NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

1 MARCH 2018

2018/19 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 2018/19, to inform the preparation of the annual audit plan.

2.0 **BACKGROUND**

2.1 In accordance with professional standards[1] 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:

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[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 individual transformation projects, preparations for the introduction of the General Data Protection Regulation (GDPR), ongoing data security compliance, health and social care integration, and increased commercial activities.

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 2018/19 and to identify any specific areas which should be
      considered a priority for audit.

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9 February 2018

Background Documents: None

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NORTH YORKSHIRE COUNTY COUNCIL
DRAFT INTERNAL AUDIT PLAN 2018/19

CORPORATE / CROSS CUTTING   <u>Days</u>

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.

Savings Delivery

An audit of the effectiveness of savings plans, monitoring, reporting arrangements and achievement of targets. The audit will focus primarily on CYPS.

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 effectiveness review of how specific service areas manage their risks. The audit will also review project risk management.

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.

Contractor Due Diligence

A review of the processes of due diligence, both at the tender stage and during the lifetime of the contract. Work will also cover supply chain resilience and the need to ensure diversity of supply.

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 (follow up)

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

Money Laundering

An allocation of time to complete a detailed anti money laundering and terrorist financing risk assessment. An action plan will also be produced highlighting any remedial actions which are considered necessary to address risks in this area.

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 <u>**Days**</u>

Liquid Logic and ContrOCC

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

Payments for Residential Care

A review of the system for processing changes in residential and nursing home placements. The audit will examine whether the Council is being notified of changes, particularly deaths, in a timely manner and whether all relevant systems are updated correctly.   The review will also consider the system of 'bed returns' and will build on audit work completed in 2017/18.

Financial Assessments

A review of the effectiveness of key controls in place for undertaking financial assessments and the relationships with the wider social care assessment processes. The work will include a review of deferred payments. The adequacy of the measures to identify and report possible fraud will also be examined.

Direct payments

A review of the systems and procedures to ensure Direct Payment Agreements are managed in line with the Council's approved policies. The adequacy of the measures to identify and report possible fraud will also be examined.

Deprivation of Assets

A review of the systems and procedures that ensure deprivation of asset cases are managed in line with the Council's approved policies.

Visits to Care 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 and provider services to give assurance that appropriate financial controls are in place and operating effectively.

Visits to Botton Village and Avalon

To re-visit Botton Village and Avalon (following the 2017 audit visits) to assess the extent to which previous risks and any new risk areas are being effectively managed.

HEALTH AND ADULT SERVICES **Days**

Public Health

To provide assurance on the management of key risks facing Public Health.

Total – Health and Adult Services

BUSINESS AND ENVIRONMENTAL SERVICES <u>**Days**</u>

Highways maintenance contract

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

Street Lighting

A review of the project management and management of risks associated with this major scheme.

Local Enterprise Partnership

A review of governance and management processes associated with the Local Enterprise Partnership. The work will consider the risks highlighted by DCLG's 'Review of Local Enterprise Partnership Governance and Transparency' in their report published in October 2017.

Allerton Waste Recycling Park

A review of the systems in place to manage payments and enable effective management of the waste contract.

Kex Gill Realignment Scheme

A review of the project management and management of risks associated with this major scheme.

Total – Business and Environmental Services

CENTRAL SERVICES <u>Days</u>

Main accounting

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

Creditors

To support and provide challenge to the introduction of the new P2P processes via membership of the P2P Project Board. In addition, we will review the key controls and systems in operation during the year to process creditor invoices and payments.

Budgetary preparation and management

A review of budget preparation processes and the systems for ongoing budget monitoring and reporting.

Credit Control, Debt Management and Recovery

A review of the management of debts outstanding including commercial debts and the arrangements for debt recovery.

