

# NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

27 JUNE 2022

### 2022/23 INTERNAL AUDIT PLAN

#### Report of the Head of Internal Audit

#### 1.0 PURPOSE OF THE REPORT

- 1.1 To seek approval of the internal audit programme of work for 2022/23.

#### 2.0 BACKGROUND

- 2.1 In accordance with professional standards<sup>1</sup> and the County Council's Audit Charter, internal audit work must be risk based and take into account the requirement to produce an evidence based annual internal audit opinion. Planned audit work should therefore be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and controls.
- 2.2 The Head of Internal Audit's annual opinion is based on an objective assessment of the effectiveness of the framework of risk management, governance and internal control. The programme of work for 2022/23 will therefore cover all three areas, and should be sufficient to provide that opinion.
- 2.3 Responsibility for effective governance, risk management and control arrangements remains with the Council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control, nor can audit work cover all areas of risk across the organisation.

#### 3.0 INTERNAL AUDIT WORK PROGRAMME 2022/23

- 3.1 As part of the consultation process, the draft internal audit work programme was presented to this Committee on 21 March 2022 for comment. The programme of work is now attached at **Appendix 1** and requires approval by the Committee. The programme also includes details

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<sup>1</sup> 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.

of the other services provided to the County Council by Veritau (counter fraud and information governance).

- 3.2 A more flexible approach to audit planning was introduced last year. With this approach, an indicative long list of work is developed at the start of the year. Actual audits are then selected throughout the year based on an ongoing assessment of risks and priorities. This approach allows us to keep upcoming work under review, to ensure we are targeting audit resources to those areas most needed. It also builds in flexibility, by enabling us to respond quickly to emerging issues or to commence work on other areas of importance when risks and priorities change.
- 3.3 This flexibility will be particularly important in 2022/23 due to local government reorganisation in North Yorkshire. The process of change will create a number of challenges and risks. These risks may also change over the remaining part of the year. A large proportion of the internal audit work programme is therefore focused on providing assurance to the project and the related work streams, and to ensuring the control environment remains effective through to vesting day. We are also coordinating planned internal audit work with each of the district councils where appropriate.

#### 4.0 **RECOMMENDATION**

- 4.1 Members are requested to approve the Internal Audit Plan for 2022/23.

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

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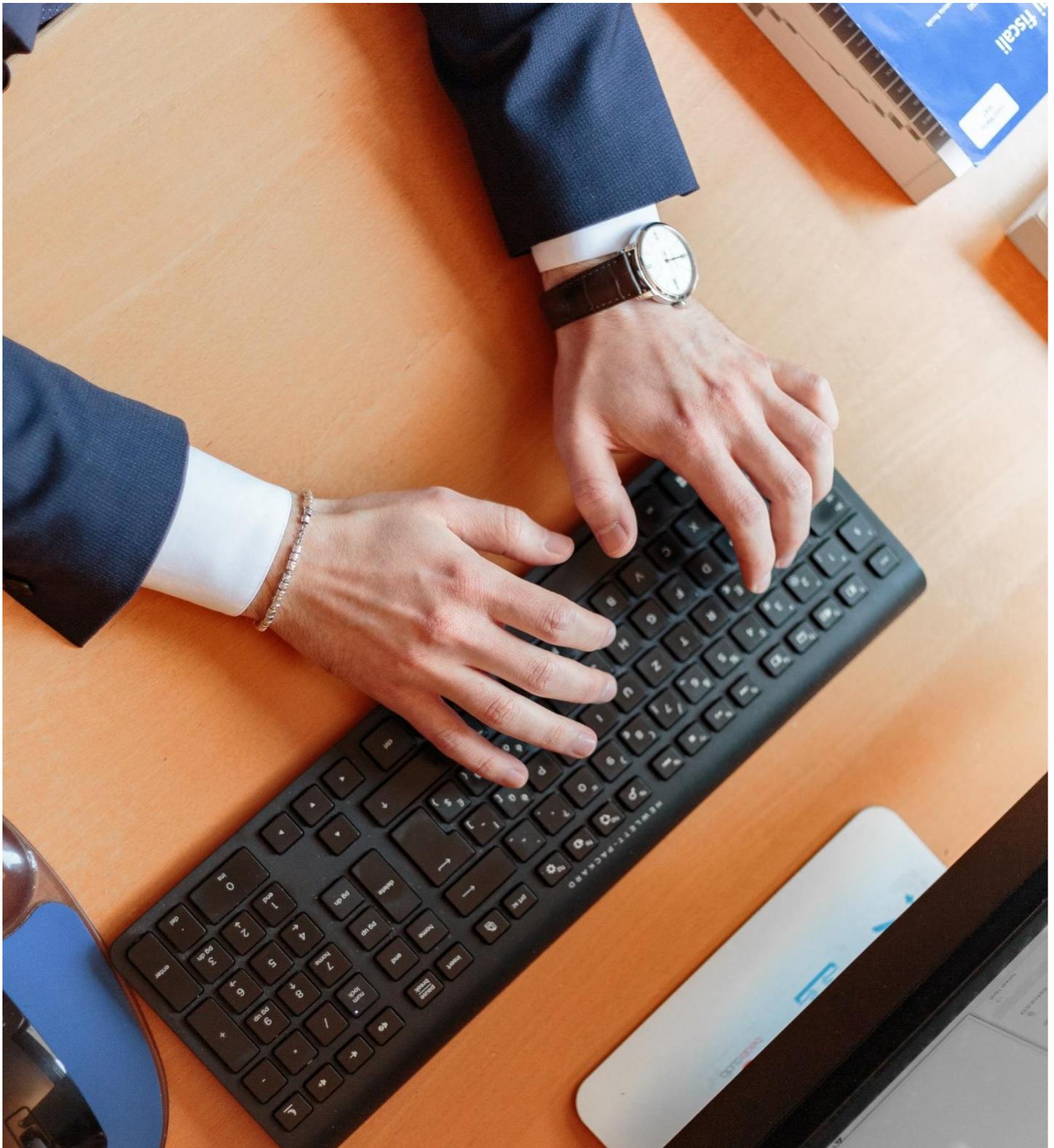
14 June 2022

