

## **AUDIT and GOVERNANCE COMMITTEE – 22 April 2015**

### **INTERNAL AUDIT 2014/15 PROGRESS REPORT**

#### **Report by the Chief Financial Officer**

#### **INTRODUCTION**

1. This is a two part report. Part 1 reports on the progress with the current 2014/15 Internal Audit Plan, including status of the audits, and the summary results of completed audits since the last progress report to Committee; Part 2 is an Interim Internal Audit Strategy, including an indicative Internal Audit Plan for Q1 2015/16.
2. It is only an Interim Strategy at this stage. The Finance Leadership Team, headed by the Chief Finance Officer, is currently reviewing the structure of Finance Teams and the support functions they provide, to ensure the structure can meet the strategic needs and ambitions of the Council, and provide sound financial management over the Council's financial risks. One of the drivers for this includes the impact of the Hampshire IBC Partnership where the systems of financial control will be changing.
3. The review of the structure includes Internal Audit and Risk Management functions, (and counter-fraud), with an opportunity to look at a combined business assurance model for the Council that protects the independence of the Internal Audit Function, and enhances the risk management and compliance assurance functions. The review of structures will be completed during Q1, and the outcome will be reported back to the Committee in July with a revised and fully formed Internal Audit Strategy.

#### **2014/15 PROGRESS REPORT**

4. The revised Audit Plan is attached as Appendix 1 to this report. There are two tables in the appendix, the first shows the current status of the revised planned activity; the second table lists the audits removed from the Plan this year as previously reported. There are no changes to the audit plan since the last report, with one correction; the audit of the Multi Agency Safeguarding Hub should have been flagged as an audit removed from the plan with the agreement of the Director in the last report, it was omitted in error.
5. During Q4 long term sickness has delayed the completion of the audit of the Integrated Transport Unit; and the completion of the audit of Children Social Care Management Controls has also been delayed as

AG5

additional testing was undertaken due to the complexity of the systems identified once the audit had started.

6. There have been eight audits concluded since the last update (provided to the January meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2014/15 Audits	Opinion
OCS	ICT Strategy Review	Amber
OCS	ICT Oxford City Contract Review	Green
EE	Innovation Support for Business	Amber
EE	Property & Facilities Project Agreement	Amber
CORPORATE	Follow up of Implementation of Information Governance	n/a
SCS	Adult Social Care IT System Implementation Review	Red
SCS	Pooled Budgets	Amber
CEF	CEF Placement Strategy	Amber

**Performance**

7. The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved	Comments
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	87%	The two audits that did not achieve the target averaged at 60 days over. This mainly related to one audit where the draft report was issued 103 days over the PI target.

## AG5

Elapsed Time between issue of Draft report and issue of Final Report.	15 days	53%	The seven audits that did not achieve the target averaged at 18 days over.
---	---------	-----	--

The other four performance indicators are:

- % of 2014/15 planned audit activity completed by 30 April 2015 - reported at year end.
- % of management actions implemented - 93%. Of the remaining 7% - there are 26 actions that are overdue, 31 actions with a revised implementation date and 47 actions not yet due.
- Effectiveness of Internal Audit - reported at year end.
- Extended Management Team satisfaction with internal audit work - reported at year end.

### Counter-Fraud

8. At the last Audit Committee update there were two schools with issues still outstanding. Both of those issues have now concluded:
  - The allegation of a grant fund being used to pay a family member was ultimately unfounded. Audit reviewed all the information obtained by the Chair of Governors, in line with the points made in the allegation and disproved them all. A small number of control weaknesses were identified during the review of the information and these have been picked up with the Chair of Governors and reported to the school in a management letter.
  - The Police investigation into the systematic theft at the school has concluded, whilst the school believe approximately £7000 was taken the individual admitted to approximately £900 which she has repaid in two instalments. The police had insufficient evidence to investigate any further and issued the individual with a caution. Civil recovery was considered however due to the non-existent security over the cash, even trying to satisfy the burden that on the balance of probabilities the rest of the money was taken by the same individual, was not possible. The employee's resignation was accepted immediately on the day this was identified.
9. There are currently two potential frauds being investigated, both are external. One is within Social and Community Services, the other is cross cutting but the main focus is Oxfordshire Customer Services.
10. There is once case of financial irregularity being investigated in relation to additional payments made to an employee. The records and potential discrepancies are currently being reviewed. Both the former manager and employee are no longer employed by the Council

