

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****2 MARCH 2017****2017/18 INTERNAL AUDIT PLAN CONSULTATION****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 2017/18, 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 Audit Committee is therefore being asked to identify any specific areas which should be considered a priority for audit.

3.0 AUDIT PLAN 2017/18

- 3.1 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 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 will include:

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. This may include providing direct support / challenge to projects, reviewing project management arrangements, or 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, individual transformation projects, ongoing data security compliance, health and social care integration, and increased commercial operations.

- 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 are being canvassed in preparing the 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 will also be 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.
- 3.7 The outline Internal Audit Plan for 2017/18 is attached at **Appendix 1**. As consultation meetings are still ongoing this should not be regarded as the complete list of audits.

4.0 **RECOMMENDATION**

- 4.1 Members are requested to consider and comment on the outline Internal Audit Plan for 2017/18 and to identify any specific areas which should be considered a priority for audit.

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Background Documents: None

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**NORTH YORKSHIRE COUNTY COUNCIL
DRAFT INTERNAL AUDIT PLAN – 2017/18****CORPORATE / CROSS CUTTING****Days****2020 North Yorkshire review of projects**

Ongoing 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.

Revenue budget management

A review of the effectiveness of the Council's revenue budget management arrangements. The review will focus on specific service areas to assess the adequacy of budget forecasting, monitoring and decision making.

Capital programme management

A review of the processes in place to prepare and monitor the delivery of the capital programme.

Performance management

A review of the effectiveness of the Council's performance management framework. This will include a review of the overall corporate reporting arrangements and a number of specific service areas to assess the effectiveness of their performance management systems.

Information governance (data breaches)

An allocation of time to investigate significant data security incidents and/or provide support to other internal investigations. The allocation will also include follow up reviews to ensure remedial action has been taken by service areas where appropriate.

Information governance (data security compliance)

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.

Risk management

An audit of the Council's risk management processes. This will include a review of the corporate risk management arrangements and how specific service areas manage their risks.

Payroll / HR

An audit of payroll / HR controls and processing. The review will include the payment of overtime and allowances. We will use the IDEA data analysis tool to focus on a number of key risk areas.

Transition from children to adults

A review of the processes and controls which ensure the effective management of the transition of care provision from the Council's children's to adults' services.

Attendance management

A cross cutting review of processes to record, manage and report staff absences. The review will consider the accuracy and completeness of data, and the effectiveness of the overall arrangements.

IR35

From April 2017, local authorities and other public sector bodies will be responsible for collecting PAYE/NI for contractors and interim staff who work through limited companies. The audit will review the Council's processes for calculating deductions where such arrangements exist.

Volunteers

A review of the Council's arrangements for managing risks associated with the use of volunteers. The specific areas will be agreed with management but may include supervision, training, data protection, health and safety, insurance and expenses.

Commercial Operations

A review of the Council's arrangements for managing risks associated with its new commercial companies. The audit will examine the effectiveness of the overall governance arrangements but not the internal operations of the companies themselves.

Transparency

A review of the Council's compliance with the requirements of the Local Government Transparency Code.

IDEA data analytics and data matching

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

HEALTH AND ADULT SERVICES

Days

Liquid Logic and ContrOCC

The audit will review a sample of key controls in the Liquid Logic and ContrOCC systems.

Provider Payment Portal

To provide practical support and challenge to the development project to automate payments to some providers through the use of a Provider Portal.

Direct payments

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.

Assessment, Billing and Contracts Project (ABC)

A review of the new systems and processes put in place for assessing charges and invoicing for adult social care.

Financial Assessments

A review of the effectiveness of key controls in place for undertaking financial assessments and relationships with the wider social care assessment processes.

Care Visits to Providers

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 a small number of care providers to provide assurance that appropriate financial controls are in place and operating effectively.

In House Respite Care

The Council is undertaking a service review of in-house respite care in 2017/18. We will support that review by examining the processes and procedures used to provide the service. We will also examine the associated management information and performance systems.

Continuing Healthcare

A review of the management of risks, processes and controls in respect of the Council's responsibilities towards Continuing Healthcare.

Learning Disability accommodation

A review of the procurement arrangements in respect of Learning Disability accommodation.

Public Health

A review of the effectiveness of the strategy and delivery of smoking cessation services.

Market failure

A review of the arrangements in place to manage the potential risks of market failure in the care market.

Carers and Care Act

A targeted review of the Carer Sitting Service and related care assessments.

