner and to the Corporate Information Governance Group.		
One Council	20	
An allocation of time to continue to work with the One Council project team, provide ad hoc advice and guidance and to carry out reviews at key stages of the programme.		
Council Business – Performance and Value for Money	20	
Review of arrangements for NYCC to benchmark against other local authorities and to identify best practice in terms of operational efficiency.		
Key HR Systems	30	
A review of the management of the key risks facing the HR systems. The intention is to focus on those controls detailed in the risk register		
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.		
Meetings, Planning and Advice		
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 a selection of care homes (both external and NYCC operated) to provide NYCC with assurance that appropriate controls are in place and operating effectively.	
	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
	A review of controls in place covering financial assessments for non-residential care and support provision (including service users in receipt of personal budgets). .	
	Public Health	30
	A review of the implementation of the new Public Health responsibilities, management of the project to create the new Public Health team and the management of the key risks identified in the service risk register. Specific areas for review to be agreed with management.	
	Meetings, 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
A review of compliance with the requirements of the grant	
Concessionary Fares	20
An audit of the arrangements to manage and control the payment of concessionary fares	
E-Crime Unit	15
The audit will examine the governance and management of the e-crime unit, including the recharging of costs, budgetary control and management of risk	
Tour de France (in North Yorkshire)	10
A review of the management of risks faced by the Council in respect of the delivery of this project	
Flood Risk Management	10
A review of the effectiveness of the arrangements adopted by the County Council and partner organisations to mitigate the risk of flooding	
Planning	10
A risk based assurance review of the planning system	
Waste PFI	5
An allocation of time to monitor the position regarding the Waste PFI and to review Council plans in the light of the Government's recent announcement regarding funding	
BES Transformation	10
A review of the plans associated with BES initiatives to reduce costs and achieve value for money	
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. The review will also consider the performance of Ringway over the first year of the highway maintenance contract.	
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	10
The audit will concentrate on debts over 30 days old and seek to establish reasons for the delays in recovery	
Payments for Energy	5
A value for money review to establish whether or not current arrangement (including tariff charges) represent best value for the County Council.	
Creditors	15
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 and 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 County Council for this service area, which transferred from the Ministry of Justice in April 2013.	

<u>Ref</u>	<u>Days</u>
Friends & Family Care	15
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:	
<ul style="list-style-type: none"> • 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; • the procedures in place to follow up recipients who do not provide supporting documentation in a timely manner, and • the procedures in place for providing 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	5
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 time allocation will also enable Veritau to contribute to the annual review and update of the Contract Procedure Rules.	
Final Accounts	10
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.	
NYPS Implementation	10
A review of the operation of the NYPS contracts, particularly the use made of the YPO contracts framework	
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
	The audit scope will include the interface between the BACS and Axis systems	
	Pension Fund Income	15
	The audit will examine controls over cash inflows to the Pension Fund, including monitoring and reconciliation processes	
	Pension Fund Investments	15
	The audit will examine the controls in respect of Pension Fund investments	
	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. In particular, the audit will review the implementation of the Altair system and LGPS14.	
	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

<u>Ref</u>		<u>Days</u>
	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	2630

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