11. Legal informed Audit of a potential misuse of a direct payment. The Direct Payment Team have had difficulty obtaining financial documentation from the individual since 2013, however the limited documentation they have received suggests the direct payment has been used for purposes other than what it was intended for. The individual's direct payment was stopped in January 2015 and this case is being investigated further. The processes and controls surrounding this will be reviewed as part of the planned quarter 1 audit.
12. The Income Team alerted Audit to a financial irregularity where a company had queried how to make payments to them. The billing document they received asked for payment to be made to an individual, as opposed to OCC. The electronic bank details quoted on the form were checked and found to be for the Council's main account; however cheque payments were also requested to be made in the individual's name. It was identified that this was a system issue which has now been updated to ask for any cheques to be made payable to the Council. The majority of payments are made directly into the Council's main bank account. SAP was reviewed and some cheque payments were found to have been banked in the Council's bank account. Fraud is not suspected but a full reconciliation between accounts raised and receipts is being undertaken.

### **National Fraud Initiative (NFI)**

13. The matches from the 2014/15 exercise have been released. In total OCC have had 15,266 matches returned, of which 6,850 are recommended to be looked at. Key officer and Councillor checks have been completed and no issues have been identified. The majority of matches returned are against creditor data and concessionary passes (just under 12,000). Plans have been drawn up on how best to investigate and target resource at the matches to ensure the best quality results are achieved for OCC.

### **2015/16 INTERIM INTERNAL AUDIT STRATEGY**

14. The Accounts and Audit Regulations 2011 (S6) state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013.
15. The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 16 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 17 The Chief Finance Officer, in conjunction with the Finance Leadership team are currently undertaking a review of the Corporate Finance structure, including Internal Audit to ensure that finance management and assurance is effective and meeting the needs of the organisation going forward. As part of the review we are looking at the process for obtaining assurance over financial risks, counter-fraud, wider risk management and compliance, a number of functions that by default are currently performed by the Internal Audit function.
- 18 The structure review provides an opportunity to protect the independence of the Internal Audit function, whilst enhancing the risk management and compliance assurance functions. It is expected that the review will be concluded during Q1, and therefore once structures are defined and resources for each assurance function agreed, the outcome will be reported back to the Committee with a revised Strategy and detailed Internal Audit Plan.
- 19 To help inform the Strategy and the Audit Plan, the "Audit Universe", being the list of all the key auditable areas, is being produced and will reflect the changes to the operating framework resulting from key projects such as Hampshire IBC Partnership. The main focus in creating the "audit universe" will be the financial management systems.
- 20 The Internal Audit Plan will evolve during the year, influenced by any restructuring, and the resulting sources of assurance.

### **Audit Planning Methodology**

- 21 The Internal Audit Plan will be produced with reference to the Corporate Risk Register and in consultation with the Directors, Finance Business Partners and the Chief Finance Officer. Quarterly meetings with the Directors are scheduled to ensure the plan is kept under continuous review.
- 22 The plan will also be reviewed quarterly with reference to the Directorate Risk Registers, and presented to the Audit and Governance Committee for consideration and comment.
- 23 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.
- 24 Counter-fraud remains a responsibility for Internal Audit to lead on, and in 2015/16 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity. The "Fighting Fraud" funding received in 2014/15 and 2015/16 will be used to develop the

collaboration for proactive counter-fraud, and reactive investigation support with the Fraud Hub being led by Oxford City Council.

