

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****25 JUNE 2015****INTERNAL AUDIT PLAN FOR 2015/16****Report of the Head of Internal Audit****1.0 PURPOSE OF THE REPORT**

- 1.1 To seek approval for the planned programme of internal audit work to be undertaken in 2015/16.

2.0 BACKGROUND

- 2.1 In accordance with professional standards¹ and the County Council's Audit Charter, 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. The plan is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit.

3.0 AUDIT PLAN 2015/16

- 3.1 The Internal Audit Plan for 2015/16 is attached at **Appendix 1**. The Plan details the proposed audits within each directorate or specialist area. The risk assessment process takes account of the County Council's corporate and directorate risk registers, known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in County Council services and systems. The views of senior management across the County Council were canvassed as part of the planning process. The Committee was also given the opportunity to provide comments on the outline plan at its last meeting on 5 March.
- 3.2 The Plan reflects the County Council's priorities for the coming year together with the financial and other pressures it faces. The Plan includes:

¹ As set out in the Public Sector Internal Audit Standards and specific guidance on the application of those standards for local government, issued by CIPFA.

- systems where the volume and value of transactions processed are significant, or where the possible impact of any system failure is high, making the continued operation of regular controls essential;
- areas of known concern, where a review of risks and controls will add value to operations;
- areas of significant change where the audit work may focus on (a) direct support to projects, (b) a review of project management arrangements, or (c) consideration of the impact of those changes on the control environment for example where the reduction in resources may result in fewer controls.

In particular, continued support will be given to the 2020 North Yorkshire programme and individual projects, ongoing data security compliance and the changes arising from the implementation of the Care Act 2014.

- 3.3 The Plan also includes IT audit work to be performed by Audit North. The programme focuses on identified risks to the County Council's IT systems, infrastructure and projects. Further details of this work are provided in **appendix 2**.
- 3.4 It is recognised that the Plan will continue to evolve throughout the year to take account of changes in the Council's priorities and risk profile. The Plan should therefore be viewed as a relatively flexible document. Regular progress reports will be presented to the Committee to enable the delivery of the plan to be monitored.

4.0 **RECOMMENDATION**

- 4.1 Members are asked to approve the Internal Audit Plan for 2015/16.

Report prepared and presented by Max Thomas, Head of Internal Audit

MAX THOMAS
 Head of Internal Audit
 Veritau Limited
 County Hall
 Northallerton

8 June 2015

Background Documents: None

**NORTH YORKSHIRE COUNTY COUNCIL
DRAFT INTERNAL AUDIT PLAN – 2015/16**

CORPORATE / CROSS CUTTING	<u>Days</u>
2020 North Yorkshire review of projects (including wider customer programme)	30
<p>To provide advice, guidance and challenge to the programme. The allocation of time may include assurance on overall monitoring and governance arrangements and/or support to specific work streams or aspects of the programme. We will review a sample of schemes to consider the extent to which 2020 North Yorkshire procedures, aims and objectives are being delivered.</p>	
2020 Finance	30
<p>To provide advice, guidance and challenge to the programme. The allocation of time will include two specific reviews. The first will provide assurance that the control environment remains effective. The second review will examine whether the 'new ways of working' are delivering the expected outcomes.</p>	
Information governance (data breaches)	20
<p>An allocation of time to investigate significant data security incidents and/or provide support to other internal investigations.</p>	
Information governance (data security compliance)	45
<p>A programme of unannounced information security compliance audits. The audits will cover a variety of council premises with a focus on those considered to be high risk.</p>	
Risk management	15
<p>A review of the Council's risk management processes.</p>	
Payroll / HR	25
<p>A review of payroll / HR controls and processing.</p>	
Reorganisation, restructure and redundancy	15
<p>A review of the processes for carrying out reorganisations and restructures within the council. The audit will include an examination of redeployment arrangements and the calculation of redundancy payments.</p>	
Total – corporate / cross cutting	180

HEALTH AND ADULT SERVICES

Days

Liquid Logic and ContrOCC

30

The audit will provide support, challenge and assurance in two areas. The first involves the ongoing work being done by officers to ensure phase 1 arrangements for operating the Liquid Logic and ContrOCC systems are embedded and working as designed. This work will include a follow up to the findings from our work in 2014/15. The second part of the audit will examine the arrangements being introduced in respect of the Provider Portal phase 2 development of both systems.

Liquid Logic and ContrOCC (post implementation review)

10

To consider the extent to which the introduction of these two systems in April 2014 has met the original business aims and objectives. The audit will also consider whether there are any 'lessons to learn' for HAS and the wider Council.

