

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 SEPTEMBER 2021

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 November 2020 to 31 August 2021 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 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 10 MONTH PERIOD ENDED 31 AUGUST 2021

- 3.1 As well as audits of directorate systems and processes, Veritau also reviews the adequacy of controls operating within North Yorkshire maintained schools. The majority of audit work within schools is 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**. The Covid-19 pandemic caused some delays in work but all 2020/21 audits are now complete.
- 3.3 Veritau has also been involved in carrying out a number of other assignments for the directorate. This work has included:
- monitoring and reviewing SFVS returns and drafting the annual DfE return.

- reviewing the schools finance manual, in conjunction with school representatives and officers from Finance and Management Support, Legal Services and the Corporate Property Landlord Unit;
 - contributing to training sessions at the termly school bursar conferences;
 - keeping schools informed of best practice and recent developments;
 - publishing advice for schools on counter-fraud arrangements to enable them to comply with the requirements of the LMS Scheme;
 - 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. The work completed for the directorate and the opinions given following each audit contribute to the annual report and opinion of the Head of Internal Audit.
- 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

2 September 2021

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau.

Report prepared by Ian Morton, Assistant Director – Audit Assurance, Veritau and presented by Max Thomas, Head of Internal Audit

AUDIT REPORTS ISSUED IN THE PERIOD TO 31 AUGUST 2021

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	High Needs SEN 2020/21	Reasonable Assurance	The audit reviewed the processes in place to ensure placements provide best value to the authority and meet required needs. The audit also reviewed whether there are adequate procedures in place for managing provider performance	January 2021	<p>There is a lack of provider due diligence around performance and financial assessment carried out to inform the decisions made by the Placement and resource panels (PRP). There is no review of the success of other placements with the provider.</p> <p>Outcomes within contracts do not have agreed timescales for completion. Contracts do not include performance management mechanisms.</p> <p>There is currently no framework in place for carrying out annual reviews of placements. There is minimal evidence of progress against outcomes being scrutinised and documented.</p>	<p>Three P2 and one P3 actions were agreed.</p> <p>Responsible Officers; Head of SEN, Senior Commissioning and Contracts Officer</p> <p>Pricing template to be developed with providers to evidence value for money and to benchmark like for like provision. Roll out training of the NYCC Contract Management toolkit and online learning module (including contractor due diligence) to appropriate Inclusion and Commissioning and Contracts Team staff. Provider Fee Increase Process to be developed</p> <p>Develop and roll out IPA/contract outcomes for all individual young people that link to their individual EHCP's rather than just generic</p>

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					Contracts do not outline quality indicators, to ensure service provision is as required. In addition, financial analysis of providers is not currently taking place, to highlight risk areas.	<p>outcomes that are difficult to measure. Ensure that all outcomes have agreed timescales for review and are up to date so that they remain current and relevant to the individual young person.</p> <p>A contract review meeting schedule to be developed with Providers that includes the relevant Casework Manager, to ensure that quality assurance, performance, contractual and financial issues are discussed in relation to both individual settings and Provider groups so that issues are addressed in a timely and appropriate manner.</p>
B	Developing Stronger Families June 2021 Claim	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	June 2021	Suitable evidence was available to support the claim for each family within the sample.	No actions identified

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			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.			
C	Adult Learning 2020/21	Limited Assurance	The audit reviewed the processes in place to effectively manage the service. This included the management of budgets and the active monitoring of variances and recharges.	July 2021	<p>Significant issues with the current structure of the Adult Learning budget means the causes of the projected overspends cannot be effectively identified and resolved.</p> <p>The processes in place to oversee and manage the provision of the Adult Learning service are ineffective. There is minimal understanding of individual course costs and the financial viability of courses.</p>	<p>One P1 and three P2 actions were agreed</p> <p>Responsible Officer; Head of Service</p> <p>The structure of the Adult Learning budget has now been amended. Individual service managers have been allocated their own budget. An action will be developed to ensure weaknesses identified are addressed and improvements are continually made.</p> <p>An analysis of total course costs is ongoing. A planning spreadsheet is in place for use by service managers to</p>