### 2015/16 Q1 AUDIT PLAN

25 During quarter 1 the focus will be on the following audit activity:

Directorate	Qtr Start	Audit
CEF	1	<p><b>CEF Safeguarding (Children's Social Care Management Controls)</b></p> <p>The detailed scope of the audit will be agreed with the Deputy Director. The audit will look to provide assurance over the processes in place for the monitoring and escalation of missing children, including children missing from school.</p>
CEF	1	<p><b>CEF Thriving Families</b></p> <p>The revised Thriving Families Framework requires internal audit verification of each claim. New processes have also been developed by the team. Internal Audit plan to review the new processes in April / May and then complete the required verification work of both the summer and winter claims.</p>
SCS	1	<p><b>SCS Personal Budgets / Direct Payments</b></p> <p>The audit will provide assurance on the effectiveness of the Self Directed Support process, including personal budget allocations and accounting, care plan delivery and client documentation. The audit will specifically review controls in respect of direct payments.</p> <p>This will include review of the processes and recording via the new Adult Social Care I.T. System.</p>
SCS	1	<p><b>Adult Social Care Information System</b></p> <p>A follow up audit of the audit of the IT system implementation audit that was undertaken in February 2015 will be undertaken in quarter 1 to provide assurance that the weaknesses identified in the area of testing have been sufficiently addressed prior to go-live.</p>
SCS	1-4	<p><b>LEAN / Responsible Localities</b></p> <p>This is a major programme looking at improving the care pathway of clients and introducing improved ways of working. The Audit Manager will continue to work with the Finance Business Partner for SCS in reviewing the newly designed processes and also look to provide</p>

Directorate	Qtr Start	Audit
		assurance on the overall programme governance.  This will include review of the care management processes and recording via the new Adult Social Care I.T. System.
SCS	1-4	<b>SCS Implementation of the Care Bill</b>  From April 2015 the new Care Bill will go live. This will include changes to the collection of deferred payments, larger volume of care assessments, changes to eligibility, improvements required to information and advice, etc. The required changes are being managed as a major programme by the SCS directorate. Internal Audit will look to provide assurance on the on-going programme governance arrangements and implementation plans. This will include potential changes that will be required by April 2016 in relation to the proposed Funding Reform and process changes proposed by the Directorate in relation to introducing an E Market place and Self Service / Self -Assessment.
EE (OCS)	1	<b>Externalisation Programme</b>  The audit will follow on from 2014/15 IBC On Boarding audit and the related projects (Impacts and Business Readiness). The review will focus on programme and project governance and the design of any new internal control mechanisms introduced by the Council that will interface with the IBC.
EE (OCS)	1	<b>Cyber Security</b> The audit will provide assurance that the Councils ICT environment, systems and data are adequately protected and secure against cyber threats

### Performance Monitoring / Reporting

- 27 The following are the proposed Internal Audit performance indicators for 2015/16 are set out in appendix 3
- 28 The Audit and Governance Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

**RECOMMENDATION**

The committee is **RECOMMENDED** to

- a) Note the progress with the 14/15 Audit Plan and the outcome of the completed audits;
- b) Approve the Interim Internal Audit Strategy for 2015/16 and the Q1 Plan; and,
- c) Agree the 2015/16 performance indicators.

Ian Dyson  
Chief Internal Auditor

Background papers: None.  
Contact Officer: Ian Dyson 01865 323875



**ANNEX 1****2014/15 - Revised Internal Audit Plan Progress Summary**

<b>Directorate</b>	<b>Audit</b>	<b>Status</b>	<b>Conclusion</b>	<b>Comments</b>
CEF	Early Years Payments	Completed	Amber	
CEF	Schools Assurance	Not yet started		It was expected that in addition to the annual review of the management controls applied by the Management Accounting (Schools) Team, that we would audit a small sample of schools. This has been dropped from the plan due to resources; however the Chief Internal Auditor and the Finance Business Partner are to undertake a desk top review of the system of assurance for financial management in schools and this will form the basis of the 14/15 report to the Committee.
CEF	Church Cowley School	Completed	Amber	This audit was not originally planned but was agreed with the Finance Business Partner.
CEF	Frameworki (Children Social Care system)	Completed	Green	
CEF	Placement Strategy	Fieldwork	Amber	This audit is now close to the budgeted days, so additional days will be required to complete the audit.
CEF	Contract Procurement and Contract Management	Fieldwork		This audit is due for completion by the end of April 2015.

