

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 APRIL 2013

INTERNAL AUDIT WORK FOR THE CHILDREN AND YOUNG PEOPLE'S 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 28 February 2013 for the Children and Young People's Services Directorate (CYPS) and to give an opinion on the systems of internal control in respect of this area.

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 CYPS, the Committee receives assurance through the work of internal audit (as provided by Veritau Ltd), as well as receiving a copy of the latest directorate risk register.
- 2.2 In the past, these assurances have been provided to the Committee as part of a single, joint report by the Head of Internal Audit and the relevant Director/Assistant Chief Executive. To improve clarity, the information is now being presented as two separate reports. In the past, details of the relevant Statement of Assurances (SoA's) have also been provided to the Committee in accordance with the rolling programme of directorate reports. It is now planned to present the annual SoA's together at the same time that the Committee is asked to consider the Annual Governance Statement, usually in June. There will then be a further report at the mid-point in the year to enable the Committee to assess the progress which has been made by management to address the issues contained in each of the SoA's.

3.0 WORK DONE DURING THE YEAR ENDED 28 FEBRUARY 2013

- 3.1 A summary of the results of audit visits made to schools during the year, together with a summary of the visits made to private and voluntary Early Years providers is given in **appendices 1A and 1B**. Details of the internal audit work undertaken within the directorate is provided in **appendix 2**.
- 3.2 Veritau has also been involved in a number of other areas of work in respect of the directorate. This work has included:

- (a) providing a series of seven training courses for school governors on financial controls and the School Financial Value Standard.
 - (b) reviewing LMS Procedure Rules, in conjunction with school representatives and officers from Finance and Management Support, Legal Services, and the Corporate Property Landlord Unit.
 - (c) presenting, together with colleagues from CYPs Finance and Management Support, a series of eight training courses for school governors and staff on LMS Procedure Rules
 - (d) contributing to training sessions at the termly secondary school bursar conferences.
 - (e) offering advice to schools on tendering and quotation procedures in connection with devolved capital works.
 - (f) publishing three editions of the Schools' Audit Newsletter to keep schools informed of best practice and recent developments.
 - (g) contributing to training sessions for Early Years providers from the maintained sectors.
 - (h) offering advice to schools and officers in Finance and Management Support during the pilot scheme for paying suppliers by BACS from school bank accounts.
 - (i) publishing advice for schools on counter-fraud arrangements to enable them to comply with the requirements of the recently amended LMS Scheme
 - (j) carrying out a number of other special investigations that have either been communicated via the Whistleblowers' hotline or have arisen from issues and concerns raised with Veritau by CYPs management.
- 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 3**.
- 3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau now formally follow up all agreed actions on a quarterly basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the year, 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 All internal audit work undertaken by Veritau is based on an Audit Risk Assessment. Areas that are assessed as well controlled or low risk are reviewed less often and in our experience continue to be satisfactory between audits. Veritau's audit work therefore focuses on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern. The scope of many audits means that a large number of processes are reviewed with many of these being found to be satisfactory or better.

4.0 **AUDIT OPINION**

4.1 During the period under review, Veritau has operated in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. In connection with reporting to Audit Committees, that guidance states that:

"The Head of Internal Audit's formal annual report to the organisation should:

- (a) include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment
- (b) disclose any qualifications to that opinion
- (c) present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies
- (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- (e) compare work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria
- (f) comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme".

4.2 The overall opinion of the Head of Internal Audit on the controls operating in the Children and Young People's Services Directorate is that they provide **Substantial Assurance**. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching that opinion.

5.0 **RECOMMENDATION**

5.1 That Members consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

26 March 2013

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau Ltd at 50 South Parade, Northallerton.

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

APPENDIX 1A

SCHOOL VISITS UNDERTAKEN IN THE YEAR ENDED 28 FEBRUARY 2013

(1) Audit Visits

Type of School	Audit Opinion					Total
	High	Substantial	Moderate	Limited	No	
Primary / Nursery	14	18	8	7	0	47
Secondary	7	5	2	1	0	15
Special	2	2	0	0	0	4
Total 2012/13	23	25	10	8	0	66
% 2012/13	35	38	15	12	0	100
% 2011/12	42	38	16	4	0	100

Notes

1. The Audit Opinions expressed are defined in **Appendix 3**.
2. Where the standards of control in a school or other establishment have been assessed as limited or no assurance follow-up visits are made within six months to review the progress that has been made to implement recommendations and improve controls. As will be seen above, eight limited assurance opinions have been issued during the year and follow up visits have already been made to two of the schools that fell into that category. These schools have made significant improvements and their systems were subsequently reassessed as offering high or substantial assurance. Follow-up visits are planned for the other schools in this category during the Summer term.
3. For the schools where a limited assurance opinion was expressed, the largest number of recommendations were made in the areas of Contracting & Purchasing, Human Resources and Computer Systems, Data Protection and Freedom of Information.
4. Another common theme identified during many of the audit visits remains the failure to apply appropriate controls over the appointment of staff. In a number of schools key members of interview panels had not undergone the Safer Recruitment online training that the DCSF has made available. In addition, evidence was still not being retained, in many instances, of the checks carried out on the identity and qualifications of new members of staff. Such checks are a legislative requirement of the Immigration, Asylum and Nationality Act 2006.

