

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

21 JUNE 2018

**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 31 May 2018 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 the Children and Young Peoples Services Directorate (CYPS), the Committee receives assurance through the work of internal audit (as provided by Veritau), as well as receiving a copy of the latest directorate risk register.
- 2.2 This agenda item is considered in two parts. This first report considers the work carried out by Veritau and is presented by the Head of Internal Audit. The work of internal audit is reported in accordance with an agreed programme of work with this report covering audits finalised in the 12 months to 31 May 2018. The second part is presented by the Corporate Director and considers the risks relevant to the directorate and the actions being taken to manage those risks.

3.0 WORK CARRIED OUT DURING THE YEAR ENDED 31 MAY 2018

- 3.1 As well as audits of directorate systems, Veritau also reviews the adequacy of controls operating within North Yorkshire maintained schools. The majority of audit work within schools is now performed as part of themed audits, where a specific topic is reviewed across a range of schools. During these audits feedback is provided to each school visited, but the audit report is issued to CYPS and includes common issues or best practice. CYPS then produces a response which is aimed at improving standards across all schools.
- 3.2 Details of internal audit work undertaken within the directorate and the outcomes of these audits are provided in **appendix 1**.
- 3.3 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 training courses for school governors on financial controls and the School Financial Value Standard (SFVS);
- (b) monitoring and reviewing SFVS returns and drafting the DfE return;
- (c) reviewing LMS Procedure Rules, in conjunction with school representatives and officers from Finance and Management Support, Legal Services and the Corporate Property Landlord Unit;
- (d) contributing to training sessions at the termly school bursar conferences;
- (e) offering advice to schools on tendering and quotation procedures in connection with devolved capital works;
- (f) keeping schools informed of best practice and recent developments;
- (g) publishing advice for schools on counter-fraud arrangements to enable them to comply with the requirements of the LMS Scheme;
- (h) 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.

3.4 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 2**.

3.5 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau follow up all agreed actions on a regular 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.**

3.6 The programme of audit work is risk based. Areas that are assessed as well controlled or low risk are reviewed less often with audit work instead focused on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern.

4.0 **AUDIT OPINION**

4.1 Veritau performs its work in accordance with the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant standard (2450) states that the chief audit executive (CAE)¹ should provide an annual report to the board². The report should include:

- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)

¹ For the County Council this is the Head of Internal Audit.

² For the County Council this is the Audit Committee.

- (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 4.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Children and Young People's Services Directorate is that it provides **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

6 June 2018

BACKGROUND DOCUMENTS

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

Report prepared and presented by Ian Morton (Audit Manager - Veritau)

AUDIT REPORTS ISSUED IN THE YEAR TO 31 MAY 2018

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Developing Stronger Families March 2017 Claim	High	The DCLG framework for the Troubled Families Programme requires internal audit to carry out a representative sample of at least 10% of results for each claim. The aim of these checks is to ensure families are eligible for inclusion in the programme and that appropriate progress has been achieved against the Outcome Plan	October 2017	Suitable evidence was available to support the claim for each family within the sample	No actions identified
B	Developing Stronger Families October 2017 Claim	High	The DCLG framework for the Troubled Families Programme requires internal audit to carry out a representative sample of at least 10% of results for each claim. The aim of these checks is to ensure families are eligible for inclusion in the programme and that appropriate progress has been achieved	October 2017	Suitable evidence was available to support the claim for each family within the sample	No actions identified