## AG5

CEF	Children's Social Care Management Controls	Quality Review		
SCS	LEAN / Responsible Localities Programme	On-going and will continue to be reviewed as part of 2015/16 Internal Audit Plan.	n/a	This is a major programme looking at improving the care pathway of clients and introducing new ways of working. The Audit Manager monitors the programme governance, and in conjunction with the Finance Business Partner, reviews newly designed processes.
SCS	Client Charging	Completed	Amber	
SCS	Residential and External Home Support Payments Systems	Completed	Red	Following this audit, the Internal Audit team has provided fraud awareness training to the Contract Monitoring team.
SCS	Pooled Budgets	Final Report	Amber	
SCS	Implementation of the Care Bill	On-Going	n/a	The requirements of the care Act are being implemented through a programme in SCS. The Audit Manager is maintaining an overview of the governance of that programme including implementation plans. The CIA and the AM are attending a workshop for Internal Auditors in February focussed on the risks of the Care Act for Local Authorities.
SCS	Adult Social Care Information System	On-going & IT Audit - Final Report	Red	This is another programme which the Audit Manager is maintaining an overview, and challenge to the programme management. Included in the audit review of this change programme is an IT audit of the application, specifically security, and the

## AG5

				system testing strategy.
SCS	Adult Social Care Management Controls	Fieldwork		This audit is due for completion by the end of April 2015.
EE	Property and Facilities Management Contract	Completed	Amber	This audit has gone significantly over the allocated audit days and has exceeded the target dates for delivery of the audit; however we have not yet been able to clear the draft report through our quality monitoring process. The Directorate has been informed of the delay in issuing the report.
EE	Oxfordshire Innovation Support Programme	Completed	Amber	
EE	Integrated Transport Unit	File review		
EE	Energy Recovery Facility (Energy From Waste)	Completed	Green	
EE	Supported Transport Programme	Exit meeting		
EE	S106 Agreements	On-going		This will no longer be a systems based audit. The CIA is working with the Chief Finance Officer to map the assurance over the management of S106 agreements and Community Infrastructure Levy (CIL) arrangements.
EE OCS	Windows Active Directory	Completed	Amber	
EE OCS	Managed Connectivity Services	Completed	Green	This audit was completed in two stages, with a report issued at both stages. Part 1 was reported as Amber, but the conclusion at stage 2 changed the status to green.
EE OCS	Externalisation Programme	On-going		This audit is looking at the governance

## AG5

				arrangements within the programme, particularly the Hampshire OBC partnership for Finance and HR functions, but will also review the design of the assurance framework for the new arrangements, and the future audit plan/methodology for testing the key systems.
EE OCS	PSN Code of Connection	Completed	Amber	
EE OCS	IT Disaster Recovery	Completed	Amber	
EE OCS	Pensions Administration	Fieldwork		
EE OCS	ICT Strategy	Completed	Amber	
Fire	Joint Fire Control	On-going	n/a	The Audit Manager monitors the governance and reviews the design of controls for the joint fire control project. This is due to go live in April 2015.
Public Health	Risk Management review	Not yet started		
CEO	Association of County Chief Executives accounts	Fieldwork		Oxfordshire County Council are the allocated auditors for this fund, managed by Gloucestershire CC. The audit will be undertaken by a CIPFA Trainee.
Cross Cutting	Governance	Scoping		The audit will cover all the key governance processes and will test through interviews with Managers the level of understanding and assurance that local systems are in place to ensure the key controls are operating and being adhered to. This will be undertaken across all the Directorates

## AG5

				and Services.
Cross Cutting	Risk Management Review - Business Continuity in the supply chain	Not yet started		This work has been outsourced and is scheduled to be completed end of April, however minor delays have been experienced due to availability of key staff involved with the Hampshire IBC project which may result in completion in May.
Key Financial System	Payroll	Fieldwork		
Key Financial System	Procure to Pay including Accounts Payable	Fieldwork		
Key Financial System	Accounts Receivable including cash receipting	Fieldwork		
Key Financial System	General Ledger & Main Accounting	Fieldwork		
Key Financial System	Treasury Management	Fieldwork		
Key Financial System	Pension Fund Management	Fieldwork		

The following audits have been removed from the plan:

CEF	SEND (Special Education Needs and Disability) Programme	An audit of SEN was undertaken in 2013/14. This audit was to look at any new processes resulting from the SEND Reforms Project. The Audit Manager has been monitoring progress of this project with the Deputy Director and was assured that the project was on track with no issues arising, therefore it was agreed to defer any audit work until post implementation. The audit will therefore be deferred until 2015/16.
CEF	Thriving Families Grant	It was expected that Internal Audit would be required to undertake an independent review of the grant returns prepared in respect of Thriving Families. This has not been required. Internal Audit was involved in reviewing the systems and processes at the commencement of the Thriving Families programme, and this included assurance that adequate management controls over data quality are in place. It was agreed that no additional work was required from Internal Audit for future returns; however, the Government has recently published procedures for the latest funding for this programme, and this now stipulates a requirement for Internal Audit to test the validity of returns going forward. This will not be effective until 2015/16.
CEF	Multi Agency Safeguarding Hub	This audit has been carried forward into the 2015/15 Internal Audit Plan - and agreed timings are to start late August / September.
SCS	Contract Procurement and Contract Management	This audit has been removed due to resources; however the Payments audit has highlighted some queries with regards to contract management which are being followed up, and in addition a risk management review looking at business continuity risks within our supply chain has been included within the audit plan, and SCS Contracts is expected to be the main area for testing.
SCS	Personal Budgets and Direct Payments	This audit is being deferred to the end of Q1 2015/16, post implementation of the new Adult Social Care IT system. The fraud risk for this activity has also

## AG5

		been highlighted as an area for review early under the new counter-fraud arrangements being developed with Oxford City.
EE	Capital Programme Governance and Delivery	Due the significant overrun on the Property and FM audit, we can no longer resource this audit in 2014/15
EE	Highways Contract	As above
EE	Waste Disposal Contracts	As above
EE	Planning	This audit has been deferred until 2015/16 due to resources.
EE OCS	Externalisation of ICT Services	This audit has been removed from the plan and the IT Audit days allocated to an IT audit of the new ASC IT System, with a small contingency retained to support the audit of the Externalisation Programme should IT audit specialism be required. It was agreed to replace the original audit The initial scope of the audit was to "To review the management of services that have been externalised (e.g. SAP and the Data Centre), as well as operational controls over the managed print service; however the SAP contract is changing with Hampshire, the contract with Vodafone for the network has only recently commenced (we audited the project in 14/15) and the Data Centre is relatively new (project audited end of 13/14).
Public Health	Grants / Contract Procurement and Contract Management	This audit has been replaced with a risk management review, looking at the adequacy and completeness of the risk management process and identified risks. The review will map the processes management has in place to provide assurance over the risk management. This will include the areas originally in the scope for a systems based audit.

**ICT STRATEGY REVIEW 2014/15.**

Opinion: Amber	05 January 2015	
Total: 05	Priority 1 = 0	Priority 2 = 05
Current Status:		
Implemented	02	
Due not yet actioned	02	
Partially complete	01	
Not yet Due	0	

**Overall Conclusion is Amber**

An ICT Strategy is documented for the period 2014 – 2018 and covers the role of ICT at OCC and identifies seven key strategic objectives. The ICT Strategy was taken to CCMT on the 6 August 2014 where a number of minor revisions were agreed, however, there is no evidence that it was formally approved. The strategy has not been taken to Cabinet for approval.

There are clear links between the ICT Strategy and the OCC Corporate Plan, which covers the period 2014/15 – 2017/18. However, as the strategy was developed by ICT without any direct consultation with directorate areas, it is important that they engage with directorates' to confirm how the strategy will help them support their business plans. ICT have appointed Business Partner's whose role is to manage the delivery of ICT services to each directorate.

The Strategic Delivery Group will be responsible for managing the implementation of the ICT Strategy. This group currently only comprises of ICT staff and should be expanded to include directorate representatives to ensure the implementation of the strategy takes their priorities and requirements into account. The terms of reference for the group should also be updated to reflect their responsibilities for the ICT Strategy. The ICT Strategy includes an implementation plan, although it needs to be revised and updated. It would also be useful to link the plan to current programmes/portfolios to clearly demonstrate how the strategy will be implemented.

Oxfordshire County Council has been delivering an ICT service to Oxford City Council since 1st April 2009, under the terms of a formal contract and Service Level Agreement. The service is governed by an ICT Partnership Board which has senior ICT representation from both organisations. The contract is for a seven year period and expires on 31st March 2016, without any provision for an extension. The indication is that the service will not extend beyond the contract expiry date and that the City Council will seek alternate ICT provision. Plans are being put into place by both organisations to implement these changes.