**Background Documents:** None

# INTERNAL AUDIT WORK PROGRAMME 2022/23

Date: 27 June 2022

Appendix 1



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## INTRODUCTION

- 1 This document sets out the 2022/23 programme of work for internal audit, provided by Veritau for North Yorkshire County Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards and the council's audit charter. In accordance with those standards, internal audit work must be risk based and take into account the requirement to produce an evidence based annual internal audit opinion. Planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 The Head of Internal Audit's annual opinion is based on an objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council.
- 4 Responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.

## APPROACH

- 5 To meet professional aims and objectives, good practice for internal audit requires us to adopt flexible planning processes. This flexibility is particularly important in 2022/23 due to local government reorganisation in North Yorkshire. It also helps us to ensure that audit work undertaken during the year is adapted on an ongoing basis to reflect changing risks within the council.
- 6 The work programme for 2022/23 represents a summary of the overall areas we currently think will be the highest priority for work during the next year, based on our current assessment of risk. This assessment involves giving careful consideration to:
  - the impact of local government reorganisation on services and the council's wider control environment, and the need to provide assurance to the project itself
  - systems where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential
  - other areas of known concern, where a review of risks and controls will add value to operations
  - other areas of change which 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 reductions in resources may result in fewer controls.

- 7 The identification of risks has been informed in a number of ways; including a review of the organisational risk management processes, understanding the council's strategies and objectives, other known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in council services and systems.
- 8 Internal audit work covers a range of risk areas to ensure that the work undertaken will enable us to meet the requirement to provide an overall opinion on the council's framework of risk management, governance and internal control.
- 9 We have defined 11 areas where we require assurance during the course of the year to help provide that opinion:
  - strategic planning
  - organisational governance
  - financial governance
  - risk management
  - information governance
  - performance management and data quality
  - procurement and contract management
  - people management
  - asset management
  - programme and project management
  - ICT governance
- 10 The requirement for providing assurance across these areas is taken into account when identifying and prioritising work.
- 11 The proposed areas of coverage have been subject to consultation with the Audit Committee and the programme is subject to ongoing consultation and discussion with corporate directors and senior officers.
- 12 The overall programme and the relative priorities for work within it will be updated throughout the year. Actual work to be started will be based on the most immediate priorities at any point. We will regularly consult with officers on the priority, scope and timing of work to help ensure that we provide assurance in the right areas at the right time. We will also provide regular updates on the scope and findings of work to the Audit Committee throughout 2022/23.



## 2022/23 INTERNAL AUDIT WORK

- 13 The plan is based on a total commitment of 950 days. Further detail on the potential areas of coverage is included in annex A.
- 14 The programme is designed to ensure that limited audit resources are prioritised towards those areas which are considered to carry the most risk or which contribute the most to the achievement of the council's strategic priorities and objectives.

