NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 MARCH 2019

2019/20 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 2019/20, 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 to ensure that the limited audit resources available 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 2019/20**

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, 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 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 will also be discussed with the County Council's external auditor, Deloitte so as to reduce the risk of overlap and to maximise the benefit of audit provision.

3.7 The outline Internal Audit Plan for 2019/20 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 2019/20 and to identify any specific areas which should be considered a priority for audit.

MAX THOMAS
Head of Internal Audit
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6 February 2019

Background Documents: None

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

NORTH YORKSHIRE COUNTY COUNCIL
DRAFT INTERNAL AUDIT PLAN 2019/20

CORPORATE / CROSS CUTTING   Days

Savings Delivery

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

Information governance (data breaches)

An allocation of time to investigate significant data security incidents and/or provide support to other internal investigations.

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.

Payroll / HR

An audit of payroll / HR controls and processing. The review will include the payment of annual increments, the changes to the grading system, and the processing of leavers.

Customer Complaints and Compliments

A review of the Council's processes and management of risks in respect of complaints and compliments, with a particular emphasis on HAS (supporting ongoing efficiency and other work by management in the directorate).

Commercial Investments

A review of the Council's arrangements for undertaking due diligence prior to the approval of commercial investments. The audit will also consider whether the arrangements are in line with relevant best practice guidance and the Code of Practice on Treasury Management in the Public Services.

Assurance Mapping

A review of other sources of assurance to ensure that duplication of work is minimised and audit resources are used effectively. This was a specific recommendation from Veritau's external PSIAS assessment in 2018.

IDEA data analytics and data matching

CORPORATE / CROSS CUTTING **Days**

Time to undertake data matching and analytics to review large scale data sets to improve data quality and to identify possible data inconsistencies.

HEALTH AND ADULT SERVICES <u>**Days**</u>

Harrogate Adult Community Services Health and Social Care Integration

A review of the effectiveness of the management of key risk areas and systems in respect of the integrated health and social care service model for adults in the Harrogate and Rural locality for 2019 and beyond.

Transferring of Care Programme

To review the management of risks, processes and controls in respect of the Council's responsibilities towards the Transferring of Care Programme.

Safeguarding

A review of controls and governance arrangements in place to manage the key risks relating to adult safeguarding.

Deprivation of Liberty Safeguards (DoLS)

To review management of the key risks, systems and procedures that ensure deprivation of liberty cases are effectively managed. Work will cover current performance, including assessment activity, as well as consider the emerging risks of new DoLS related legislation which is expected in 2020.

Continuing Healthcare

To review the management of risks, processes and controls in respect of the Council's responsibilities towards the Continuing Healthcare Programme. We will build on our knowledge from the detailed work we completed in 2017.

Financial Assessments

A review of risks and controls in respect of financial assessments including those that ensure financial assessments are promptly completed.

Baseline Assessment of Care Providers

The baseline assessment process reviews the contractual risks in respect of care providers. We will consider how information obtained from these reviews is used elsewhere in HAS to help reduce risk and increase awareness and knowledge. We will also review the spreadsheet system used to manage the process.

Visits to Care Providers

To provide support and ad-hoc guidance to officers on specific cases involving financial matters. The allocation of time will help provide assurance that appropriate financial controls are in place and operating effectively.

Suspension Process

To review the policies and processes in place for the suspension of care providers.

Hardship process

To review the policies and processes in place for when a care provider submits a request to the Council for hardship.

Public Health

To provide assurance on the management of key risks arising from the provision of Public Health services.

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

Highways new arrangements

A review of the governance arrangements and management of risk in respect of the forthcoming new professional engineering and highways maintenance services contracts (the current arrangements end in 2020 and 2021).

Highways demobilisation

A review of the de-mobilisation arrangements managing the final year/two years of the professional engineering and highways maintenance services contracts.

Fleet Management

A review of the management of risk and effective use of management information in respect on the newly introduced systems and processes for the management of Council vehicles.

Concessionary Fares

A review of the systems and procedures for reimbursing providers for the provision of concessionary bus fares.

Allerton Waste Recycling Park

To provide assurance on the management of key risks in respect of the long term waste contract.

Countryside Services

A review of the policies, systems and prioritisation in respect of countryside services.

CENTRAL SERVICES $\qquad$ <u>**Days**</u>

Creditors & Purchase to Pay

To support and provide challenge to the introduction of the new P2P processes via membership of the P2P Project Board. This will also include an audit review of the operational P2P process to ensure it is operating effectively.

Budgetary preparation and management

A review of the budget management process, building upon work in previous years, to ensure effective budget management is taking place and savings plans achieved

Debtors and Debt Management Project

A review of the debtors system, including the processes in place to ensure debtors accounts are raised promptly and accurately. This will also include time to provide support and challenge to the Debt Management Project

Purchasing cards and VAT

A review of the use of purchasing cards to ensure the issue of cards is monitored and that card payments are reviewed and reconciled. The audit will also review the recording of VAT on card purchases

Financial Processes

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

Asset Management

To review the extent to which the Council's arrangements reflect best practice in the management of the assets they own.

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

Home to school transport

Home to school transport continues to be a high risk area, with a number of projects taking place to try and manage costs whilst maintaining service standards. Previous audits have identified a number of weaknesses in this area, and this audit will therefore review the progress made in addressing these issues. The audit will also review the implementation of new processes to manage the commissioning of home to school transport.

Safeguarding

A review of controls and governance arrangements in place to manage the key risks relating to safeguarding.

Music Service

A review of the processes and controls for paying employees, collecting income and making other payments for the service

High Needs

The audit will review the evidence and challenge in place to support decision making processes, and how the service responds to information requests from relevant parties

Disabled Children's Service

A review of management and monitoring procedures in relation to direct payments and local commissioning budgets

Developing Stronger Families

The Council receives funding from MHCLG as part of the Troubled Families Programme. MHCLG 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.

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

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
procurement, cyber security and business continuity, and governance
procedures. 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.

COMPUTER AUDIT   **<u>Days</u>**

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.

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.

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.

COUNTER FRAUD AND CORRUPTION   <u>**Days**</u>

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.

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).

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.

SUMMARY OF AUDIT DAYS 2016 TO 2020

Audit Area	2019/20	2018/19	2017/18	2016/17
Corporate / Cross cutting	160	200	250	240
Health and Adult Services	220	180	180	215
Business & Environmental Services	100	80	90	85
Central Services	110	130	110	165
Children & Young People's Services	212	212	212	214
Computer Audit	70	70	70	100
Procurement and Contract Audit	60	60	60	85
Pension Fund	50	50	50	50
Counter Fraud & Corruption	350	350	350	300
Information Governance	606	606	606	612
Other Chargeable Audit Work	108	118	112	136
TOTAL DAYS	**2046**	**2056**	**2090**	**2202**

Note – the 2019/20 allocation of days is indicative at this stage.