**INNOVATION SUPPORT FOR BUSINESS 2014/15**

Opinion: Amber	07 January 2015	
Total: 06	Priority 1 = 01	Priority 2 = 05
Current Status:		
Implemented	04	
Due not yet actioned	02	
Partially complete	0	
Not yet Due	0	

**Overall Conclusion is Amber**

The overall conclusion is supported by findings identified in the following areas:

**Programme Governance:** Overall programme governance has been documented. However, The ISfB Steering group do not currently have a terms of reference and the minutes from the meetings have not been written up. Additionally, the Programme Funding Board is yet to be created. A summary paragraph detailing progress with the ISfB programme was submitted to the OLEP Board on the 7 May 2014. However, since that meeting, no further updates to the OLEP Board on the ISfB programme have been presented.

**Funding and Payment Mechanisms:** Fund award processes have been documented and there are Service Level Agreements (SLAs) in place with most providers to deliver the programme. However, evidence was not provided to support that the two SLAs for the Business Activation element of the programme have been agreed and signed. The grant claim process has also been documented, with the relevant claims so far being submitted.

**Programme Monitoring:** Programme monitoring is taking place, although this could be improved, as per the items raised under "Programme Governance" above. During the audit, progress in allocating ISfB funds and delivering its objectives was reviewed by testing the content of "Claim 3", and any supporting documentation. Testing highlighted the following areas:

- Growth Hub draw down is currently 47%, yet the Business Support draw down is only at 28%. This is not unexpected, as the Business Support should increase over the coming months.
- The overall grant is split 80% / 20%. However, for example, if only 75% of the 80% Business Support element is achieved, then only 75% of the Growth Hub can be claimed. This requirement places a pressure on the fund, and based on the previous bullet point, if 100% of the Growth Hub is drawn down, then 100% of the Business Support element has to be delivered. The Steering Group need to be made aware of the "at risk" values, either in the draw down of the Growth Hub value or potentially unallocated Business Support elements.

- As at "Claim 3", of the £1,991,609 grant, £463,805 has been drawn down, but only £100,484 has been allocated. This also places a pressure on the fund as arrangements need to be in place to ensure the fund is fully allocated. Discussions during the audit identified that the programme should achieve £1.3-£1.4m of the £1.6m Business Support element, but this highlights a pressure / at risk value of £200,000.

Additionally, if the Business Support element is not fully allocated, but the Growth Hub is, there is a pressure that a % of the Growth Hub value would need to be repaid. If the Growth Hub needs to be repaid, it is currently unclear how this would be funded.

### **ADULT SOCIAL CARE IT SYSTEM IMPLEMENTATION REVIEW 2014/15**

Opinion: RED	25 February 2015	
Total: 12	Priority 1 = 07	Priority 2 = 05
Current Status:		
Implemented	02	
Due not yet actioned	04	
Partially complete	03	
Not yet Due	03	

Our overall conclusion is RED.

The most significant area of concern is Testing, where a number of control weaknesses have been identified and require urgent action to address and improve controls to ensure that the new system, interfaces and end-to-end business processes are sufficiently tested prior to go-live.

#### *Logical Access Security:*

All users with active accounts on SWIFT and Abacus will be migrated over to LAS and Controcc, which at the last count included 773 accounts. LAS and Controcc each have their own user authentication mechanisms, which are not inter-linked, although they are both based on Windows Active Directory. A LAS user has to manually enter their network username and password during the login process, whilst Controcc uses single sign-on. We identified a potential risk relating to account lockouts, however, this was investigated and resolved during the course of the audit and is only reported here for completeness.

#### *User Access Rights:*

LAS and Controcc both support a role-based access system and allow a granular level of user access to be defined. Roles or 'profiles' as they are known on LAS, are currently being configured. Whilst responsibility for signing-off roles has been agreed, responsibility for decisions on how they are allocated to users, both pre and post implementation, has not been formally defined. Issues around data ownership and maintenance also need to be

agreed to ensure that post implementation, data is accessed, maintained and shared as intended. We also recommend that the spending limits functionality within Controcc is tested to ensure that it operates as expected.

*Audit trails:*

There is an audit trail facility on LAS and Controcc, which is enabled by default and does not require any local configuration. On LAS, an audit report can be run on user activity which shows what they have accessed/changed and when. On Controcc, there is an audit trail on each screen providing a history of all changes.