Review of domiciliary care contracting

30

A review of key elements of phase 1 of the domiciliary care contracts tender exercise. The audit will consider the robustness of the arrangements followed and seek to inform management's decision making for phase 2. The audit will also review the electronic real time recording system and determine the extent to which the potential benefits of the system for care providers and the council have been evaluated.

Care homes

40

To work closely with officers to develop the Council's internal control arrangements for managing and safeguarding the financial affairs of service users. To provide support and ad-hoc guidance to officers on specific cases involving financial matters. The allocation of time will also include visits to 8 care homes (both external and Council operated) to provide assurance that appropriate financial controls are in place and operating effectively.

Better Care Fund

20

The Better Care Fund (BCF) is intended support transformation and integration of health and social care services to ensure local people receive better care. The Council's BCF plan has been approved and involves expenditure of £46m in 2015/16. Work is ongoing to establish the necessary arrangements to support the implementation of the plan. The allocation of time is to provide advice, guidance and challenge to support the newly established arrangements.

Care Act (implementation and service changes) 25

The audit will review information governance and other relevant risks associated with the Carers Resource Centres.

The audit will also consider how management are developing the necessary arrangements to address the other key requirements of the Care Act.

Extra care housing 10

To review the actions taken by management to mitigate the risks associated with the Extra Care Housing lettings framework which is to be finalised by the Council in 2015/16.

Public Health 25

A review of the effectiveness of the governance arrangements in place to deliver Public Health outcomes in North Yorkshire. The audit will include the new areas of Public Health spend in 2015/16.

Deprivation of Liberty Safeguards (DoLS) 15

A review of the key risks and management arrangements associated with decision making in this area following the Supreme Court ruling in March 2014.

Total – Health and Adult Services 205

BUSINESS AND ENVIRONMENTAL SERVICES	<u>Days</u>
Highways maintenance contract	25
A detailed review of a range of risk areas associated with the contract. The specific areas will be agreed with management although it is likely they will include contract management arrangements, performance and data quality, and a follow up of findings from previous audits.	
Symology (costing system)	20
A review of the controls and processes associated with the Symology system.	
Integrated Passenger Transport (IPT)	15
A review of the controls and processes associated with the delivery of public transport provision. The audit will include a review of safeguarding provisions for the transport of children and vulnerable adults.	
Local Enterprise Partnership	20
A review of governance and management processes associated with the Local Enterprise Partnership. The specific areas will be agreed with directorate management.	
Bedale, Aiskew and Leeming Bar bypass contract review	10
Ongoing review of the project management arrangements associated with this major scheme.	
A174 Sandsend Road coast protection and slope stabilisation scheme contract review	10
Ongoing review of the project management arrangements associated with this major scheme.	
Total – Business and Environmental Services	100

CENTRAL SERVICES	<u>Days</u>
<p>Corporate Property Management – new contract arrangements</p> <p>The current property contract ends in 2016. The allocation of time is to provide support to management in the re-design of the new contract (so that it is aligned to the 2020 North Yorkshire programme) and preparation for the tender exercise.</p>	20
<p>Asset Management</p> <p>A review of the Council’s policies, procedures and systems to deliver effective strategic asset management.</p>	15
<p>Business continuity and disaster recovery</p> <p>A review of the Council’s business continuity and disaster recovery arrangements. The audit will include a follow up of findings from previous audits.</p>	15
<p>Budgetary preparation and management</p> <p>A review of budget preparation processes and the systems for ongoing budget monitoring and reporting. The audit will be aligned with the work on the 2020 Finance programme.</p>	15
<p>Main accounting</p> <p>A review of the arrangements for managing and maintaining the financial ledger. The audit will be aligned with the work on the 2020 Finance programme and will include a review of:</p> <ul style="list-style-type: none"> • access and back up arrangements • the integrity and timeliness of data • the processing of journals and virements • control and suspense account reconciliations • year end processes. 	25
<p>New system interfaces</p> <p>A review of the interfaces between the new financial ledger and the various feeder systems. The audit will be aligned with the work on the 2020 Finance programme.</p>	25

Creditors **25**

A review of the systems for ordering goods and services and processing creditor invoices. The audit will include a review of the new P2P processes and the roll-out of the system. In addition, the controls in place for making changes to creditor master file records will be examined.

Debtors and Income Management System **25**

A review of the systems for raising debtor invoices and collecting income, credit control and debt recovery arrangements. The audit will be aligned with the work on the 2020 Finance programme.

