

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

21 JUNE 2019

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 2019 for the Children and Young People's Services Directorate (CYPS).

**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 year to 31 May 2019. 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 2019**

- 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) monitoring and reviewing SFVS returns and drafting the DfE return;

- (b) reviewing LMS Procedure Rules, in conjunction with school representatives and officers from Finance and Management Support, Legal Services and the Corporate Property Landlord Unit;
  - (c) contributing to training sessions at the termly school bursar conferences;
  - (d) offering advice to schools on tendering and quotation procedures in connection with devolved capital works;
  - (e) keeping schools informed of best practice and recent developments;
  - (f) publishing advice for schools on counter-fraud arrangements to enable them to comply with the requirements of the LMS Scheme;
  - (g) 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**. Where the audits undertaken focused on value for money or the review of specific risks as requested by management then no audit opinion will be given.
- 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)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. 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)

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<sup>1</sup> For the County Council this is the Head of Internal Audit.

<sup>2</sup> 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.

## 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

5 June 2019

## **BACKGROUND DOCUMENTS**

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

Report prepared by Ian Morton, Audit Manager, Veritau and presented by Max Thomas, Head of Internal Audit

## AUDIT REPORTS ISSUED IN THE YEAR TO 31 MAY 2019

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Developing Stronger Families May 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	June 2018	Suitable evidence was available to support the claim for each family within the sample	<b>No actions identified</b>
B	Developing Stronger Families September 2018 Claim	High	See A above	September 2018	Suitable evidence was available to support the claim for each family within the sample	<b>No actions identified</b>
C	Developing Stronger Families December 2018 Claim	High	See A above	December 2018	Suitable evidence was available to support the claim for each family within the sample	<b>No actions identified</b>
D	Developing Stronger Families March 2019 Claim	High	See A above	March 2019	Suitable evidence was available to support the claim for each family within the sample	<b>No actions identified</b>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
E	Themed School Audits – Deficit Budget	High	The audit reviewed how effectively schools with a deficit budget are managing the budget. This included ensuring a realistic savings plan is in place and that it is monitored at least monthly with regular reports presented to the school's Governing Body.	June 2018	<p>Schools with licensed deficits are expected to have a recovery action plan in place to address the deficit, ideally within a 3 year period. Any deficit includes both the in-year deficit and any cumulative historic deficit that has been accrued. With one exception, all schools reviewed had a suitable plan in place that contained sufficient detail of the savings, efficiencies and actions to provide assurance to CYPS Finance that the plan will be effective. The remaining school is working closely with CYPS Finance to devise a suitable action plan.</p> <p>The level of monitoring requested is based on either the size of the deficit or the recovery period. Those schools where recovery is predicted over several years are requested to submit regular monitoring reports, normally in line with full Governing Body meetings.</p> <p>All of the schools visited provided evidence that monthly budget monitoring was taking place within school. There was also evidence of additional discussions taking place with Governors. These</p>	<b>No actions identified</b>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					discussions are reflected in the minutes and variances appear to be well explained.	
F	Themed School Audits – North Yorkshire Education Service (NYES)	Reasonable	The audit reviewed how schools interact with NYES to ensure schools undertake an effective review of charges prior to payment and ensure compliance with the SLA for each service area.	June 2018	<p>NYES provides a central system for schools to purchase services and book training courses. Each school is allocated a Client Relationship Manager (CRM). The general view of the schools visited is that the CRM provides them with a good, helpful service.</p> <p>Most schools visited stated that they either find the NYES online booking system difficult to use, or items appear in their baskets without their knowledge or they have not had either training or a user guide in order to use the system effectively.</p> <p>Schools report that the SLA documents themselves can be very long and it is unclear what level of service they should be receiving. In some cases schools are unable to locate SLA's for services they have purchased.</p> <p>All schools use NYES to book places on training courses, and purchase IT equipment that is not included in SLAs. These are then charged through ORACLE each</p>	<p><b>One P2 and three P3 actions were agreed.</b></p> <p><b>Responsible Officers</b></p> <p>NYES Head of Operations Assistant Director - Strategic Resources (CYPS) NYES Head of Innovation Service Manager Customer Accounts</p> <p>Schools were reminded of the required processes via the Admin &amp; Finance Conferences. FMS Team to remind schools of the required processes for checking and approving payments and also for reporting service issues.</p> <p>Meetings with Relationship Managers already include discussions about opt out timings. There is an ongoing improvement project underway to provide customers with prices as early in the year as possible. Website redevelopment is underway to improve customer experience and usability. Responsibility for SLA online development now sits with Technology and Change within NYCC.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>month. Several schools either did not maintain a record of purchases or did not check whether goods have actually been received.</p> <p>Disputes in relation to the service provided are often reported directly to the service area rather than via the NYES relationship manager.</p>	
G	Themed School Audit – GDPR	Limited	The audit reviewed compliance with GDPR requirements at those schools who have not appointed an external Data Protection Officer (DPO).	May 2019	<p>Only a small number of North Yorkshire schools have not appointed an external DPO. These schools are instead reliant on internal resources to provide the required level of expertise to ensure compliance with GDPR regulations.</p> <p>ICO guidance states that the DPO should be independent, appropriately qualified, adequately resourced and should report to the highest level of management. Schools visited had appointed a range of different people as DPO including Business Managers, Deputy Heads and Governors. In most cases the arrangement does not comply with the guidance criteria.</p> <p>Some schools have made greater</p>	<p><b>Six P2 actions were agreed.</b></p> <p><b>Responsible Officer</b> Assistant Director – Strategic Resources (CYPS).</p> <p>Each school will be contacted by the Senior Governance Officer to ascertain what they intend to do to address the issues raised by the audit and they will be reminded of their responsibilities in relation to GDPR. A specific GDPR session will be included in the autumn conference.</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>progress, and are more prepared than others. The responses of some schools demonstrate a lack of understanding of the legislation and the required actions. Only 2 of the schools covered by the audit are potentially close to complying with the requirements of the legislation. The majority of the schools have not carried out appropriate training for staff.</p>	
H	Themed School Audit - Electronic Payment Methods	Reasonable	<p>The audit covered the use by schools of online methods to buy and sell goods. The audit reviewed the type of online activity carried out within schools, and the type of retailers used. The audit also examined the use of additional online payment methods such as PayPal</p>	May 2019	<p>The Schools Finance Manual does not provide specific guidance covering electronic purchasing and selling. Schools have therefore used their own judgement or contacted audit or the FMS team for advice. Most schools reviewed use standard online providers with very few using auction sites. No inappropriate sites were used.</p> <p>Some purchases have been made which appear questionable, but could be appropriate in specific circumstances. We did identify a number of schools who allow purchase cards to be used by someone other than the named person.</p> <p>Only a small number of schools use an electronic payment</p>	<p><b>Three P2 and two P3 actions were agreed.</b></p> <p><b>Responsible Officer</b> Assistant Director – Strategic Resources (CYPS).</p> <p>The Schools Finance Manual will be updated to cover electronic purchasing and selling. Specific guidance will be written to address the issues raised in the audit.</p> <p>An update will be given at the Bursars Conference in the autumn.</p>



