

**Audit Committee  
Tuesday, 8 May 2012**

**ADDENDA**

**9. Internal Audit 2011/12 Progress Report and 2012/13 Quarter 1 Plan**

Supplementary report by Assistant Chief Executive and Chief Finance Officer  
(attached)

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## AUDIT COMMITTEE 8 MAY 2012

### ADDENDUM

#### AGENDA ITEM 9 - INTERNAL AUDIT 2011/12 PROGRESS REPORT AND 2012/13 PLAN

This addendum to the Internal Audit Progress Report includes the following:

1. Summary conclusions for completed audits omitted from the initial report
2. Completed audits since the report was issued, with summary conclusions.

#### 1. Summary Conclusions for completed audits omitted from the initial report

Page 1  
F&E WASTE COLLECTION CONTRACT

Our overall conclusion is ISSUES.

The authority initially entered into a framework agreement lead by Buckinghamshire County Council (BCC) for their waste collection services. This framework agreement came to an end on the 31 July 2011 after a series of extensions were put into place to cover an interim period prior to the procurement and awarding of a new contract. The new procurement was concluded in June, with start date of 1 August 2011. The contract was awarded to SITA, who are being utilised by the Council as their corporate waste recycling contract. Other than the framework agreement, there is currently no contract in place between the Council and SITA. Additionally, the Council is still using the services of the previous contractor for which there is no current contract in place.

We were unable to verify that any performance measures existed as we could not be provided with a copy of the definitive signed contract. We were also informed there are neither verification checks nor any reporting of service standards to a contract manager, as this responsibility has lapsed from the previous officer's roles and not been re-allocated. There is also no central point responsible for monitoring contract performance or deficiencies in services from the contractor.

We selected eight major sites from the County Council's portfolio. We were informed that each site has a facilities manager assigned to oversee the waste collection process. The nominated officers could not provide us with copy schedules of rates that have been applied to the contract billing over the last two extensions of contract and during the current interim period and we were also informed that they

were not aware of what the rates should have been / are.

There is no evidence that operational or strategic communication channels exist between the authority and the contractor for the purpose of contract performance management. We were informed that the contractor's performance is not centrally collated, monitored and reported to a contract manager and senior management. There is no overall contract activity/expenditure monitoring. A SAP download for the period 1 April 2011 to 14 November 2011 identified that approximately £400,000 has been paid to the contractor for services provided as part of the waste collection contract (including schools payments).

From the beginning of July, it is proposed that the Council's Corporate Landlord function will be responsible for centrally managing and monitoring the waste collection and recycling contract for all establishments. This change is approach and actions agreed, should address the risks and issues highlighted in this report and improve the control framework in place for the contract.

#### E&E ITU SCHOOL TRANSPORT CONTRACT

*This audit was reported to the Audit Working Group in February 2012, and was discussed again at the meeting in April 2012. At both meetings Senior Managers from the service attended, and positive assurance has been received that management actions are being implemented promptly.*

Our overall conclusion is UNACCEPTABLE. Internal Audit found that the system of internal control was generally weak, and the system is open to the risk of significant error or abuse.

There was no evidence that the quality award criteria that was identified as meeting the procurement needs of the service had been signed off by those who collated the criteria, operational management, procurement or the ultimate client in CEF, prior to advertisement/Invitation to Tender.

The review found that the tender evaluation was only undertaken by one officer. There was also no independent management review of the spread sheet model, its compliance with the evaluation criteria stated in the tender advertisement/Invitation to Tender, the logic applied to the evaluation or the input of the evaluation scores. There are also weaknesses in ensuring the consistency of scoring between operators submissions.

Operator self-assessments for this year have not yet been undertaken and this affects two zones. Regular performance management meetings are not held with operators, reliance is being solely placed on route visits and subsequent meetings undertaken in response to complaints received. Formal follow-ups of actions arising from these route visits and meetings is not undertaken and documented. Statistics on the number of complaints received and their outcomes including defaults, warnings, final warnings and route/contract terminations are not being used to inform management strategic options in respect of the marketplace.

## E&E ENERGY STRATEGY

Our overall conclusion is ISSUES.

