

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 OCTOBER 2020

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 period from 1 June 2019 to 30 September 2020 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 People's 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 period to 30 September 2020. 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 16 MONTH PERIOD ENDED 30
SEPTEMBER 2020**

- 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. The reports include common issues and/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. Returns were received from schools but due to the Covid pandemic submission a return to DfE was not required;
 - (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) conducting 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 **RECOMMENDATION**

- 4.1 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

8 October 2020

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 PERIOD TO 30 SEPTEMBER 2020

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	County Catering 2018/19	Reasonable Assurance	The audit reviewed the use of the Cypad system, a new web based kitchen management and ordering system. The new system went live in September 2018.	July 2019	<p>At the time of the audit, a number of issues were found that were preventing the Cypad system from being used to its full potential. As a result manual processes were being used in parallel to the new system. This was creating inefficiencies and duplication.</p> <p>Time recording information was being entered on Cypad as well as being recorded manually, prior to entry into MyView. The information recorded in MyView is reviewed by the Area Catering Managers but there was no reconciliation between the two systems.</p> <p>A manual check was being performed when goods were delivered. In some cases orders were being signed off when incorrect quantities were delivered.</p> <p>The Cypad system was also not integrated with Saffron, the payment system. Instead an electronic upload was needed to</p>	<p>Two P2 and three P3 actions were agreed.</p> <p>Responsible Officer; Assistant Director – Strategic Resources</p> <p>We will work to highlight persistent offenders where hours notified in Cypad are not correct with a view to providing additional training.</p> <p>We will implement a system where we can check the receipted order in Cypad against the invoice in Saffron. This to be in place for Autumn Term 2019.</p> <p>The required timescale for implementation was very truncated and it was therefore accepted that not all the processes would be fully developed in time. To mitigate this we have taken action to ensure integrity of the information in Saffron.</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					transfer data into the Saffron system to enable payments to be made to suppliers.	
B	Home To School Transport 2018/19	Reasonable Assurance	The audit reviewed the process for awarding specialist contracts to taxi operators, the cost differences following contract modifications, and whether transport was provided only for children with special educational needs who met the eligibility criteria.	November 2019	<p>The audit found cases where contracts were awarded to taxi operators where the cost of transport provision was significantly higher than that estimated by IPT. Significant expenditure was being incurred as a result of servicing these contracts for a relatively small number of school children.</p> <p>The approach taken by IPT to modify contracts with taxi operators when route changes are required can in some cases increase costs significantly. Additional mileage is calculated at a standard rate but there is no correlation between the standard charge and the cost per mile charged by a taxi operator before a contract modification takes place.</p> <p>The Council does not request that parents complete an annual application form or submit an identification photograph of their child. This increases the risk that services are provided for ineligible children.</p>	<p>Five P2 and four P3 actions were agreed.</p> <p>Responsible Officers;</p> <p>Assistant Director – Inclusion; Assistant Director – Waste Management, Waste and Countryside Services; Assistant Director – Education and Skills</p> <p>A Service Level Agreement (SLA) will be implemented across CYPS, HAS and IPT services.</p> <p>A 10 day turnaround has been implemented between CYPS and IPT for requests.</p> <p>Additional team training will be completed in IPT prior to the September and Area Review.</p> <p>CYPS are undertaking a review of transport costs. This information can be cross referenced against the high needs pupils banding system for comparison/estimating purposes.</p> <p>IPT/CYPS joint workshop days will be undertaken quarterly in the future.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>There is no documented SLA between IPT and CYPS.</p>	<p>Meetings between senior managers and operational teams have also been introduced.</p> <p>Further consideration is needed to implement a system to monitor modifications where they amount to an additional % of the original price. In such cases we will use officer experience and knowledge to consider re-procurement.</p> <p>Agreement given by full council on 23 July 2019 to introduce a new application process and the policy has been changed to reflect this.</p>
C	Schools Themed Audits - Extended Early Years Entitlement 2018/19	Substantial Assurance	The audit reviewed schools' compliance to the Early Education and Childcare requirements for receiving Extended Early Years Entitlement (EEYE).	January 2020	<p>There were instances at six of the ten schools visited where parents had signed the Parental Agreement after their child had started. Instances of the school not signing the Parental Agreement were found at eight of the ten schools.</p> <p>Six schools were retaining copies of children's birth certificates and passports on file when there was no need to do so. Retention of evidence that documentation has been seen is adequate.</p>	<p>Two P2 and two P3 actions were agreed.</p> <p>Responsible Officer ; Assistant Director – Strategic Resources (CYPS)</p> <p>A factsheet will be issued to all providers including schools and nursery schools. This will highlight all the key requirements for delivering EEYE.</p> <p>A briefing session will be delivered at the Summer 2020 School Admin & Finance Conference highlighting the key requirements.</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>Four schools had only one staff member who could access the Provider Portal.</p> <p>The registers for most schools were appropriate and matched the agreed scheduled times for each child.</p> <p>All schools suitably promoted the Extended Early Years Entitlement to Parents.</p> <p>A more detailed review was carried out at a nursey school where EEYE funding had been incorrectly claimed, resulting in a £11k overpayment.</p>	<p>The Spring Term Early Years Leadership Forums will remind providers of the requirement for parents and providers to sign the Parental Agreement before a child is given an EEYE place.</p> <p>Consideration will be given to delivering provider training sessions on the requirements of delivering funded EY provision and the use of the Portal at the start of the academic year.</p> <p>Financial business support has been offered to the nursery to ensure it remains financially sustainable and the business owners understand what they are entitled to claim.</p>
D	Schools Themed Audits - Cyber Security and IT Management 2019/20	Reasonable Assurance	The audit reviewed IT and cyber security arrangements to determine whether schools are adequately protecting their systems and data. The audit focused on those schools who use external IT providers rather than the NYCC Schools ICT service.	September 2020	<p>Strong controls for cyber security were generally in place at all schools. All schools had an Acceptable Use policy and appropriate plans to manage cyber incidents. However, none had obtained external assurances on the security of their systems.</p> <p>We found a few areas where the physical security of the server room and data cabinets did not meet best practice standards. Good controls were in place to manage assets, however record</p>	<p>One P2 and three P3 actions were agreed.</p> <p>Responsible Officer ; Assistant Director – Strategic Resources (CYPS)</p> <p>At the next Schools Finance and Admin conference, Schools ICT will deliver a presentation on cyber security and IT management good practice.</p> <p>Schools will be reminded of the requirement to have in place a</p>