Closedown of the Statement of Accounts

A reflective examination of the effectiveness of closedown procedures and the production of the Statutory accounts in 2017/18. The review will identify any lessons for future years given the earlier deadlines for each stage (the draft accounts now need to be prepared by 31 May and the audited accounts published by 31 July).

Payment Card Industry Data Security Standard

To review the arrangements the Council has put in place to comply with the requirements of PCI DSS.

Financial Processes

To review the adequacy of controls within automated financial processes including the BACs Bureau and Direct Debits.

Treasury Management

To review whether the Council's arrangements comply with the requirements of the new CIPFA code on Treasury Management in the Public Services.

Total – Central Services

CHILDREN AND YOUNG PEOPLE'S SERVICES

Adult Learning

The service was inspected by Ofsted in May/June 2017, and the audit will review progress made in implementing actions identified following that inspection.

Children Leaving Care

A review of the processes in place to manage the transition for children leaving care and payments made on behalf of care leavers.

Fostering & Payments to Carers

A review of the processes and controls in place for making payments to foster carers and ensuring suitable carers are available. The review will also include a review of the payments and processes for Special Guardianship Orders, Child Arrangement Orders, Adoption Order Allowances and Residence Order Allowances.

Home to school transport

Home to school transport costs over £20m per annum and currently expenditure exceeds budget. An audit was planned for 2017/18, but this was postponed due to a review of the service, and planned service changes. This audit will review the implementation of the actions previously agreed in the 2015/16 audit, but also other actions taken by management since then to improve control of the budget.

County Catering

An audit was carried out during 2016/17 that provided Reasonable Assurance. The actions resulting from this audit mainly consisted of the introduction of a new electronic system that would replace a number of inefficient paper based processes. This audit will examine the new system, and how this is operating to improve efficiency and data quality.

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.

CYPS Pensions Enhancements

The CYPS budget includes a figure for pre 1996 pension enhancements. It is expected that this figure will reduce over time, and the audit will look to identify the process in place to achieve that reduction.

CHILDREN AND YOUNG PEOPLE'S SERVICES <u>**Days**</u>

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 compliance with the new GDPR and of wider information governance requirements, procurement and E-trading, and issues around the extended early years entitlement in schools. 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**

Technology and Change is accredited with ISO 27001. We have a developed an audit programme that will examine compliance in each area of ISO 27001 over a five year period. The audit(s) would also include testing to ensure compliance with the IT elements of the General Data Protection Regulation (GDPR) such as data retention schedules and privacy and protection of personally identifiable information.

Provision to provide support and advice on IT audit matters.

Total – Computer Audit

PROCUREMENT AND CONTRACT AUDIT <u>**Days**</u>

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.

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 **<u>Days</u>**

A programme of audits designed to review the management of Pension Fund risks, to be agreed with the Pensions Board.

Provision to provide support and advice on Pension Fund related audit matters.

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   <u>**Days**</u>

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 the Council's policy framework and data protection legislation (including undertaking a programme of audits) as Data Protection Officer

- the investigation of serious data security incidents, the coordination of remedial activity and liaison with the Information Commissioner's Office

- the provision of advice and guidance on all related matters (including privacy notices, data protection impact assessments, data sharing agreements and information asset registers).

Total – Information Governance   ‾‾‾‾‾

OTHER CHARGEABLE AUDIT WORK <u>**Days**</u>

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 2015 TO 2019

Audit Area	2018/19	2017/18	2016/17	2015/16
Corporate / Cross cutting	250	250	240	180
Health and Adult Services	180	180	215	205
Business & Environmental Services	90	90	85	100
Central Services	100	110	165	185
Children & Young People's Services	190	212	214	240
Computer Audit	70	70	100	100
Procurement and Contract Audit	60	60	85	90
Pension Fund	50	50	50	50
Counter Fraud & Corruption	350	350	300	310
Information Governance	606	606	612	700
Other Chargeable Audit Work	110	112	136	158
TOTAL DAYS	**2056**	**2090**	**2202**	**2318**