A replacement Energy Strategy is due to start in April 2012 with a target of maintaining energy costs at 2010/11 levels by 2015/16. The target of an 18% reduction in carbon emissions set through the Carbon Management Programme will not be achieved. There is a project plan supporting the introduction of the new Energy Strategy, however there is not a detailed implementation plan for the identification of the extra energy-saving projects that will be required to keep costs at 2010/11 levels. It is noted that there is a programme of work identified in Property & Facilities and Street Lighting, although these will be insufficient to maintain costs at current levels alone. The Energy Budget that informs the new Energy Strategy does not consider variations in energy price inflation and therefore scenario analysis is not considered. The number of energy savings projects currently identified for the replacement Energy Strategy falls short of the number needed to meet the new target. Additionally, lessons learnt from the previous strategy programme have not been analysed because the current Carbon Management Programme has not yet been closed, rated against its objectives or assessed despite the targeted reductions not being achieved. Also, the current energy programme progress reports produced by the Council's property consultant do not monitor energy conservation through past investments.

Page 3

## E&E HIGHWAYS AND TRANSPORT CONTRACT

Our overall conclusion is ISSUES.

This audit was last undertaken in 2010/11 when an overall conclusion of Unacceptable was given. A follow-up audit was undertaken when an overall conclusion of Unacceptable was also given. This work has followed up on the previous areas of weakness.

There are weaknesses in formal risk escalation processes and the risk registers used at task order level and below. There are inconsistencies between the budget figures in SAP, EXOR and the Master Application Data which may have implications for effective budgetary control. There are also weaknesses in closing off budget codes in SAP and the ease with which Inform can be used to verify cost allocations.

## CEO PENSIONS FUND

Our overall conclusion is ACCEPTABLE.

The main issues identified included the further development of the central procedural notes available to the Pensions Investment Officers and a lack of guidance and formal agreement of the focus areas for the annual reviews of internal control reports received from the Custodian and Fund Managers.

Areas of good practise were noted in the regularity of Fund Manager and Independent Financial Advisor meetings and reports to the Pension Fund Committee. There appear to be good processes in place for reviewing and monitoring the performance of the Fund Managers and the Pension Fund in general, and good transactional processes for recording and checking contributions from participating bodies and In-House transactions.

## OCS ICT - ACCESS TO SYSTEMS

Our overall conclusion is ISSUES.

Page 4  
ICT have access to corporate systems and applications for the purpose of providing support, carrying out maintenance work and undertaking housekeeping duties. Many ICT users have administrator / privileged level access as this is required for them to carry out their work. Given the nature of this access, and the sensitive / personal data held on some corporate systems, it is important that ICT access is controlled and restricted on the basis of operational need.

We have reviewed ICT access for a sample number of corporate systems. Our review has focussed on the “back-end” access that ICT technical users have to corporate databases and the associated management / governance processes. We also reviewed, and tested, ICT access at application level and identified no risks in relation to this area.

There is scope to improve the controls around the management of ICT access to systems. We found there is no formal policy or standard in place and database administrator passwords are not subject to any enforced change. There is also no formal review of ICT access and limited auditing of user activity.

Previous audits have confirmed that ICT have adopted good practice with regard to the management of Windows administrator accounts i.e. the use of named accounts. The same procedure should be adopted for database systems.

## CEO - BUSINESS STRATEGY

Our overall conclusion is ISSUES.

The scope of this audit focussed on the following areas:

- The overall governance and reporting structure established to oversee delivery of the Business Strategy.
- The oversight and challenge processes in place for monitoring implementation of the Business Strategy.
- The arrangements in place within each Directorate for monitoring delivery of their Business Strategy and any related projects and targets.

Testing was also undertaken on a sample of Directorate targets, aimed at reviewing the current position and year end forecast in achieving the savings.

During 2010/11, the County Council collated a Business Strategy that detailed savings to be achieved between 2010/11 to 2014/15. The Business Strategy, and related Directorate savings, has been approved by Cabinet. For 2011/12, individual Directorate saving plans have been produced that outline the savings that are planned to be achieved for the period 2011/12 to 2014/15. Directorates are required to monitor and report on progress in delivering these savings, to identify any pressures that arise in year and to assess any changes that are planned for each service and the impact this will have on overall service delivery.

The audit focussed on reviewing with adequacy of the overall governance and reporting framework for monitoring the delivery of the Council's Business Strategy. Testing found that a framework has been collated and documented. This includes Directorate monitoring, via Leadership Teams, Change Management Boards and Transformation Boards. Business Strategy progress reports are submitted to CCMT, the Business Strategy Group, Informal Cabinet and Cabinet. Additional scrutiny of Directorate progress in delivering their savings is provided by individual Business Strategy Challenge Group meetings. These meetings take place on a regular basis with Deputy Directors and are aimed at monitoring Directorate progress against their Business Strategy savings and projects. Reports identify any areas of underperformance or concern, which are then discussed at the meeting.