(2) Post 16 funding reviews at schools with Sixth Forms

1. On 1 April 2010 responsibility for funding school sixth forms transferred from the Learning & Skills Council to the Young Peoples Learning Agency (YPLA). In accordance with the Joint Audit Code of Practice drawn up by the YPLA it became the responsibility of local authorities to provide assurance to both the YPLA and the Skills Funding Authority in respect of that funding.
2. During the last year visits were made to two schools with sixth forms and one was assessed as high assurance and the other substantial assurance.

APPENDIX 1B

PRIVATE AND VOLUNTARY EARLY YEARS PROVIDERS AUDIT VISITS UNDERTAKEN IN THE YEAR ENDED 28 FEBRUARY 2013

During the year, assurance reviews were conducted at 20 of the 320 private and voluntary early years providers that are supported by CYPs. 3 of the providers visited were assessed as giving a high level of assurance; 12 gave a substantial level of assurance and 2 gave a moderate level of assurance. The other 3 providers were assessed as giving a limited level of assurance and a recent visit to one of them has established that little has changed in the six months since the first visit. Discussions are ongoing with officers in the Children & Young Peoples Directorate to identify what action should be taken.

FINAL AUDIT REPORTS ISSUED IN THE YEAR ENDED 28 FEBRUARY 2013

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Special Educational Needs	High	A review of the system operated by CYPS Finance for transferring funding to schools for pupils with either a high need/low incidence statement or a physical and sensory needs statement.	26 July 2012	The audit concluded that risks were well managed and that an effective control environment operated in the area. No issues were identified.	No actions were raised in the audit report.
B	Children's Centres - Boroughbridge	High	A review to validate financial and operational controls including those covering contracting, income and banking, and IT security.	11 January 2013	Arrangements were found to be good. Only one minor issue was raised relating to the need to maintain a log of IT equipment taken away from the centre.	<p>One P3 action was agreed.</p> <p>Responsible Officer: Children's Centre Manager</p> <p>A log has now been drawn up which will be completed whenever laptops are taken from the premises.</p>
C	Schools Year End Balances	High	A review of the procedures operated by CYPS Finance & Management Support to estimate the split of school balances between revenue and capital for inclusion in the County Council's final accounts.	31 October 2012	The audit concluded that risks were well managed and that an effective control environment operated in the area. No issues were identified.	No actions were raised in the audit report.

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
D	Children & Families Establishments – Morton on Swale	Substantial	A review to validate financial and operational controls including those covering contracting, income and banking, and IT security.	15 February 2013	<p>The main issues identified in this audit related to:</p> <ul style="list-style-type: none"> the operation of the petty cash account the failure to document checks taken in relation to the centre's minibus the annual check of the inventory. 	<p>Seven P3 actions were agreed.</p> <p>Responsible Officers: Registered Manager Residential Administrator</p> <p>Two signatures will be required on all petty cash cheques and the keys to the petty cash tin will be kept in a secure place. The account will also be balanced on a regular basis.</p> <p>Driving licences for all members of staff that drive the minibus will be reviewed on an annual basis and MIDAS training has been requested for all drivers.</p> <p>The inventory will be checked on an annual basis.</p>
E	Children & Families Establishments – Woodleigh	High	A review to validate financial and operational controls including those covering contracting, income and banking, and IT security.	19 December 2012	<p>Arrangements were found to be good. The main issues identified in this audit related to:</p> <ul style="list-style-type: none"> the failure to record journeys taken in the minibus the annual check of the inventory. 	<p>Five P3 actions were agreed.</p> <p>Responsible Officer: Principal Residential Manager</p> <p>Staff have been reminded of the need to accurately record journeys taken in the minibus.</p> <p>An electronic inventory has been introduced which will be checked annually by a separate</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
						member of staff to the one that updates it.
F	Skills Funding Agency Assurance	High	A review of the effectiveness of enrolment procedures for Adult Learning courses.	19 June 2012	<p>Arrangements were found to be good. The main issues identified in the audit related to:</p> <ul style="list-style-type: none"> failures to check data accuracy on input into the Management information System that could have resulted in under and over claims from the Skills Funding Agency. failures to update learner changes promptly. 	<p>Two P3 actions were agreed.</p> <p>Responsible Officer: MIS Officer</p> <p>Software designed to check data accuracy has now been installed to support the ongoing checking of data by the MIS team to reduce the risk of under or over funding.</p> <p>Assessors are now provided with monthly reports which show details of current learners. Any inaccuracies have to be fed back to the MIS Officer within two weeks.</p>
G	Young People in Custody	High	A review of the preparations made by the Directorate prior to the transfer of responsibility for young people placed on remand in custody, to the County Council.	28 February 2013	The audit concluded that risks were well managed and that effective preparations have been made in this area. No issues were identified.	No actions were raised in the audit report.

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
<i>High Assurance</i>	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
<i>Substantial Assurance</i>	<i>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.</i>
<i>Moderate assurance</i>	<i>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.</i>
<i>Limited Assurance</i>	<i>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.</i>
<i>No Assurance</i>	<i>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.</i>

Priorities for Actions	
<i>Priority 1</i>	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</i>
<i>Priority 2</i>	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
<i>Priority 3</i>	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>