Total – Health and Adult Services

BUSINESS AND ENVIRONMENTAL SERVICES

Days

Highways maintenance contract

A review of the key risk areas in respect of the highways maintenance contract with Ringway.

Highways Inspection Manual / third party claims

A review of the process and controls that ensure effective repair of the highway and the management of risks arising from third party claims.

Allerton Waste Recycling Park

A review of the systems being developed by the Council to manage payments and enable effective management of the contract.

Integrated Passenger Transport (IPT)

An allocation of time to support the review and re-design of provider contract compliance processes within the IPT service.

Concessionary fares

A review of the arrangements to manage and control the payments of concessionary fares.

Fleet management

An allocation of time to review the adequacy of management information and to support the review of processes within the service.

Total – Business and Environmental Services

CENTRAL SERVICES

Days

Business Continuity and Disaster Recovery

A review of the Council's business continuity and disaster recovery arrangements. The audit will follow up findings from previous audits.

Main accounting

A review of the arrangements for managing and maintaining the financial ledger.

Creditors

The audit will include a review of the new P2P processes and the roll-out of the system. We will provide support and challenge to the introduction of the new P2P processes to help the Council maximise the efficiency and other benefits of the system.

In addition we will review the existing systems to process creditor invoices and payments. The controls in place for managing changes to supplier's bank details will also be examined.

Debtors and Income Management System

A review of the systems for raising debtor invoices and the arrangements for debt recovery.

Members Allowances

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

Total – Central Services

CHILDREN AND YOUNG PEOPLE'S SERVICES

Days

Partners in Practice

The Council has received £8m funding from the DfE as one of a small number of pilot areas to share good practice with other organisations. The audit will review the governance procedures in place to manage the delivery of the programme.

High Needs SEN

The Children and Families Act introduced new arrangements for assessing and supporting children with special educational needs and disabilities. The service area is currently subject to an internal review. The audit will examine the changes to controls and processes resulting from the review and the implementation of a new funding methodology. The audit will include a review of high needs funding arrangements

Commissioning

A review of the processes and controls in place to commission care packages for young people to ensure that need is assessed effectively and that services are procured, managed and monitored appropriately.

Home to school transport

Home to school transport costs over £20m per annum and currently expenditure exceeds budget. An audit was previously carried out in 2015/16. This audit will review the implementation of the actions previously agreed, but also other actions taken by management since then to improve control of the budget.

Direct payments

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.

Developing Stronger Families

The Council receives funding from DCLG as part of the Troubled Families Programme. DCLG guidance expects internal audit to carry out a 10% check of each funding claim submitted.

Schools Financial Value Standard (SFVS)

Provision to review the returns made by schools and to undertake any necessary follow up.

Schools themed audits

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 the management of deficits and payroll. A third area will be chosen in consultation with CYPS management. There will also be a small additional allowance for visits to individual schools with known issues.

Audit support and advice to schools

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

Total – Children and Young People’s Services

COMPUTER AUDIT

Days

A programme of audits designed to review the management of IT related risks.

Provision to provide support and advice on IT audit matters.

Total – Computer Audit

PROCUREMENT AND CONTRACT AUDIT

Days

Support to the development of the Procurement Strategic Action Plan

To provide advice, guidance and challenge to the development and implementation of the procurement strategic action plan.

Serious Organised Crime – procurement risks

In December 2016, the Home Office reported on a pilot programme to explore the threat from Serious and Organised Crime to publicly procured services in Local Government. We will review the Council's arrangements against the risk areas highlighted in the report.

Specific procurement and contract management based reviews

An allocation of time to undertake individual procurement and contract management reviews.

Total – Procurement and Contract Audit

NORTH YORKSHIRE PENSION FUND

Days

Pension Fund Investments

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

Pension Fund Income

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

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

COUNTER FRAUD AND CORRUPTION

Days

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

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

INFORMATION GOVERNANCE

Days

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

- 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 (including the preparation and update of Information Asset Registers, the preparation and review of data sharing agreements, the maintenance of data incident reporting systems, the development and delivery of training, and the provision of advice).

Total – Information Governance

OTHER CHARGEABLE AUDIT WORK

Days

Follow up

Provision to follow up previously agreed audit recommendations.

Corporate governance strategy

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

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

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

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

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

Provision to undertake additional work in response to:

- 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

SUMMARY OF AUDIT DAYS 2014/15 - 2017/18

Audit Area	2017/18	2016/17	2015/16	2014/15
Corporate / Cross cutting		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