Audit testing was undertaken within each Directorate to ensure governance structures and arrangements have been agreed to monitor Business Strategy delivery. Testing found that each Directorate has agreed its own mechanism for monitoring delivery of their Business Strategy savings and any related projects.

As part of the audit, a sample of savings identified within each Directorate were selected and testing was undertaken to identify whether the progress against each target is being effectively monitored and accurately reported. Testing within each Directorate identified the following issues:

- CEF: The Directorate restructure is aimed at delivering a number of savings. Testing found that the savings targets had been vired from budgets on SAP and there was supporting documentation for this. The main observations related to the lack of up to date budget

information and forecasting on SAP. Certain budgets are currently being monitored using spread sheets, until SAP is updated to reflect Directorate structure changes.

- S&CS: Testing was undertaken on the RAS savings and documentation was provided to support the identified saving. Information provided during the audit showed that certain elements of the RAS saving target appeared to be behind schedule. Work is on-going to proactively monitor delivery of the savings target, although there are a number of variables that impact on the delivery of the saving, that will require close monitoring.
- E&E: Testing was undertaken on a repairs and maintenance saving target. Risks in delivering this target were identified during 2010/11, as part of the Star Chambers process. Current spend in certain areas is exceeding budget provision and action is being taken to address this.
- OCS: No issues were identified for the savings tested.
- CEO: No issues were identified for the savings tested.

**Completed audits since the report was issued, with summary conclusions.**

<b>Directorate</b>	<b>Audit</b>	<b>Opinion</b>
EE OCS	Payroll	ISSUES
CEO	Governance and Financial Management – Budgetary Control Corporate Management Letter	ISSUES
CEF	Early Intervention Hubs – Systems Management Letter	N/A – no overall conclusion
E&E	Governance and Financial Management – E&E main directorate report	ISSUES
CEO	Governance and Financial Management – CEO main directorate report	ISSUES



## E&E OCS PAYROLL

Our overall conclusion is ISSUES.

From the testing undertaken, it is clear that there are well established processes and controls in place throughout the payroll process. Whilst the sample testing undertaken in relation to starters did highlight some instances of non-compliance in relation to the authorisation of establishment review forms, the sample testing undertaken on the rest of the starters process, leavers, temporary variations etc. only identified minor issues.

From review of the way in which roles are segregated on SAP, it was noted that segregation of duties is not fully enforced through SAP roles. It is acknowledged that this has been reviewed and signed off by senior management and that a number of compensating controls have been highlighted which reduce the risks posed by segregation of duties not being enforced by SAP roles.

Other areas of weakness identified during the audit included the following:

- There was a lack of clarity over the level at which new posts should be approved within the establishment review process as a result of changes to the organisational structure within the Council, specifically the removal of the Head of Service management level (outside CEO directorate).  
Two instances were identified where new posts had not been appropriately authorised due to a weakness within the establishment review system. It was found that where the authority to approve changes to existing posts was delegated by a Head of Service and was enabled within the on line system, this also meant enabling the person to be able to approve new posts whether or not this responsibility had been delegated.
- From review of the source of data used to produce performance information on overpayments, it was identified that the information being reported was incomplete and as a result may not be as useful as it could be in terms of identifying trends / addressing problems areas.

## GOVERNANCE AND FINANCIAL MANAGEMENT – BUDGETARY CONTROL CORPORATE MANAGEMENT LETTER – ISSUES

As part of the Governance and Financial Management Programme for 2011/12 a review of budgetary control processes in each directorate was undertaken. The findings for each directorate have been reported in the separate Directorate reports, this management letter reports on corporate issues identified.

### Overall Conclusion

The overall conclusion is ISSUES. This conclusion incorporates the findings from review of budgetary control within each directorate.

It should be noted that the issues raised in the management letter have already been identified by the Corporate Finance Team and action to address the weaknesses identified is planned through the delivery of the Transforming Customer Services Project. The Project aims to drive significant improvements to financial management processes and support across the Council to include: the development of a user-friendly frontend forecasting tool with more effective financial reporting and information; improvements to the intranet to aid manager self-service where appropriate; improvements to processes and checks to ensure data integrity: use of system prompts and monitoring of engagement with budget monitoring responsibilities; challenge of and improvements to structures; mandatory training to implement the new forecasting tool; and escalation of issues and/or non-compliance with financial management roles and responsibilities.