*Testing:*

The system implementation is in the third-cycle of User Acceptance Testing. This cycle involves functional testing and has to be completed by 31<sup>st</sup> January 2015, in order for any errors/bugs to be reported to the supplier and fixed by the 'go live' date. Test plans have been developed for this phase of testing, however, we have reviewed the process and identified a number of control weaknesses:

- An overall testing strategy does not exist detailing the approach and standards to be used;
- The scope of each test plan has not been defined and plans have not been subject to any review to ensure they cover all relevant areas;
- Test plans do not cover the testing of key controls/risks e.g. segregation of duties, specific scenarios etc;
- Test plans do not cover the testing of the end-to-end business processes;
- Test results are not subject to any formal review or sign-off;
- The process for re-testing has not been agreed; and
- The results from the first cycle of testing, undertaken in August 2014, have not been formally documented.

Test plans have not been developed for a number of key areas, including interfaces to SAP, ETMS and SharePoint. These will need to be developed and executed prior to the system going live.

The project to convert ESCR documents from IBM Document Manager to SharePoint is being managed by ICT and its progress should be monitored to ensure it completes on a timely basis. The specification of the SharePoint site should also be formally signed-off as meeting the requirements of the new Adult Social Care system.

**PROPERTY & FACILITIES PROJECT AGREEMENT 2014/15**

Opinion: Amber	10 March 2015	
Total: 12	Priority 1 = 0	Priority 2 = 12
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	12	

Our overall conclusion is Amber.

The overall conclusion is that there is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls. In outlining the issues below it should be noted that the Council are managing the contract with a reduced monitoring function that places reliance on the contractor to implement a lean approach to delivery. In particular, we noted that there had been a considerable number of staff changes on both the contractor and client side and this can impact on the efficiency and effectiveness of internal control. The management team within Economy & Environment are using an Issues Log to help improve contractor performance and engagement.

A review of the contract obligations identified potential gaps in the service structure, but this has not been translated into a capacity and responsibility review against the existing staff structure. There is a limited overview of the financial position of the contract and a lack of performance information provided. There is a lack of approved KPI's, supported by the OPI's and a performance dashboard.

When we requested the Change Control Log that details the changes to scheme's Agreed Maximum Price (AMP), outlined in the contract as jointly maintained between the Programme Office and Carillion, we were informed that this is not kept. We also noted that the Value for Money (VfM) statement for one of the schemes had not been signed, even though it had gone through Gateway 2.

The delivery of an integrated ICT Process / Data Warehouse was a key component of the Scope of Services for Information Systems and it would appear that the delivery of this workstream by CCS has yet to be fully realised.

We noted that from our sample of 10 interim certificates for capital works, seven were incomplete with either signatures or dates of completion missing. At a Programme Office file level, there is no overview by scheme as they are filed according to work stream per month. By reviewing our two sample schemes, we found certain certificates were missing from the Capita project manager file and had to be verified by CCS. The OCC Contract Management Support Officers have been developing their own systems to track certificates, but this is in isolation of the process as a whole.

Since inception, the QuEST team have seen a steady decline in those schools that have taken the catering service and to a lesser degree the cleaning elements. Management are aware of the issue and this is being monitored at PSOB meetings, but to date, there is no agreed action to address the declining service engagement.

### **Previous Audit**

Two reviews were undertaken during 2012/13 covering the Corporate Landlord and an early overview of the Property Contract. A number of the issues or themes that arose during those audits are still prevalent and have been captured in the Findings and Action Plan (i.e. capacity planning, management information and communication / stakeholder plans for projects. All other areas raised previously have now been resolved or superseded.

### **FOLLOW UP OF IMPLEMENTATION OF INFORMATION GOVERNANCE 2013/14**

An audit of Information Governance was undertaken in 2013/14. (Final Report Issued 30 January 2014). The overall conclusion was RED / UNACCEPTABLE. 12 management actions were agreed in response to the weaknesses identified in the 2013/14 Internal Audit report. This follow up audit reviewed the implementation progress of those actions.

Whilst good progress has been made with a number of the agreed management actions to address the weaknesses identified in the 2013/14 audit, in particular the functioning and clarity around the IGG, review of policies and procedures and also the review of Egress/PSN accounts, there are still three management actions outstanding.