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				<p>provider such as PayPal. In all cases these schools have a process in place to reconcile charges incurred on their PayPal account to purchases made. In most cases the PayPal account is linked to the purchasing card, although we identified one school where the link is to the school BAFS account, and all purchases made using PayPal are paid for directly from the main school bank account.</p> <p>All schools reviewed maintain a log of card purchases and undertake a reconciliation of purchases made. There is no consistency across the schools regarding the reconciliation process.</p> <p>A number of the major online providers do not provide the appropriate documentation to reclaim VAT unless it is specifically requested. We identified a number of cases where schools have not reclaimed VAT as the appropriate documentation was not obtained from the retailer. No cases were identified where VAT was reclaimed without the appropriate documentation.</p>	

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I	High Needs SEN	Substantial	The audit reviewed compliance with The Special Educational Needs and Disability Code of Practice when undertaking assessments and agreeing Educational Health and Care Plans (EHCP).	August 2018	<p>Based upon the sample of cases checked, the authority is complying with the Special Educational Needs and Disability Code of Practice for 0 to 25 years when undertaking an assessment and agreeing an EHCP. Changes in the CAN-Do process have led to large alterations in the indicative amount of funding levels and the CAN-Do process is currently being reviewed to address this.</p> <p>There is no process in place to ensure that top up funding provided to schools is being spent to assist the pupils and deliver the desired outcomes within the EHCP.</p>	<p><b>One P3 action was agreed.</b></p> <p><b>Responsible Officers</b> Head of SEN and Disability Service.</p> <p>There will be discussions to see if we can insist on a declaration on how notional SEN is used and publish this on the school web site</p> <p>We will identify a process by which schools have to justify how Element 3 funding is to be used and include an annual review of the use of that funding.</p>
J	Children Leaving Care	Reasonable	The audit reviewed compliance with the policy framework for children leaving care. This included ensuring Needs Assessments and Pathway Plans were completed and reviewed, each young person was allocated a Personal Advisor, and appropriate financial	May 2019	There are policies in place relating to Children Leaving Care which include legislation and statutory guidance and internal policies/guidelines including documented financial arrangements. The Leaving Care Entitlements document which outlined the financial limits has now been replaced by The Core Offer (October 2018).	<p><b>One P2 and three P3 actions were agreed.</b></p> <p><b>Responsible Officers</b> Leaving Care Manager, Leaving Care Team Manager, Assistant Team Managers, Looked After Children Managers.</p> <p>A review of all young people who require a pathway plan will be</p>