During this year's audit, over-reliance on management accountants to complete service forecasting has been evidenced in S&CS and E&E, with further cost centre manager reliance noted in CEF on Business Support Officers. It is however noted that, as part of the Transforming Customer Services project, a risk based resource allocation tool to enable effective targeting/resourcing of management accountant support to service areas/directorates is being developed.

For 2011 finance training was available on an expression of interest basis, due to the decision not to actively promote budget training during the implementation of structure changes relating to the Business Strategy. The resulting effect was low attendance of finance training. Finance training dates are available for 2012 and the content of the hands-on SAP training has been refreshed in late 2011/12.

From review of the MMR reports across Directorates, we noted that the report details the current month and previous month projected outturn variance for service areas. There is no financial year overview provided showing the month by month change in variances within cost centre groups to enable analysis of variation trends and potential forecasting issues. Furthermore, from review of four cost centre groups, we could only trace two of the forecast outturn position recording in SAP to the MMR report. Within E&E and CEO it was noted that there is no reference to cost centre groups in the Directorate MMR reports.

#### CEF – EARLY INTERVENTION HUBS – SYSTEMS (NO OVERALL CONCLUSION)

An audit of implementation of the Early Intervention Hubs Systems was agreed to be undertaken in a series of stages during 2011/12. The first stage of the audit provided an overview of the project management and financial structure of the Education and Early

Intervention Service, the overall interim conclusion was found to be Acceptable. There were no weaknesses highlighted or management actions arising in respect of the project implementation aspects reviewed.

The second part of the audit intended to review in detail the newly designed data management processes and adequacy and effectiveness of performance management. However at the request of the Senior Management responsible for the Hubs this work has been deferred until 2012/13. In the interim it was agreed that Internal Audit would conduct an overview of the Service's data management arrangements and progress of implementing systems and processes.

Detailed testing has therefore not been undertaken and the main audit of this area has been deferred until quarter 2 of 2012/13. It is planned that the 2012/13 audit will review and test the newly designed processes for recording children's data, controls over data accuracy and integrity and the adequacy and effectiveness of performance information / management systems.

The key areas where an overview has been undertaken under part 2 of this audit were:

- Project risk management
- Data Management & System Implementation
- Performance Management

From review of key areas we noted that some of the deliverables overseen by the Task & Finish Group are still outstanding. In particular we were unable to assess progress/slippage against milestones and completion dates, due to the lack of documenting of slippage within the project plan.

The Education and Early Intervention Service has developed a monthly Performance report to enable identification of the numbers of users to the service and distribution across the Hubs. It was anticipated that this would be a published document in April 2012, but management are currently in the process of reviewing the robustness of data accuracy within the report. The Performance report, details a data quality summary of key missing data fields, however because the summary provides cumulative data analysis, we were unable to identify if missing data trends were improving.

No overall conclusion has been formed for part 2 of the 2011/12 audit as detailed testing has been deferred until 2012/13.

## E&E GOVERNANCE AND FINANCIAL MANAGEMENT AUDIT – OVERALL DIRECTORATE REPORT (ISSUES)

As part of the Governance and Financial Management Programme for 2011/12 testing has been completed at both Corporate and Directorate level. It has also included auditing a sample of establishments/teams across the organisation to test compliance with key governance and financial processes.

Our overall conclusion is ISSUES. Issues were noted in all of the following areas: Authority & Governance, Business Continuity, Performance Management, Financial Management and Human Resources. There are 5 outstanding actions from the E&E and OCS Governance & Financial Management audits carried out in 2010/11 which are now repeated / re-worded.

Individual Governance & Financial Management Audits were undertaken in two areas within E&E; Facilities Management Knights Court and a sample of managers from OCS teams. A separate report for Facilities Management Knights Court has been issued and finalised, the overall conclusion being Unacceptable. The findings from both these areas contribute to the individual conclusions against each of the audited risk areas and findings are summarised within the report.

The findings in respect of E&E Performance Management are summarised within the report, however this has already been reported on separately when the work was completed earlier in the year. Other reports in the area of Contract Procurement and Contract Management are also referred to in the report under Financial Management – Procurement and contribute to our overall conclusion.

### **Authority & Governance**

It was identified that both the E&E and OCS Schemes of Financial Delegation have not been reviewed since the beginning of the 2011/12 financial year. It was also found that there were inconsistencies between these schemes and the corporate guidance issued in relation to content and format, however it is acknowledged that these schemes have not been updated since the corporate guidance was issued. It is planned that going forward, the Scheme of Financial Delegation for OCS will be incorporated into the E&E scheme.