Members' allowances **20**

Provision to undertake audit compliance checks of a sample of claims for mileage and other allowable expenditure.

Total – Central Services **185**

CHILDREN AND YOUNG PEOPLE'S SERVICES	<u>Days</u>
Home to school transport	15
A review of the controls and processes associated with the delivery of home to school transport services. The audit will be undertaken in conjunction with the review of Integrated Passenger Transport (see above).	
Special Educational Needs (SEN)	20
The Children and Families Act introduced new arrangements for assessing and supporting children with special educational needs and disabilities. This audit will review the controls and processes associated with SEN provision following these changes and the implementation of a new funding methodology. The audit will include a review of high needs funding arrangements.	
Disabled Children's services	15
A review of controls and management arrangements covering the provision of services to disabled children. The audit will examine the changes to service provision resulting from the 2020 North Yorkshire programme.	
Direct Payments	15
A review of the systems and procedures put in place by the County Council to monitor Direct Payment Agreements for Children and Young People. The scope of the audit will specifically include monitoring, review and follow up procedures.	
School Improvement Partnerships	15
A review of the management and governance arrangements of the school improvement partnerships.	
SmartSolutions	12
A review of the new service for the provision of traded services to schools and the associated management systems.	
Schools Financial Value Standard (SFVS)	12
Provision to review the returns made by schools and to undertake any necessary follow up.	
Schools themed audits	80
Provision for 4 themed audits. The specific areas will be agreed with directorate management although one will involve the submission of schools	

financial accounting statements. Visits will be made to a number of schools to review their practices in each of the chosen areas with the aim of producing good practice guidance. There will also be a small additional allowance for visits to individual schools with known issues.

Catering fresh produce contract **10**

A review of the contract arrangements for the provision of fresh produce to schools and other establishments. The audit will include a review of supply chain risks.

Audit support and advice to schools **36**

An allocation of time to respond to requests for advice and support from schools.

Training for schools **10**

An allocation of time to deliver targeted training to schools.

Total – Children and Young People’s Services **240**

COMPUTER AUDIT**Days**

Programme of IT audits developed in consultation with Audit North (see appendix 2 for further details).

90

Provision to provide support and advice on IT audit matters.

10**Total – Computer Audit****100**

PROCUREMENT AND CONTRACT AUDIT	<u>Days</u>
Membership of Procurement Operational Group	15
An allocation of time to attend monthly meetings of the Procurement Operational Group.	
Support to the development of the Procurement Strategic Action Plan	15
To provide advice, guidance and challenge to the development and implementation of the procurement strategic action plan.	
Specific procurement and contract management based reviews	60
An allocation of time to review individual contracts and related procurement activity.	
Total – Procurement and Contract Audit	90

NORTH YORKSHIRE PENSION FUND

Days

Provision to review the controls and processes operated by the Pension Fund. The audits will include expenditure, income, investments and overall administration and governance of the Fund.

50

Total – North Yorkshire Pension Fund

50

COUNTER FRAUD AND CORRUPTION

Days

An allocation of time to support the provision of counter fraud services, including:

310

Data Matching

Provision to coordinate data submission, check data validity, assess referrals, and investigate potential frauds in relation to the National Fraud Initiative (NFI) and other local data matching exercises.

Fraud Awareness

Provision to deliver an overall programme of work to raise awareness of fraud issues. Activities include targeted fraud awareness training and organising counter fraud publicity (both internal and external).

Fraud Detection and Investigation

Provision to undertake investigations into suspected fraud, corruption or other wrongdoing. Examples of the types of investigation work that may be undertaken include internal, procurement and social care related fraud.

Other Counter Fraud Related Work

Provision to provide other counter fraud and corruption work including:

- review of council counter fraud arrangements and policies
- the provision of support and advice to directorates in relation to fraud issues
- reporting on outcomes from counter fraud work.