- 15 Functionally, the indicative programme is structured into a number of sections, as set out below. In assessing what work is included in each section, consideration is given to the priorities listed at paragraph 6 and the areas set out in paragraph 9.
- **Strategic / corporate & cross cutting** – to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
  - **Technical / projects** – to provide assurance on those areas of a technical nature (for example, IT audit) and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
  - **Service areas** – to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
  - **Other assurance areas** – an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
  - **Client support, advice & liaison** – work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.
- 16 It is important to emphasise two important aspects of the programme. Firstly, the audit areas included in this draft programme and the indicative days assigned to each of the areas in annex A are not fixed. Work will be kept under review to ensure that audit resources continue to be deployed in the areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.
- 17 Secondly, it will not be possible to deliver all of the audits listed in the programme. The programme has been over planned, to build in flexibility from the outset while providing an indication of the priorities for work at the time of assessment. This will enable us to respond quickly by commencing work in other areas of importance to the council when risks and priorities change during the year.

## ANNEX A: Internal Audit Work Programme 2022/23

Area	Indicative Days	Potential activity
<b>Local Government Reorganisation</b>	<b>190</b>	Project governance and assurance Compliance with statutory obligations Support and advice to relevant work-streams Effective closure and transfer of services and functions to the new council Internal control, data quality and other consultative support Assurance work to maintain business as usual and continuation of the existing control environment
<b>Strategic, Corporate &amp; cross cutting risks</b>	<b>70</b>	Post Covid-19 recovery and response plans HR and workforce planning Performance management Risk management Project management Partnerships Business continuity and disaster recovery Climate change Health and safety Asset management Governance of council owned companies

Area	Indicative Days	Potential activity
<b>Health and Adult Services (HAS)</b>	<b>140</b>	Partnership working with the NHS and new health structures S117 aftercare (Mental Health Act 1983) and Transferring of Care Programme Continuing Health Care (CHC) Court of Protection Liberty protection safeguards Public Health Emergency duty team Visits to care providers
<b>Business and Environmental Services (BES)</b>	<b>70</b>	NY Highways (client function) Waste management (client function) Planning services Devolution
<b>Central Services (CS)</b>	<b>80</b>	Financial systems redesign and modernisation support review Debt management and income collection
<b>Children's and Young People Services (CYPS)</b>	<b>140</b>	Early Years High Needs Special Education Needs and Disability (SEND) Themed audits for maintained schools Children's social care Locality boards

Area	Indicative Days	Potential activity
<b>Computer Audit</b>	<b>50</b>	Strategy and governance ICT cyber security ICT information security ICT disaster recovery
<b>Procurement and Contract Audit</b>	<b>40</b>	Targeted contract management and procurement reviews Supporting new procurement and contract management arrangements Contract waivers Public Procurement and Health Procurement Regulations
<b>North Yorkshire Pension Fund</b>	<b>50</b>	Pension Fund expenditure Pension Fund income Pension Fund investments
<b>Follow up</b>	<b>40</b>	Follow-up of previously agreed audit actions
<b>Contingency</b>	<b>20</b>	An allocation of time to address any new or emerging risks
<b>Client support, advice and liaison</b>	<b>60</b>	Committee reporting Client liaison, support and advice on control, governance and risk related issues Audit planning and resourcing External audit liaison
<b>Internal Audit Total</b>	<b>950</b>	

Area	Indicative Days	Potential activity
Other services provided by Veritau:		
<b>Counter Fraud and Corruption</b>	<b>335</b>	Policy framework updates Fraud risk assessment Investigations NFI Training and fraud awareness Technical advice and guidance
<b>Information Governance</b>	<b>891</b>	Data Protection Officer (including monitoring compliance with policy framework and data protection legislation, review of data protection impact assessments and investigation of serious data breaches) Co-ordination of responses to Data Protection and Freedom of Information requests Technical advice and guidance
<b>TOTAL DAYS</b>	<b>2,176</b>	

## ANNEX B: Resource Allocation 2019 - 2023

Area	2022/23	2021/22	2020/21	2019/20
LGR	190	0	0	0
Corporate / Cross cutting	70	150	90	150
Health and Adult Services	140	170	180	220
Business & Environmental Services	70	90	100	100
Central Services	80	100	110	110
Children & Young People's Services	140	170	180	212
Computer Audit	50	50	60	70
Procurement and Contract Audit	40	50	60	60
Pension Fund	50	50	50	50
Other Chargeable Audit Work	120	120	120	118
<b>Internal audit - total</b>	<b>950</b>	<b>950</b>	<b>950</b>	<b>1,090</b>
Other services:				
Counter Fraud & Corruption	335	335	335	350
Information Governance	891	891	891	606
<b>TOTAL DAYS</b>	<b>2,176</b>	<b>2,176</b>	<b>2,176</b>	<b>2,046</b>