From a comparison between the Scheme of Financial Delegation and the SAP Approvers Matrix, 1/5 officers with financial approval permissions on SAP could not be identified on the Scheme of Financial Delegation. Management Accounting reported that this individual was set up as a SAP Approver in 2007 and so appears to be an omission from the published scheme.

Even though it was found that a great deal of work has been undertaken, by Management Accounting and by ICT, since last year's audit to update the SAP Approvers Matrix, it was identified that there are still numerous errors in the person responsible field. SFG have confirmed that this field is to be maintained and so requires further review and updating.

Use of active and passive substitutes on SAP was also reviewed during the audit. A number of examples were identified where substitution arrangements had been set up which were outside of the arrangements specified corporately in relation to the use of substitutes.

The audit of Facilities Management Knights Court identified that local financial procedures were not in place, that the Scheme of Financial Delegation was not used to verify authorisations on requests for payments from social care team's in S&CS and CEF, which has resulted in examples of transactions being processed outside of the scheme of delegation and that there were weaknesses with the verification of signatories.

There was 1 management action for E&E and 2 management actions for OCS agreed as a result of the 2010/11 authority and governance audit. All have been reported as implemented. This has been verified through this year's authority & governance testing.

### **Business Continuity**

Currently, there are separate BCP Coordinators for OCS and the rest of E&E. Both BCP registers were reviewed by Internal Audit and a sample of 5 group 1 plans from each were sample tested.

The E&E BCP register was found to be out of date, although it was in the process of being reviewed, and inaccuracies were identified on the registers. Incomplete plan documentation was found to be held by the E&E BCP Co-ordinator for one of the plans sampled.

No management actions were raised for E&E or OCS as part of the 2010/11 Governance & Financial Management report in relation to business continuity.

### **Information Governance**

Detailed testing in the area of Information Governance has not been undertaken during 2011/12. This work is planned to be undertaken during the first quarter of 2012/13 and will include specific testing around the management of external data transfers and the directorate's processes for ensuring compliance with Information Governance policies, including data protection.

There is a nominated lead for Information Governance within the E&E directorate. Five actions for E&E and two actions for OCS in respect of Information Governance were raised as part of the 2010/11 Governance & Financial Management audits. Whilst four actions have been reported as fully implemented, three have been reported as partially or not implemented and have therefore been restated / re-worded within this report.

Corporate improvements in the area of Information Governance have been noted which include the issue of the Corporate Data Transfer Policy, implementation of Information Asset registers across all directorates, implementation of Access strategy and Excel Development policy and, evidence of review/lessons learnt following security breaches, updates are planned to the corporate guidance i.e. Acceptable Use Policy and Guidance on Home Working as a result.

One issue in respect of Information Governance was identified during sample testing with Managers across OCS.

## **Risk Management**

The E&E directorate do not have an overall directorate risk register, instead the significant risks from the three service risk registers of; OCS, Highways & Transport and Growth & Infrastructure are reviewed. It was however noted that work is underway to construct an overall directorate risk register, with the intention to get it in place within the first quarter of 2012/13.

The three risk registers are subject to continual review and update, in terms of the position of each risk and its current scoring level. Scores were generally found to show movement towards their target score throughout the year, if not meet them, thus providing the assurance that actions being put in place are doing the desired job of helping to mitigate against the various risks.

New risks were found to have been uploaded onto the risk registers, however this was very much a bottom up approach, or when indicated that a risk needed including from the risk lead. From a workshop held by CCMT, a number of potential risk areas were discussed and devolved to the risk leads to consider and update the relevant risk registers as required. A review of the three risk registers against the potential areas revealed no evidence to support that they had been updated with the potential risks. For effective risk management, risks from both the top of the organisation and bottom of the organisation should be considered to ensure the risk register is up to date and used effectively to mitigate against the current threats to the Council's business.

Risk training sessions were reported as having been provided by an individual from Zurich, and provided to managers within the Growth & Infrastructure and Highways & Transport Services.

Where risks have met their target scores or where risk activities are no longer undertaken, the risk register is updated and the relevant risk transferred to another area whereby it can be monitored prior to deletion. There is a lack of corporate guidance on risk deletion and this will be covered as a management action in the corporate letter on Risk Management; however the directorate should take note of any new guidance and ensure the appropriate procedures are put in place to comply with it.

The review of risk management for 2011/12 did not include detailed testing of risk management processes at service base level.

Three management actions were raised in the previous internal audit report, all of which have been implemented.