Total – Counter Fraud and Corruption

310

INFORMATION GOVERNANCE

Days

An allocation of time to support the provision of Information Governance services, including:

700

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

Total – Information Governance

700

OTHER CHARGEABLE AUDIT WORK	<u>Days</u>
Follow up	30
Provision to follow up previously agreed audit recommendations.	
Corporate governance strategy	8
An allocation of time to support the development of the Council's corporate governance arrangements and the preparation of the Annual Governance Statement. The time allocation includes attendance at meetings of the Corporate Governance Officer Group.	
Audit planning	12
A provision of time for the preparation of the Annual Audit Plan. Corporate Directors and service managers will be consulted as part of the planning process.	
Audit support, advice and liaison	30
Provision to provide ongoing advice and support on the design, implementation and operation of appropriate controls and for the overall management of audit work in each directorate.	
External audit liaison	3
Ongoing 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.	
Audit Committee	35
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 as and when required.	
Contingency	40
Provision to undertake additional work in response to:	
<ul style="list-style-type: none"> • specific requests from the Corporate Director – Strategic Services (the S151 Officer) or other chief officers • new or previously unidentified risks which impact on Audit Plan priorities • significant changes in legislation, systems or service delivery 	

arrangements

- requests from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management
- urgent or otherwise unplanned work arising from investigations into information breaches or suspected frauds which identify potential control risks.

Total – Other Chargeable Audit Work

158

SUMMARY OF AUDIT DAYS 2013/14 - 2015/16

Audit Area	2015/16	2014/15	2013/14
Corporate	180	290	245
Health and Adult Services	205	130	165
Business & Environmental Services	100	85	145
Central Services	185	125	125
Children & Young People's Services	240	445	530
Computer Audit	100	100	70
Procurement and Contract Audit	90	85	65
Pension Fund	50	50	50
Counter Fraud & Corruption	310	330	340
Information Governance	700	745	540
Other Chargeable Audit Work	158	185	220
Non Audit Duties	---	10	15
TOTAL DAYS	2318	2580	2510

North Yorkshire County Council – IT audit plan 2015/16

Audit	Scope	Background	Associated risks	Last audited	Last assurance level	Days
Manage Projects: North Yorkshire 2020	To provide timely assurance on the management of the IT elements of the programme in accordance with best practice methodology.	Key programme that will be implemented across the Council to achieve cost savings. Oversight will be provided to the IT projects within the programme.	Failure to adequately control projects leading to potential non delivery of project objectives	N/A	N/A	15
Ensure system security: Symology Insight – Highways (key system general controls)	To provide assurance that the design of controls maintains the confidentiality, integrity and availability of information processed.	Review critical systems for Council to ensure audit coverage	<ul style="list-style-type: none"> • Loss of data • System availability • Unauthorised system access • Unauthorised access to sensitive data 	N/A	N/A	10
Wireless networking security	To provide a level of assurance over the adequacy of the	Increasing reliance on wireless security	<ul style="list-style-type: none"> • Disruption to operations/activities • Loss of data 	2010	Moderate	12

Audit	Scope	Background	Associated risks	Last audited	Last assurance level	Days
	system management controls and security configuration in place and over the application of controls in practice.		<ul style="list-style-type: none"> • Unauthorised access to systems and information • Compromise of network security 			
Microsoft Exchange (Email system)	To provide a level of assurance over the adequacy of the system management controls and security configuration in place and over the application of controls in practice.	Critical system for NYCC enabling communication across the organisation and wider.	<ul style="list-style-type: none"> • Disruption to operations/activities • Loss of data • Unauthorised access to systems and information 	N/A	N/A	12
In-house system development controls	To provide assurance that the design of controls maintains the confidentiality, integrity and availability of information processed.	NYCC has an in-house system development team responsible for developing range of systems, which includes staff absence, teaching claims, and financial management for schools.	<ul style="list-style-type: none"> • Solutions failing to deliver business requirements • System availability • Integrity of data • Over-reliance on key personnel • Confidentiality of data 	N/A	N/A	8

Audit	Scope	Background	Associated risks	Last audited	Last assurance level	Days
Ensure service continuity: Disaster Recovery	Evaluate the capability to: counteract interruptions to business activities; protect critical business processes from the effects of major failures of information systems; and to ensure their timely resumption.	Disaster recovery arrangements critical to ensure continuity of services	<ul style="list-style-type: none"> • System unavailability • Severe disruption to operations/activities 	2012	Medium	10
Manage Risk: IT Risk Management	Review of the process for identification, assessment, reporting and mitigation of IT risks and how this aligns with business risk management framework.	No previous audit coverage.	<ul style="list-style-type: none"> • IT risks and business risks managed independently; • Impact of an IT risk upon the business is undetected. 	N/A	N/A	8
Follow-ups Lagan Programme	To follow-up the implementation of actions arising from prior audit work to provide assurance that the design of controls maintains the confidentiality, integrity				Moderate Moderate	4 4

Audit	Scope	Background	Associated risks	Last audited	Last assurance level	Days
Management	and availability of information processed					
Management Time						5
Audit Plan Review						2
Total – IT audit work to be delivered by Audit North						90