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			against the Outcome Plan			
C	Developing Stronger Families December 2017 Claim	Substantial	The DCLG framework for the Troubled Families Programme requires internal audit to carry out a representative sample of at least 10% of results for each claim. The aim of these checks is to ensure families are eligible for inclusion in the programme and that appropriate progress has been achieved against the Outcome Plan	May 2018	It was noted that there are insufficient controls in place to prevent cases previously claimed for and subsequently closed on the Early Help Module system from being highlighted as potential new claims. This is because of the nature of some families where there are separate households and multiple family names living at the same address.	One P2 action was agreed Responsible Officers DSF Co-ordinator Development Support Officer Children and Families (CYPS) For families with multiple households the initial discussion has taken place on the project/work plan to further investigate and implement any changes to help mitigate the risk of claims against families who sit across more than one household.
D	Developing Stronger Families January 2018 Claim	High	The DCLG framework for the Troubled Families Programme requires internal audit to carry out a representative sample of at least 10% of results for each claim. The aim of these checks is to ensure families are eligible for inclusion in the programme and that appropriate progress has been achieved	January 2018	Suitable evidence was available to support the claim for each family within the sample	No actions identified

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			against the Outcome Plan			
E	Developing Stronger Families March 2018 Claim	High	The DCLG framework for the Troubled Families Programme requires internal audit to carry out a representative sample of at least 10% of results for each claim. The aim of these checks is to ensure families are eligible for inclusion in the programme and that appropriate progress has been achieved against the Outcome Plan	March 2018	Suitable evidence was available to support the claim for each family within the sample	No actions identified
F	Filey Junior School	Substantial	The audit was a follow up to a previous audit in June 2016 where a no assurance opinion was provided. The audit reviewed progress in the implementation of agreed actions.	February 2018	Since the previous audit significant progress has been made to improve the control environment within the school. The original report included 15 findings. The school obtained additional support from the FMS service which resulted in weaknesses being addressed and processes improved. The majority of the agreed actions have now been completed. The outstanding actions included testing the business continuity	Three P3 actions were agreed. Responsible Officers Admin Assistant All school staff The school is currently in talks with the supplier to arrange online ordering. The school will still use the purchase order book when ordering using Barclaycard

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					plan for effectiveness, maintaining a log for Barclaycard purchases and improving the procedures around uniform storage and ordering.	The Business Continuity plans have been tested within the office and with current staff but not with new members of staff. The Board of Governors have been made aware.
G	Themed School Audit - Budget Management	High	The audit reviewed the effectiveness of the budget management arrangements at schools. This included meeting CYPS timescales for setting the budget, the production of revised budgets, expected outturn reports and budget monitoring reports. Reports to the Governing Body were reviewed to ensure they were informed about all variances. Minutes of the Governing Body were also reviewed to assess the level of scrutiny reports were given and explanations provided for variances. The audit also reviewed the arrangements for managing surpluses or deficits.	June 2017	<p>The majority of schools visited had good procedures in place for budget monitoring, and provided regular budget monitoring reports both to the Headteacher and the Governing Body. Outturn, start and revised budgets were produced and submitted to CYPS Finance in line with required timescales.</p> <p>Two areas where issues were identified were the production and circulation of budget monitoring reports, and minutes of Governing Body meetings. Several different issues were identified in different schools with regard to meeting minutes. These included a lack of detail in the minutes, a lack of clarity over where the signed minutes were kept, and little evidence of finance being discussed at full Governing Body meetings</p>	<p>One P2 and one P3 actions were agreed.</p> <p>Responsible Officer</p> <p>Head of Finance – Schools</p> <p>Schools will be reminded of the need to produce monthly budget monitoring reports and for formal minutes to be produced for all Governing Body meetings and any committees. Guidance will be issued through bursars' conferences and training courses. We will also ensure that this guidance is included in the finance manual. A note will also be sent to FMS officers with the finding of this and other themed audits and they will be asked to deliver this message when in school. Discussions will be held with Education and Skills and Governor Support to ensure they also deliver this message to governors.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
H	Themed School Audit - Income	Substantial	The audit reviewed the arrangements for the collection of income including timeliness of receipt, record keeping and banking. Policies were checked to ensure they were regularly reviewed and included debt recovery arrangements. Charges were assessed for consistency and the treatment of VAT. For lettings, checks were made to ensure insurance documents were obtained and kept on file.	June 2017	<p>Some areas of good practice were identified where schools have generated additional income or had effective income management arrangements.</p> <p>Issues were found at several schools where the rules surrounding VAT on lettings had not been correctly applied resulting in the incorrect treatment of VAT.</p> <p>The charging policy at several schools had not been reviewed for a number of years meaning that charges were not reflecting the full costs involved in preparing and closing the school. Minutes did not properly reflect the Governors approving the charging policy.</p> <p>Parents requesting refunds for trips where the pupil did not attend and debts relating to school transport costs were found to be problem areas for schools where additional guidance may be beneficial.</p>	<p>One P2 and four P3 actions were agreed.</p> <p>Responsible Officers</p> <p>Head of Finance – Schools</p> <p>Schools will be reminded of the need to review and sign off their lettings policies. This will be done through bursars conferences and training courses. We will also ensure that this guidance is included in the finance manual. A note will also be sent to FMS officers with the finding of this and other themed audits and they will be asked to deliver this message when in schools.</p> <p>As part of reminding schools about the requirements to update lettings policies advice will be provided through the same media as above regarding the correct charging of VAT, the use of external companies to organise their lettings, the timely collection of income and the benefits of collecting payments in advance, cancellations and cancellation fees with reference to the impact on budget and budget monitoring.</p>
I	Partners In Practice	High	NYCC is one of seven local authorities to be designated as a Partner	October 2017	Each individual project board had a clear remit and the roles and	One P3 action was agreed.