## **Performance Management**

A separate report on E&E performance management has been issued and finalised. The overall conclusion was Issues. Four priority 2 management actions were agreed in the report. Two have been reported as implemented and two remain partially implemented. The partially implemented actions will continue to be monitored through the Internal Audit follow up process.

## **Financial Management**

### **Budget Setting/Budgetary Control:**

A separate report on Business Strategy – Governance and Delivery has been issued and finalised (2 February 2012). The overall conclusion was Issues. The audit included review of a sample of savings within each directorate. Within E&E, one priority 1

management action was agreed for implementation 31 March 2012 in respect of Repairs and Maintenance savings targets. For the two savings targets sampled in OCS, there were no management actions arising.

For budgetary control testing, a sample of budget areas were reviewed for E&E, including OCS.

During a review of cost centre EE5-9 in SAP, we noted that the service is forecast to overspend by £0.189m. The service confirmed that the year-end position should be a balanced budget as SAP does not accurately report the outturn position. Although there are budget monitoring arrangements in place, cost centre managers are not reviewing individual adult learning courses / projects expenditure against expected and actual income received. The Service has reported that they are putting a course costing tool in place to address this. The amount of cost centres in use, 117 does not assist the service with effective budget monitoring.

Review of Policy & Strategy identified cost centres with no financial activity including a cost centre which had been set up for the collection of subscription contributions for a non-OCC organisation. The service was unable to provide details of the governance and payment arrangements in place for this arrangement.

It was noted that the Directorate MMR report style does not provide referencing to cost centre groups.

It was noted that EELT had agreed to implement a strategy to increase the uptake of Cost Centre Management within the directorate and that it had not been fully implemented, with the balanced scorecard still reporting performance had not improved. The Directorate plan to undertake further activity to assess the use of SAP by managers and identify areas that need improving.

The audit of budgetary control in E&E also considered the budget allocation and approval process, reviewed a small sample of permanent virements across each directorate, considered budget training and also the process for compilation of the MMR. No issues were identified for reporting specifically to E&E, however corporate issues have been noted regarding the take up of courses by budget holders during 2011 and the MMR reports only reporting 1 previous months' outturn.

The audit of Facilities Management Knights Court did not identify any weaknesses in the area of budgetary control.

There were 4 budget setting and budgetary control actions within last year's E&E and OCS Governance & Financial Management reports. Three have been reported as implemented, one has been re-stated in this report.

#### **Financial Compliance:**

The audit of Facilities Management Knights Court highlighted issues in respect of the transactions the Knights Court Facilities Management Finance Team process on behalf of CEF and S&CS. Deviations from standard Council financial practice was identified as well as non-implementation of six previously agreed management actions from the 2009/10 audit.

Issues are noted in the report in respect of one imprest account reviewed within OCS.

#### **Procurement:**

Various audits have been undertaken in the area of contract procurement/contract management within E&E during 2011/12, which contribute to the overall conclusion for financial management given in this report. Separate reports have been issued and are either at draft report or final report stage. No detail regarding these audits has been summarised in this report.

- ITU Schools Transport Contract – overall conclusion Unacceptable, additional audit now at exit meeting stage reviewing ITU Schools Transport – Medium Term Contract Procedures.
- Property & Facilities Part 1 & 2 – overall conclusion Acceptable, Parts 3 & 4 – final report issued, overall conclusion Acceptable.
- Iffley Road – final report issued, overall conclusion Acceptable.
- Waste Collection – final report issued, overall conclusion Issues.

A sample of capital contract management audits, which covered part of the procurement, were also undertaken as joint assurance audits with CEF and S&CS (Woodfarm, replacement of Buildings, RFID introduction in Libraries & Redbridge Hollow). These audits all had overall conclusions of Issues, and whilst the contracts were CEF and S&CS, all management actions to address weaknesses identified were for E&E officers. Details have not been summarised in this report.

An audit of Compliance with Contract Procedure Rules is being undertaken with samples selected for testing from each directorate.

This work has not been concluded and reported on at the time of issuing this report. A separate report will be issued and agreed early in 2012/13.

The audit of Facilities Management Knights Court highlighted this area as Unacceptable. It was identified that the imprest account operated by the Knights Court Facilities Management Finance Team was being utilised by CEF and S&CS staff in preference to the correct methods of procurement such as procurement cards, SAP/SRM and reimbursement through central submission of Travel and Expenses claim forms to payroll. Issues have been noted from the sample review of procurement cards held by OCS officers.

### **Control of Assets:**

Not tested for E&E directorate during 2011/12.