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					<p>keeping for disposed assets was inconsistent.</p> <p>All schools had a firewall in place. However, some schools do not obtain assurance that their firewalls are up to date, where these are externally hosted.</p> <p>All schools had strong logical access controls. The malware protection was also strong and anti-virus software was up to date where applicable. Patch management was also being handled appropriately.</p> <p>Issues were found with obtaining information from some third party ICT Managers and in some cases there was a lack of clarity about responsibilities.</p> <p>Four schools did not have a current IT Disaster Recovery Plan in place, although 2 had draft plans at the time of the audit.</p>	<p>Business Continuity Plan through the School Financial Management training programme delivered by the Financial Consultancy to Schools Service.</p>
E	Schools Themed Audits - Governance 2019/20	Reasonable Assurance	The audit reviewed governance arrangements within schools, governors' roles and compliance with statutory requirements.	September 2020	All the schools reviewed had governors who understood their roles and responsibilities. The governors also had a good level of involvement in operational and budget management.	<p>One P2 and four P3 actions were agreed.</p> <p>Responsible Officer; Assistant Director – Strategic Resources (CYPS)</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>Suitable processes for managing and reviewing the school budget were also found to be in place.</p> <p>The majority of schools had a policy review schedule in place and meeting minutes showed policies were being reviewed regularly.</p> <p>However, 50% of the schools did not have a completed Declaration of Interests register or the most recent version publically available.</p> <p>A number of schools were found to have no Gifts & Hospitality Policy and Register, Risk Register or Business Continuity Plan</p> <p>The full governing body meeting minutes reviewed were sufficiently detailed and there was evidence of scrutiny and challenge. However, the minutes for some sub committees lacked sufficient detail.</p> <p>The evaluation of Governors skills was not completed annually at some schools.</p>	<p>Schools will be reminded of the requirement to have the following:</p> <ul style="list-style-type: none"> • Gifts & Hospitality policy • Declaration of Interests requirements for Governors and staff involved with purchasing decisions • Business Continuity Plan • Governor meeting minutes with sufficient detail • Annual governor's skills audits <p>The above will be communicated by the following methods;</p> <ul style="list-style-type: none"> • School Admin & Finance Conference update • The School Financial Management training programme delivered by the Financial Consultancy to Schools Service • The NYCC Governor training programme • NYES Clerking Service
F	Schools Themed Audits - Procurement 2019/20	Reasonable Assurance	The audit reviewed procurement arrangements and	September 2020	The NYCC Budget Management Policy includes a section relating to procurement. However, school	One P2 and four P3 actions were agreed.