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			<p>in Practice by the Department for Education (DfE). This means that CYPS will support and work alongside other authorities to share best practice and help improve performance in children's social care across the country.</p> <p>The audit reviewed the governance arrangements for the delivery of the Partners In Practice Programme, including:</p> <ul style="list-style-type: none"> • Roles and responsibilities; • Risk identification and management; • Terms of reference, meetings and the escalation of issues; • Monitoring arrangements for the delivery of activities and projects. 		<p>responsibilities of the individual boards were covered through their own comprehensive terms of reference document. Meetings of the board at each level had taken place at an appropriate frequency as specified by the terms of reference. There was also a clear link between issues identified in the minutes of the individual project boards and issues raised by the Partners In Practice Strategic Programme Board. There was a similar link between the response of the Strategic Programme Board and action within individual boards.</p> <p>Risks were managed by the Partners In Practice Strategic Programme Board and action taken to mitigate those risks. A programme risk log had been prepared that was regularly reviewed and updated. Risks specific to individual projects and activities were reported upon and monitored through monthly programme highlight reports.</p> <p>However, the plan to deliver the programme was not sufficiently detailed to include key milestones or strategies. There was no strategy in place to measure the</p>	<p>Responsible Officers</p> <p>Partners In Practice Strategic Programme Board.</p> <p>Performance monitoring arrangements for clinicians across LAC/Safeguarding and Prevention to be confirmed.</p> <p>Understanding of how clinicians input to the programme will be evaluated.</p> <p>Systemic practice training evaluation and strategy to embed training across the wider workforce.</p> <p>Discussion with DfE to take place to understand how the year four LA days interaction target can be delivered and clarification on whether potential changes to timescale/target.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					effectiveness of the training or the appointment of clinicians. There was no forward planning to consider how support to other local authorities will be delivered in the final year of the programme without a detrimental impact on services.	
J	High Needs SEN	Reasonable	<p>The audit reviewed the arrangements in place after a decision was made to educate a child in an out of county placement at a non NYCC special school. The audit examined:</p> <ul style="list-style-type: none"> • The process followed for identifying the placement and the criteria used for considering the needs of the child and the cost of the placement; • The monitoring arrangements in place to ensure the needs of the child were being met; • Processes in place to reduce the number of out of county 	April 2018	<p>CYPS was part of a benchmarking exercise completed by CIPFA in 2016. They compared favourably in terms of being able to retain a much higher percentage of their pupils in maintained special schools and maintained mainstream schools. However, CYPS were paying considerably more for placements at out of county non maintained schools than other local authorities. Work is ongoing to secure discounts with providers and better transparency on the breakdown of costs on contracts.</p> <p>There is no central record maintained of the reasons why a child's needs cannot be met at a NYCC special or mainstream school to be able to address those issues and reduce the number of out of county placements.</p>	<p>Three P2 and three P3 actions were agreed.</p> <p>Responsible Officer Assistant Director - Inclusion</p> <p>Terms and Conditions and/or Schedule 2 to be reviewed and redrafted.</p> <p>Advice to Assessment and Reviewing Officers on monitoring provider's effectiveness.</p> <p>Guidance notes for Assessment and Reviewing Officers to be produced.</p> <p>Annual review process and paperwork to be redrafted.</p> <p>Schedule of reviews for officer attendance to be put in place.</p> <p>Quality Assurance process to be developed for placements.</p> <p>Overarching review of provision</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			placements.		<p>The Schedule 2 Individual Placement Agreements did not always provide sufficient detail to be able to measure the success of the outcomes for a child. Reviews were also not carried out at sufficient frequency to be able to effectively monitor the progress of achieving those outcomes. Agreements did not make reference to possible consequences for underperformance. There were also very few cases where CYPS had taken action as a result of perceived poor performance by the educational provider.