### **Legislation**

The area of Legislation has not been tested for 2011/12. Last year the Governance & Financial Management audit included a review of the processes in place to ensure that statutory and mandatory health and safety training is completed and that actions raised by health and safety visits were monitored for implementation. There were no specific actions for E&E in respect of this, however corporate actions were raised and these have been followed up during 2011/12. Again, there are no specific actions for E&E; however it has been highlighted that E&E DLT only received and considered one report from the Health, Safety and Wellbeing Team during an 11 month period. An action has been agreed with the Health, Safety and Wellbeing Team to timetable quarterly attendance at E&E DLT for 2012/13.



## **Human Resources**

Weaknesses in this area were identified during the Facilities Management Knights Court establishment audit in relation to sickness monitoring. For a sample of managers tested across OCS, weaknesses were identified in relation to payroll claims, sickness monitoring, driving at work policy checks and CRB monitoring records.

There were two corporate actions raised in respect of Human Resources as a result of last year's Governance & Financial Management audit (actions raised with HR not the E&E Directorate). One was reported as implemented, however this has now been replaced by the action for the HR Business Partner to review sickness monitoring. The other was in respect of driving at work procedural checks and has been partially implemented. It is planned that this will be fully implemented during April 2012.

## **Project Management**

This area has not been tested in detail for 2011/12.

There were 9 management actions for E&E (all priority 2) and 1 management action for OCS (also priority 2) in respect of project management agreed in the 2010/11 E&E report. One priority 2 action has been reported as partially implemented, the rest have been reported as fully implemented. The action reported as partially implemented has been restated in this report.

The Council's Property and Facilities Management procurement project was audited in quarter four of 2010/11 and throughout 2011/12. Audit testing included a review of the project's governance arrangements, including documentation, reporting and decision making. The audit also reviewed the projects risk and issues management arrangements. Issues in relation to project approval, documentation and risk management were raised as part of the 2010/11 audit and management actions were agreed. Based on the work completed during 2011/12, it was confirmed that these management actions have been implemented and no further issues have been identified.

## **Partnerships**

This area has not been tested during 2011/12.

There were two management actions in respect of Partnerships agreed in the 2010/11 E&E report in respect of establishment and maintenance of a partnerships register for the directorate. Both actions have been reported as implemented.

## CEO GOVERNANCE AND FINANCIAL MANAGEMENT AUDIT – OVERALL DIRECTORATE REPORT (ISSUES)

As part of the Governance and Financial Management Programme for 2011/12 testing has been completed at both Corporate and Directorate level. It has also included auditing a sample of establishments/teams across the organisation to test compliance with key governance and financial processes.

Our overall conclusion is ISSUES. Issues were noted in all of the following areas: Authority and Governance, Business Continuity, Risk Management and Financial Management.

A sample of managers was selected across CEO (from Legal Services, Democratic Services, Corporate Finance and Human Resources) and compliance with processes for HR, Payroll, Procurement and Imprest Accounts tested.

There are four outstanding actions from the CEO Governance & Financial Management audit carried out in 2010/11 which have been repeated or re-worded in the report (one as a supplementary issue).

### **Authority & Governance**

It was identified that the content of the CEO Scheme of Financial Delegation required updating in relation to coverage of S151 officer responsibilities and the use of substitutes on SAP to bring it into line with the corporate standard. An instance was identified whereby substitution arrangements on SAP would allow authorisation to take place outside of the approved Scheme of Financial Delegation. Issues were also identified in relation to the updating of the person responsible field in SAP.

2 management actions were agreed as a result of last year's Governance & Financial Management Audit. Both have been confirmed as implemented from the testing undertaken as part of this year's audit.

### **Business Continuity**

It was identified that 3/6 BCPs had not been tested in the last year, one had not been tested since 2009, all 3 plans included group 1 services and so should be tested annually. 3/6 BCPs did not include clear contact details and did not detail where hard and soft copies of the plans were held.

4 management actions were agreed as a result of 2010/11 Governance & Financial Management Audit, all have been reported as implemented, but testing undertaken during this year's audit has identified that 2 of these management actions have not been fully embedded. Specifically, it was agreed last year that BCPs would be reviewed to ensure that they reflect changes to team structures and have accessible contact lists. It was also identified last year that the register did not accurately identify plan owners; this was still found to be the case this year. However, from review of the plans themselves it is clear that there are appropriate plan owners in place, as this appears to be an issue with the accuracy of the detail on the BCP register this has been re-raised as a supplementary issue.

## **Information Governance**

Detailed testing in the area of Information Governance has not been undertaken during 2011/12. This work is planned to be undertaken during the first quarter of 2012/13 and will include specific testing around the management of external data transfers and the directorate's processes for ensuring compliance with Information Governance policies, including data protection.