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		arrangements were in place.		<p>A number of Pathway Plans were not completed in a timely manner (before age 16 and 3 months). However, Pathway Plans were being reviewed regularly at least every 6 months.</p> <p>It is difficult to identify how much (if anything) the young person was receiving from NYCC through payments for Children Leaving Care. The Pathway Plans have a section for Financial Support but this is not being utilised to clearly document the regular financial support the young person is receiving.</p> <p>There was evidence that personal advisers were being allocated and carrying out their necessary duties as per the guidance.</p> <p>A sample of ad hoc payments was reviewed. All had been appropriately authorised and were made in accordance with policy. However, the majority of ad hoc payments were not being paid through bank transfer directly to the individual but were being made off system by petty cash.</p> <p>An issue was identified with the reporting of payments through</p>	<p>completed to ensure 100% have plans in place. Work will be undertaken to understand how the dashboard calculates pathway plans for LAC pre 16 years and 3 months. Practice guidance on the requirements for pathway plans to be reviewed and shared with all staff.</p> <p>All Pathway Plans will include a clear financial plan. The practice guidance will contain clarity as to where entitlements should be recorded. A 3 month dip sample audit will be completed to obtain some assurance this is in place.</p> <p>BACS must be used wherever possible. We will work with the finance team to ensure that any bank transfers made are done so in a timely manner to prevent hardship to the young person. We will also look at pre-payment cards options. Guidance has been developed on where exceptions to payment by bank transfer (petty cash) can be made. All exceptions to be approved by the Leaving Care Manager.</p> <p>We are working with finance/data and intelligence team to determine how reporting can be improved to ensure visibility of all payments.</p>

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					ContrOCC. The amounts on the report produced for petty cash payments were showing up as ongoing payments for a high amount when in fact they were one off payments of a small value.	
K	Adult Learning	Reasonable	The audit examined whether a comprehensive action plan existed that addressed all of the findings from the inspection by Ofsted and that progress had been made in addressing the identified areas for improvement.	May 2019	<p>A comprehensive action plan exists which addresses the findings from the Ofsted inspection. This covers the 13 key priorities/outcomes which address the areas for improvement identified in the Ofsted inspection.</p> <p>The actions set out how the key priorities will be addressed and outcomes delivered. Good progress has been made, and more than half of these actions have been marked as complete.</p> <p>This document has now been closed off, and outstanding actions have been incorporated into the Leadership and Management Quality Improvement Plan (QIP), which addresses improvements at a whole service level. This is a 'live' document and it can be seen that this is being regularly monitored and updated.</p> <p>A sample of both completed and</p>	<p><b>Two P2 and one P3 actions were agreed.</b></p> <p><b>Responsible Officers</b></p> <p>Assistant Director – Strategic Resources (CYPS), Integrated Finance (CSD), Assistant Director – Education and Skills</p> <p>Actions will be moved back into the Leadership and Management QIP and the necessary actions developed to tackle each of the actions identified. This will be monitored through regular updates of the plan at the services Senior Leadership Team Meetings.</p> <p>We will carry out a thorough review of ILPs across the service and report back on findings. We will also continue to offer CPD sessions to teachers on how to set and monitor individual and group targets. Curriculum managers will review ILPs with individual teachers as part of keep in touch meetings.</p>

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				<p>outstanding actions from the Post-Ofsted action plan were reviewed. Of the five outstanding actions in our sample, we found that three of the five actions had not been moved over onto the QIP and therefore assurance could not be given that progress against the action is monitored or the required change has been achieved.</p> <p>There were weaknesses identified with the completeness of the Individual Learning Plans (ILPs) which did not sufficiently evidence that the action had been completed.</p>	

### Audit Opinions and Priorities for Actions

<b>Audit Opinions</b>	
<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>	
<b>Opinion</b>	<b>Assessment of internal control</b>
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.

<b>Priorities for Actions</b>	
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.