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
		compliance with NYCC contract requirements.		<p>based staff have not received any further training on procurement or contract management.</p> <p>Most Declarations of Interest for Governors were found to be completed annually. However, not all schools had completed Declaration of Interests for the officers involved in the purchasing process.</p> <p>Two schools did not retain evidence that a value for money exercise was carried out.</p> <p>Two schools did not have a central record of contracts. They instead relied on the School Business Manager to identify when contracts were due for renewal through knowledge of the existing contracts or by checking those contracts regularly.</p> <p>For schools that arrange contracts through NYES, a formal process is followed. Regular visits are carried out to ensure these contracts are operating as expected. For schools that have contracts with external providers, there is often no formal contract management process in place.</p>	<p>Responsible Officer; Assistant Director – Strategic Resources (CYPS)</p> <p>A procurement briefing will be provided at the Schools Admin & Finance Conference.</p> <p>The provision of procurement training will be considered through the NYES Procurement Service.</p> <p>Schools will be reminded of the requirements for Declaration of Interests, procurement rules and the need to maintain a contract register/review schedule. This will be done through:</p> <ul style="list-style-type: none"> • School Admin & Finance Conference procurement briefing • The School Financial Management training programme delivered by the Financial Consultancy to Schools Service <p>Financial Consultancy to Schools bursar service will include a review of school contract registers from 1/04/2021.</p>

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G	CYPS Safeguarding 2019/20	Reasonable Assurance	The audit reviewed the use of purchasing cards and petty cash accounts within CYPS. The audit aimed to determine if expenditure via these methods was appropriate, clearly linked to the safeguarding of children and regularly reviewed by management.	September 2020	<p>A Purchase Card User Manual is in place but has not been updated since 2015. The Finance Manual is also under review. Guidelines were in place on purchasing card and petty cash recording logs.</p> <p>Purchasing card and petty cash logs were found to be used inconsistently. Minimal evidence was provided to show why high value or unusual purchases were required. The majority of logs did reference individuals against purchases.</p> <p>Petty cash accounts should be used for high priority, low value purchases and a £25 limit is in place. 9/10 petty cash logs we reviewed had multiple purchases over this limit.</p> <p>Overall, managers were found to have oversight and processes were in place to approve claims. However, there is not a consistent process for approving claims across the directorate.</p> <p>Issues with management authorisation for purchases made via the Buying Team were also identified.</p>	<p>Three P2 actions were agreed.</p> <p>Responsible Officer; Assistant Director – Strategic Resources (CYPS)</p> <p>The payment policy review is currently on hold due to the Covid 19 outbreak. Once resumed, CYPS officers will be nominated for involvement in the review.</p> <p>Any agreed processes will be disseminated to all parts of the service. Any exceptions will be reviewed and agreed were appropriate.</p> <p>All staff will be expected to use the P2P system so management authorisation is clearer. The logs will reflect that authorisation has been given.</p> <p>All teams have been reminded of the £25 petty cash limit. Where petty cash is requested, management will ensure there is an appropriate account of why the money is required.</p> <p>A new Barclaycard platform is currently on hold due to the Covid 19 outbreak. Once implemented this will provide a clearer audit trail for expenditure and management approval.</p>

