

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****3 MARCH 2016****INTERNAL AUDIT PLAN FOR 2016/17****Report of the Head of Internal Audit****1.0 PURPOSE OF THE REPORT**

- 1.1 To seek Members' views on the priorities for internal audit in 2016/17, to inform the preparation of the annual audit plan.

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. Consultation with Members and senior council officers is an essential part of the risk assessment process. As in previous years, the outline audit plan is therefore being presented to the Audit Committee for consideration.

3.0 AUDIT PLAN 2016/17

- 3.1 The outline Internal Audit Plan for 2016/17 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 Committee will be asked to approve the final plan at the next meeting in June.
- 3.2 The draft Plan is intended to reflect 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 It is important that audit resources are used effectively and continue to focus on those areas which will add the most value. Continued dialogue and collaboration with management will therefore take place through the year to ensure that any new risks or changed priorities are identified and reflected in planned work. In addition, the audit approach will be increasingly forward looking, providing assurance to management in areas of change rather than concentrating on past events.
- 3.4 The views of senior management across the County Council have been canvassed in preparing the outline Plan. 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 Plan should therefore be viewed as a relatively flexible document.
- 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 County Council's external auditor, KPMG so as to reduce the risk of overlap and to maximise the benefit of audit provision.

4.0 **RECOMMENDATION**

- 4.1 Members are requested to consider and comment on the outline Internal Audit Plan for 2016/17 and to identify any specific areas which should be considered a priority for audit.

MAX THOMAS
Head of Internal Audit
Veritau Limited
County Hall
Northallerton

3 March 2016

Background Documents: None

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

**NORTH YORKSHIRE COUNTY COUNCIL
INTERNAL AUDIT PLAN – 2016/17**

CORPORATE / CROSS CUTTING	<u>Days</u>
2020 North Yorkshire review of projects	30
<p>To provide advice, guidance and challenge to the 2020 NY programme. The allocation of time may include assurance on overall monitoring and governance arrangements or support to specific work streams and aspects of the programme. We will review a sample of schemes to consider the extent to which 2020 NY procedures, aims and objectives are being delivered.</p>	
2020 Finance	20
<p>To provide advice, guidance and challenge to the programme. We will examine whether the 'new ways of working' are delivering the expected outcomes.</p>	
Data quality	25
<p>A review of the Council's arrangements to ensure data quality in key performance information, including review of a sample of indicators.</p>	
Performance management	20
<p>A review of the effectiveness of the Councils performance management framework.</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)	30
<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	20
<p>A review of payroll / HR controls and processing. We will use the IDEA data analysis tool to focus on a number of key risk areas.</p>	
Leaver process	20

A cross cutting review of processes that take place when a member of staff leaves or moves post. The review will examine processes other than salary payments including IT access, the control of physical assets and access to premises.

Insight performance dashboard **15**

A review of the extent to which this system is being used to manage team performance and the arrangements for ensuring quality of data.

Employment documentation **15**

A review of the effectiveness of the controls in place to ensure employment record keeping is complete and effectively supports occupational health, disciplinary and other relevant HR processes.

IDEA data analytics and data matching **10**

An allowance of time to undertake data matching and analytics to review large scale data sets to improve data quality and to identify data inconsistencies

Total – Corporate / Cross cutting	240
--	------------

HEALTH AND ADULT SERVICES	<u>Days</u>
Liquid Logic and ContrOCC	25
<p>The audit will review a sample of key controls in the Liquid Logic and ContrOCC systems. We will also review the key controls in respect of the new Provider Portal which is scheduled to be introduced in late 2016.</p>	
Liquid Logic and ContrOCC (post implementation review)	15
<p>To consider the extent to which the introduction of these two systems has met the original business aims and objectives of the Council and whether there are any 'lessons to learn' for HAS and the wider Council.</p>	
Direct payments	30
<p>A review of the systems and procedures put in place by the Council to ensure Direct Payment Agreements are managed in line with the Council's approved policies. This will include a review of the management of the risks around Direct Payments.</p>	
Court of Protection	25
<p>A review of the effectiveness of the key controls in place to manage the Court of Protection risk areas.</p>	
Financial assessments	15
<p>A review of the effectiveness of the key controls in place for Financial Assessments, and their relationship with the wider social care assessment processes.</p>	
Residential care homes	30
<p>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 at least 6 care providers (both external and Council operated) to provide assurance that appropriate financial controls are in place and operating effectively.</p>	
Best practice and benchmark review	20
<p>To select an area (agreed with HAS management) to review the practices and processes that ensure best value and assess quality of performance.</p>	

Continuing healthcare **20**

To review the processes and controls in respect of the Council's responsibilities towards Continuing Healthcare.

New models of care **15**

A review of the Harrogate Vanguard scheme to identify what worked well and any 'lessons to learn' for future collaboration with the NHS.

Public health **20**

A review of the effectiveness of the arrangements in place to deliver Public Health outcomes in North Yorkshire. The specific scope to be agreed with management as part of planning for the audit.