</p> <p>The progress of each child is reviewed in isolation and therefore it is more difficult to identify more widespread or systematic problems. The monitoring arrangements currently in place would not highlight if there were particular issues at one school or if the unmet need was more widespread for a particular group of children.</p>	<p>including contract monitoring to be implemented.</p> <p>Process implemented for monitoring of consultation responses.</p> <p>Complex case discussion implemented prior to resource panel to ascertain and resolve issues.</p> <p>Amended paperwork and central log of reasons for out of area placements now kept and analysed.</p>
K	Post 16 Education	Reasonable	The audit reviewed compliance with the Education Funding Agency Regulations at	August 2017	The majority of sixth form colleges visited were complying with the requirements of the Education Funding Agency Regulations.	<p>Five P2 and four P3 actions were agreed.</p> <p>Responsible Officers</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			five schools with sixth form colleges attached.		<p>Colleges were recording the planned hours in the census in accordance with the hours on the student timetable/learning agreement and these hours had been calculated in accordance with the Education Funding Agency Regulations.</p> <p>In a very few cases the leaving dates included in the census for those students leaving college before the end of their course were not the dates when they last attended as shown on their attendance records. As a result, the funding claims may have been overstated. For some of these withdrawals there was no learning agreement/enrolment form signed on behalf of the institution and by the student as compliance evidence to support its funding claim.</p> <p>It was found that there was no consistency in the use of Learning Agreements, who they were signed by or what information they contained.</p> <p>Some colleges were not requesting sufficient information on the application form completed by external students to be in a</p>	<p>Assistant Director – Strategic Resources</p> <p>Lead Advisor (11-19)</p> <p>A note will be sent to all schools following the findings of the audit. This will highlight the requirements and responsibilities where the auditors noted some failing and schools will be reminded about their responsibilities surrounding pre entry advice and guidance, the application and enrolment process and withdrawals. The Lead Advisor (11-19) will also raise these issues at network meetings.</p> <p>The school in question will be reminded about their responsibilities in claiming funding and noting the discrepancy in funding and dates for two students pointing out that the school needs to contact the Education and Skills Funding Agency and seek clarification on any possible claw back.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					position to be able to provide sufficient pre-entry advice and guidance to external students. To be eligible for funding, students must be ordinarily resident. None of the sixth form colleges visited was undertaking this check nor was this information requested on the application form.	
L	Catering Service	Reasonable	<p>The audit reviewed:</p> <ul style="list-style-type: none"> • The process followed by catering staff for submitting timesheets; • The process for gaining management information from schools to raise charges; • The implementation of issued raised in the previous audit. 	January 2018	<p>The service currently relies on paper returns that are received through the post. This causes delays as they have wait for documents to arrive. There is also the potential for claims to be completed or calculated inaccurately by staff in the schools and so they need to be checked for accuracy and corrected. Data then has to be input onto the MyView system with the potential for further errors to occur. Utilising electronic forms and returns should improve both speed and accuracy within the system.</p> <p>The process for submitting timesheets is now changing with the service implementing electronic variation claims submission through the MyView</p>	<p>Two P2 and three P3 actions were agreed.</p> <p>Responsible Officers</p> <p>Head of Traded Service</p> <p>The new joint Facilities Team comprising of Catering, Cleaning and Grounds Maintenance hope to implement in April 2018 the CYPAD system which would result in the placement in each unit of a hand held tablet device. This would give each unit the IT capability to complete claims for variations in hours on site and at this point it would be the intention to return approvals for these variations to the Cook for catering claims. This returns the responsibility for approving variations to the unit staff's line manager rather than the Area Management team.