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H	Fostering and Payments to Carers 2018/19	Reasonable Assurance	The audit reviewed the administrative and financial processes within the foster care service, including the payment of Special Guardianship and Child Arrangement Orders.	September 2020	<p>The Finance Guide to Foster Carer Payments provides a framework for the procedural and contractual arrangements for the payment of foster carers.</p> <p>The calculation of payments to foster carers, guardians, and adopters was found to be accurate. However, a number of overpayments were identified. Some were as a result of additional payments made after the placement had ended. Others were short term payments made for longer than the intended period. The main cause of these issues is that payments will continue unless specific action is taken on the system (a deactivation box must be ticked).</p> <p>There is also little monitoring of costs at a case level. Clear reporting methods and regular monitoring arrangements should be in place. Improved reporting would allow for better informed choices regarding care options and could assist in identifying potential overpayments.</p>	<p>Two P2 and three P3 actions were agreed.</p> <p>Responsible Officer; Assistant Director – Inclusion</p> <p>Some adjustments to LCS will be made to enable processing of payments for holidays and specialist carers with management authorisation.</p> <p>All Social Care Managers who authorise payments and the staff creating the payments will be reminded by a monthly email (for 6 months, then quarterly) that;</p> <ul style="list-style-type: none"> • entering an end date is not sufficient to end the payment, and an additional deactivation box must be checked • payments must be correctly categorised • changes in circumstances that reduce the amount to be paid must be processed promptly. <p>The monthly number of overpayments created will be obtained and included in the monthly / quarterly email.</p> <p>There will be some adjustments to ContrOCC to assist with the overview and reporting to provide better</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
						<p>reporting on the costs / spend against placements.</p> <p>The feasibility of adjusting the system to make checking the additional box, part of the process prior to authorisation will be checked with the IT provider. If possible at a reasonable cost, a weekly report payments made after the end date or end date entered but with no deactivation box checked may be provided by the system.</p>
I	Developing Stronger Families June Claim 2019/20	N/A	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 2019	Suitable evidence was available to support the claim for each family within the sample.	No actions identified
J	Developing Stronger Families September Claim 2019/20	N/A	See above	September 2019	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
K	Developing Stronger Families December Claim 2019/20	N/A	See above	December 2019	Suitable evidence was available to support the claim for each family within the sample. One claim had been completed and authorised by the same person.	No actions identified
L	Developing Stronger Families March 2019/20	N/A	See above	March 2020	Suitable evidence was available to support the claim for each family within the sample. One claim had been completed and authorised by the same person.	The Planning, Policy, and Development Officer will send out a reminder to all relevant staff, that the case worker and authoriser cannot be the same individual.
M	Developing Stronger Families June 2020/21	N/A	See above	June 2020	Suitable evidence was available to support the claim for each family within the sample. One claim had been completed and authorised by the same person.	The Planning, Policy & Development Officer will discuss this case with the relevant line manager.
N	Developing Stronger Families September 2020/21	N/A	See above	September 2020	Education Evidence Statements were checked. These were brought in during the Covid-19 pandemic to ensure children were continuing to access and engage with the service. From the sample tested, all cases had a completed Education Evidence Statement on file.	No actions identified

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.