Total – Health and Adult Services	215
--	------------

BUSINESS AND ENVIRONMENTAL SERVICES	<u>Days</u>
Highways maintenance contract	25
A review of the key risk areas in respect of the highways maintenance contract with Ringway. The audit will include follow up of previously agreed actions.	
Allerton Waste Recovery Park	20
A review of the developing arrangements and management of key risks for the Allerton Waste Recovery Park scheme.	
Integrated passenger transport	20
A review of the controls and processes associated with the delivery of public transport provision.	
Bus subsidy	20
A review of the management of the key risks in the delivery of the Bus Subsidy strategy. We will specifically review Community Transport Services.	
Total – Business and Environmental Services	85

CENTRAL SERVICES	<u>Days</u>
<p>Business continuity and disaster recovery</p> <p>A review of the Council’s business continuity and disaster recovery arrangements. The audit will follow up findings from previous audits.</p>	15
<p>Local Welfare Assistance scheme</p> <p>A review of the management arrangements in place to ensure the scheme delivers the intended aims and objectives and to minimise the risks of fraud.</p>	15
<p>Resettlement of refugees</p> <p>NYCC is the accountable body for monies being received from central government to help house and resettle refugees. We will review the effectiveness of the Council’s plans and management arrangements for the scheme.</p>	15
<p>Payment Card Industry Data Security Standard</p> <p>To review the arrangements the Council has in place to comply with the requirements of PCI DSS.</p>	15
<p>Main accounting</p> <p>A review of the arrangements for managing and maintaining the financial ledger.</p>	25
<p>Budgetary preparation and management</p> <p>A review of recently implemented budget preparation processes and the systems for budget monitoring and reporting. The new processes should be embedded within the authority and the audit will test the robustness of the new arrangements.</p>	25
<p>Creditors</p> <p>The audit will include a review of the new P2P processes and the roll-out of the system. In addition it will review any other systems in place to process creditor payments. The controls in place for managing changes to supplier’s bank details will also be examined.</p>	25

Debtors and Income Management System**30**

A review of the systems for raising debtor invoices and the arrangements for debt recovery. The audit will include a review of HAS debts to fully understand the possible causal factors that have contributed to problems in the recovery of outstanding debts.

Total – Central Services	165
---------------------------------	------------

CHILDREN AND YOUNG PEOPLE'S SERVICES	<u>Days</u>
Catering service	20
A review of the adequacy and efficiency of the current arrangements for submitting timesheets and the impact of services changes as a result of the service review following the last audit.	
High Needs SEN	25
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.	
Post 16 education	20
To provide assurance that post 16 funding has been allocated and applied in accordance with funding requirements	
Direct payments - follow up	12
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.	
Free school meals data match	30
An exercise using Interactive Data Extraction and Analysis Tool (IDEA) to match district council benefits data to free school meal entitlement to identify potential non-claimers. Identification of additional entitlement will increase pupil premium funding for schools.	
Schools Financial Value Standard (SFVS)	12
Provision to review the returns made by schools and to undertake any necessary follow up.	
Schools themed audits	65
Provision for 3 themed audits. 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. Themed audits will cover information governance, income and lettings, and budget management. There will also be a small additional allowance for visits to individual schools with known issues.	

Audit support and advice to schools

30

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

Total – Children and Young People’s Services	214
---	------------

COMPUTER AUDIT**Days**

Programme of IT audits developed in consultation with Audit North.

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	5
An allocation of time to attend and support meetings of the Procurement Operational Group.	
Support to the development of the Procurement Strategic Action Plan	10
To provide advice, guidance and challenge to the development and implementation of the procurement strategic action plan.	
Specific procurement and contract management based reviews	70
An allocation of time to undertake individual procurement and contract management reviews.	
Total – Procurement and Contract Audit	85

NORTH YORKSHIRE PENSION FUND**Days****Altair System****10**

To provide assurance that the design of controls maintains the confidentiality, integrity and availability of information processed.

Pension Fund Investments**10**

The audit will examine the controls in respect of Pension Fund investments

Pension Fund Income**15**

The audit will review the processes in place for the collection of income from member organisations and the information provided to enable the calculation of benefits under the various schemes

Pension Fund Expenditure**15**

The audit will review the processes for paying pensions, in particular reviewing payment of new pensions and changes to pension entitlement

Total – North Yorkshire Pension Fund

50

COUNTER FRAUD AND CORRUPTION

Days

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

300

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

300

INFORMATION GOVERNANCE**Days**

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

612

- 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**612**

OTHER CHARGEABLE AUDIT WORK	<u>Days</u>
Follow up	30
Provision to follow up previously agreed audit recommendations.	
Corporate governance strategy	5
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	36
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	30
Provision to undertake additional work in response to:	
<ul style="list-style-type: none"> • specific requests from the Corporate Director – Strategic Resources (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	136
--	------------

SUMMARY OF AUDIT DAYS 2014/15 - 2016/17

Audit Area	2016/17	2015/16	2014/15
Corporate	240	180	290
Health and Adult Services	215	205	130
Business & Environmental Services	85	100	85
Central Services	165	185	125
Children & Young People's Services	214	240	445
Computer Audit	100	100	100
Procurement and Contract Audit	85	90	85
Pension Fund	50	50	50
Counter Fraud & Corruption	300	310	330
Information Governance	612	700	745
Other Chargeable Audit Work	136	158	185
Non Audit Duties	---	---	10
TOTAL DAYS	2202	2318	2580