There is a nominated lead for Information Governance within the CEO directorate. Three actions were raised as part of the 2010/11 Governance and Financial Management audit. Two have been reported as implemented and the other one, reported as partially implemented, has been restated in this report.

Corporate improvements in the area of Information Governance have been noted which include the issue of the Corporate Data Transfer Policy, implementation of Information Asset registers across all directorates, implementation of Access strategy and Excel Development policy and, evidence of review/lessons learnt following security breaches, updates are planned to the corporate guidance i.e. Acceptable Use Policy and Guidance on Home Working as a result.

## **Risk Management**

Four risk registers were reviewed as part of the CEO directorate risk management testing. Issues identified included target risk scores not being detailed on one risk register, one where risks were not assigned to individuals, risks being deleted without detail provided and for one register, all target risks scores were the same level as the raw scores, which although may be appropriate meant that there was no positive movement in any of the risks. The review of risk management for 2011/12 did not include detailed testing of risk management processes at service base level.

Whilst the detailed risk registers would appear to have not been reviewed at leadership team level since February 2011, quarterly Business Management Reports since quarter 2 have been presented which include Risk Management.

CCMT held a risk management workshop that identified a number of potential risk areas, the results of this were disseminated to the risk leads, for them to translate into risks and present to the relevant leadership team meeting for inclusion on the respective risk register.

Two potential areas were identified for the CEO directorate, review of the risk registers evidenced that the potential areas raised had already been considered within the risk registers.

Risks that have either met their target risk score, or where the risk activity is no longer undertaken, are struck off but remain on the register itself, they are also no longer subject to any formal update. There is a lack of corporate guidance on risk deletion and this has been covered as a management action in the corporate letter on Risk Management.

Five management actions were agreed in the previous audit report, of which four have been implemented. One has been restated in this report.

## **Performance Management**

Not tested for Chief Executives Office for 2011/12.

## **Financial Management**

### **Budget Setting and Budgetary Control:**

A separate report on Business Strategy – Governance and Delivery has been issued and finalised (2 February 2012). The overall conclusion was Issues. The audit included review of a sample of savings within each directorate. Within CEO no issues were identified for the savings tested.

The audit of budgetary control for 2011/12 did not review any cost centres within CEO, audit testing focussed on the main directorates. The audit did consider the budget allocation and approval process across the organisation, reviewed a small sample of permanent virements, considered budget training and also the process for compilation of the MMR. No issues were identified for reporting specifically to CEO, with the exception of one issue regarding the format of the MMR. Corporate issues in respect of budgetary control have been raised in a separate management letter issued to the Deputy Chief Finance Officer.

### **Financial Compliance:**

See issues summarised under procurement below.

### **Procurement:**

From the sample of managers tested across CEO, issues with procurement cards were identified in three areas. Instances were noted where cards had been shared between officers, a card had not been suspended when officer was on long term leave and monthly statements and supporting receipts had not being signed as evidence of review.

Review of a small sample of invoices identified examples whereby retrospective purchase orders had been raised.

Review of the operation of one imprest account identified no regular independent review.

### **Control of Assets:**

Not tested for Chief Executives Office for 2011/12.

## **Legislation**

The area of Legislation has not been tested for 2011/12. Last year the Governance & Financial Management audit included a review of the processes in place to ensure that statutory and mandatory health and safety training is completed and that actions raised by health and safety visits were monitored for implementation. There were no specific actions for CEO in respect of this, however corporate actions were raised and these have been followed up during 2011/12. Again there are no specific actions for CEO and corporate actions have been agreed in a separate management letter.

## **Human Resources**

There were two actions agreed by the Strategic HR Manager as part of last year's directorate Governance & Financial Management audit reports. The first, in respect of driving at work procedural checks, has been partially implemented. Evidence has been provided that this will be fully actioned during April 2012, so has not been re-stated in this report. The second was in respect of sickness monitoring and whilst implemented by the Strategic HR Manager, issues have been identified during testing in the directorates whereby local records maintained by managers do not agree with sickness reported on SAP. Actions to address this have been agreed with all of the Directorate HR Business Partners.

There were no other significant issues identified from the review of HR processes across the sample of officers within CEO, however 2 supplementary issues were noted and are included at the end of this report.

### **Project Management**

This area was not tested in Chief Executives Office for 2011/12.

### **Partnerships**

This area was not tested in Chief Executives Office for 2011/12.

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