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					<p>There are no consistent processes in place for monitoring and reconciling staff hours. Complex contract arrangements for teachers make it difficult to manage efficiently and this issue has been highlighted by both management and HR.</p> <p>Adult Learning budgets are not allocated to specific programme areas and curriculum managers do not have budget management responsibilities.</p>	<p>facilitate effective planning for courses in 2021/22.</p> <p>The HR consultation process has now been completed. A staff review of teacher contracts is ongoing and the service aims to implement new established annualised hour's contracts. Teachers will also be issued with a schedule of hours, which will establish the courses to be delivered, travel requirements, CPD/development hours and non-contact time.</p>
D	Schools Admissions and Appeals 2020/21	Substantial Assurance	The audit reviewed the process for the administration of schools admissions, and for reviewing appeals.	August 2021	<p>There is currently no consistent processes for checking that non-maintained schools have a compliant, up to date admissions policy in place</p> <p>Internal and external process review meetings are not currently documented. Outcomes and identified actions to</p>	<p>One P2 and one P3 actions were agreed</p> <p>Responsible Officer; Admissions and Transport Manager</p> <p>As a result of the Schools Admissions Code, issued in May 2021, work has begun to review capacity requirements to ensure compliance with the new code and address</p>

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					improve efficiency cannot be effectively monitored.	<p>weaknesses raised in this report.</p> <p>Moving forward, all applicable meetings will be documented and information will be shared with relevant individuals.</p>
E	Schools Themed Audits - Payroll 2020/21	Substantial Assurance	The audit reviewed payment process operating for a sample of schools. This included the processes for new starters, maternity and sick pay, changes to grade, and the management of temporary staff and leavers.	August 2021	<p>Most schools manage payroll processes effectively with suitable evidence to support payroll changes and evidence of review of payroll output.</p> <p>Some schools do not update ResourceLink appropriately and still have staff showing with historic end dates for temporary contracts. In each case tested the employee was still employed within the school.</p> <p>One school sampled had informed payroll of some short term sickness but had not completed any self-certification documentation for these staff.</p>	<p>Two P3 actions were agreed</p> <p>Responsible Officer; Head of Finance – Schools, Early Years & High Needs</p> <p>A briefing session will be provided at the Autumn 2021 term School Admin & Finance Conference to remind schools of the correct procedures.</p> <p>To liaise with HR / ESS colleagues to provide a newsletter reminder to schools of the correct procedures for the completion of self-certification forms and for updating FTC staff records on ResourceLink</p>

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F	Schools Themed Audits - Changed Payment Processes 2020/21	Reasonable Assurance	The audit reviewed the main creditor and bank reconciliation processes at a sample of schools to ensure appropriate controls remained in place following changed working arrangements as a result of the Covid pandemic.	August 2021	<p>Bank reconciliations have been completed for each school, although not all have been evidenced as reviewed.</p> <p>Some schools were unable to evidence appropriate segregation of duties in all cases as part of the purchasing process and in a number of cases orders had not been issued for the purchase of all appropriate good and services. Recording of VAT for card purchases was inconsistent with examples identified were no receipt was available to enable the reclaim of VAT.</p> <p>Some schools reviewed have not documented internal processes which has caused issues where staff have changed</p>	<p>Two P2 and two P3 actions were agreed</p> <p>Responsible Officer; Head of Finance – Schools, Early Years & High Needs</p> <p>The Schools Finance Manual will be updated</p> <p>A briefing note will be produced to ensure all schools are aware of the electronic purchase order template which is available from NYCC Business Support and the appropriate procedures for other issues identified within the report.</p> <p>The issues will also be raised and guidance provided at the Autumn 2021 term School Admin & Finance Conference</p>
G	Schools Themed Audits - Covid Response 2020/21	Reasonable Assurance	The audit reviewed the new processes that	August 2021	Most schools reviewed used the EdenRed voucher scheme for term time	Two P2 and two P3 actions were agreed

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		<p>were introduced at a sample of schools as a result of the Covid-19 pandemic. This included the management and administration of various government initiatives to provide support for students who normally receive Free School Meals and to provide equipment to pupils to facilitate remote working.</p>		<p>meals. The processes operated effectively although two schools did not retain sufficient evidence to demonstrate appropriate administration of their school meal voucher schemes.</p> <p>Generally schools had administered grants for meals outside of term time effectively and maintained supporting evidence in respect of expenditure incurred. However we noted that an employee at one school used their personal funds to initially purchase vouchers.</p> <p>IT equipment issued by the schools are covered by the Government Risk Protection Arrangement (RPA). In general schools had maintained good records of the loan of equipment, although there were some minor issues</p>	<p>Responsible Officer; Head of Finance – Schools, Early Years & High Needs</p> <p>A briefing session will be arranged at the Autumn 2021 term School Admin & Finance Conference to remind schools of the correct procedures.</p> <p>A briefing note to schools will also be produced on the findings from the audit. This will provide a reminder of the associated process requirements.</p>

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					with the records held at a small number of schools.	

AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit Opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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.