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>system. This transition appears to have been a challenging one for the service especially from the point of view of the primary schools.</p> <p>There is a large difference in the percentage of errors occurring between secondary and primary schools for MyView entry and weekly returns. This is likely to be due to staff in secondary schools being able to access computer equipment and support to undertake the required tasks. Due to the nature of the service, staff may need to submit negative variations as fewer than the standard hours have been worked. This has caused issues and errors have been made.</p> <p>Progress has been made in addressing actions previously raised. Issues still remain relating to timesheets, school weekly returns and stock control.</p>	<p>Cypad would carry electronic versions of all forms currently used in paper form and they would be imported into Saffron without the need for data entry. Forms would be locked down on the hand held device to stop tampering or amendment.</p> <p>Cypad enables stock to be taken and imported into Saffron at each half term end. Business support would still be required to sense check the stock variation reports when the stock takes had been imported, but there would be no manual keying. Facilities could implement a weekly stock take to bear down on waste and shrinkage with stock usage available the Monday of the following week. At each half term end the stock-take could be imported into Saffron to produce the period accounts for each unit.</p>
N	Themed School Audit - HR and Payroll	Reasonable	The audit reviewed the processes in place within schools to provide information to Employment Support Services (ESS) regarding payroll	May 2018	In the majority of cases it was found that information is provided to payroll correctly and in a timely manner. New starters, leavers and changes to contracts are sent to ESS in good time to be processed. No incorrect	<p>Two P2 and four P3 actions were agreed.</p> <p>Responsible Officers Assistant Director – Strategic Resources</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			changes. The adequacy and completeness of HR documentation was also reviewed.		<p>payments were made for leavers.</p> <p>Sickness information in most cases was reported correctly, although one school was identified that had failed to report sickness to ESS for a number of years</p> <p>Some schools could not provide evidence of appropriate return to work interviews, and some did not hold the correct documentation to provide evidence that the right to work in the UK had been checked prior to employment</p>	<p>Issues relating to individual schools will be followed up with them by HR staff</p> <p>Reminders and refresher guidance will be issued to all schools via HR Newsletter and Admin & Finance Conferences. FMS team to be briefed on issues and communicate requirements to schools</p>
O	Themed School Audit - Information Governance	Limited	The audit reviewed the processes within schools to manage information. This included compliance with data protection legislation, and also the secure management of data for operational and business continuity purposes	May 2018	<p>All schools visited were registered with the Information Commissioner as data controllers, and all except one had appointed a SIRO.</p> <p>Some improvements were identified compared to the previous audit in this area, and a number of schools could demonstrate significant compliance with data protection requirements. However, some issues were identified in most schools, and some schools demonstrated a poor level of overall understanding and compliance. Issues were</p>	<p>Six P2 and four P3 actions were agreed.</p> <p>Responsible Officers Assistant Director – Strategic Resources</p> <p>Schools are required to review policies & procedures with regard to GDPR requirements. Training and template documents has been provided to schools by the Veritau IG team where they have signed up for the Data Protection Officer service.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					identified in relation to approved policies, lack of training, data retention and disposal, use of data encryption and cloud back up, and procedures to deal with FOI or subject access requests.	

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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.

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