The most significant is the completion of the Information Asset Registers (which now incorporate the external data transfers register). Findings have been raised with regard to the need for information asset registers in audits, each year since 2010/11. These were determined by management to be the key control for managing external data that is transferred by providing a monitoring mechanism to ensure that sensitive and confidential data transfers are undertaken using a secure and approved method. Previous audits have concluded that there has been some evidence that sensitive data is being transferred outside the organisation in a manner that is not secure. Further detailed testing has not been undertaken in 2014/15. Until the Information Asset Registers are completed and being utilised effectively there still remains a lack of assurance over externally transferred data.

**ICT OXFORD CITY CONTRACT REVIEW 2014/15**

Opinion: Green	27 March 2015	
Total: 02	Priority 1 = 0	Priority 2 = 02
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	02	

Our overall conclusion is Green.

Our overall conclusion for this audit is Green. Internal Audit identified that there is a sound system of internal control in which risks are being managed to acceptable levels.

The ICT contract with Oxford City Council expires on 31st March 2016 and does not have any provision for an extension beyond this date. As such, a programme of work has started to separate the City's ICT provision to enable them to migrate to another supplier.

The programme of work includes projects on PSN Compliance, new applications and application upgrades, which are all being managed by ICT. There is also a key piece of work to split the network domain, which is being undertaken by a third-party, Specialist Computer Centres.

The Programme Definition Document recommends the creation of a Joint Programme Board to provide a central point of control and programme management. A Terms of Reference has been documented for the Board, but it has not formally met. However, the programme of work is being managed jointly between the County's Principal Change Manager and Business Manager and the City's Chief Technology Manager, who collectively make up three of the five individuals on the Joint Programme Board. Whilst this maybe adequate at an operational level, it is important that the oversight and formalisation that the Joint Programme Board would provide is not lost and does not compromise the overall governance of the programme.

Business and financial risks and issues are being identified and managed. This includes the loss of City income from March 2016, on which a paper has been documented and taken to the ICT Leadership Team on the 25th February 2015. All costs associated with the programme are being logged and reported.

There will be no transfer of staff under TUPE and voice and telecoms services are already managed by the City. Other relevant areas have been identified and assessed by County ICT, with the exception of licensing conditions for County software. Any software that is licensed on a per user, server or processor basis could be impacted by a lower number of overall users and hence licensing conditions should be reviewed to identify any actions that may need to be taken.

**CEF PLACEMENT STRATEGY 2014/15**

Opinion: Amber	01 April 2015	
Total: 03	Priority 1 = 0	Priority 2 = 03
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	03	

Our overall conclusion is Amber

The Placement Strategy was devised to try and save escalating costs on placing children in care, out of county. It is also considered better for the child's wellbeing, in many cases, to keep them in county.

The capital costs relating to the builds were reviewed and it was found that the preliminarily costs were accurately represented within the information used to monitor the progress of the project. The revenue costs have been modelled against 2013/14 care home budgets, with the relevant uplifts applied. Within that, the pay costs were found to have been budgeted at a comparable level, however the non-pay budgets could potentially have been set too low as both existing care homes overspent their 2013/14 budgets by over £30,000. It was noted that there was the intention to move the Edge of Care services into some of the new homes, the staffing costs and budgeting relating to this were not reviewed however, as it had not been formally adopted at the time of the audit.

The Independent Fostering budget and the External Agency Placements budget were both significantly overspent when conducting the audit. Whilst it is acknowledged that these budgets are very much demand led, making it difficult to accurately predict the level of potential expenditure, in the case of the independent fostering budget there is a clear discrepancy between the budget setting methodology and the actual expenditure and demand information available from previous years. Similarly, despite the mainstream residential budget being marginally increased from 2013/14, demand far outweighed the original budget and an in-year increase of £2.751m, which was authorised by Cabinet. Expenditure on mainstream residential has been extraordinarily high in 2014/15, by January it had exceeded the base budget (£2.9m) 3.85 times, exceeding £11m. When compared with the 2013/14 budget (£2.67m) and expenditure (£2.8m), and level of demand (approximately 12,500 days), it is not clear why expenditure in 2014/15 is so high because demand to date and forecasting to year end is only showing an increase of 50% (approximately 18,000 days) against 2013/14. Trend information available could not have predicted the sharp increase in demand, against previous years, however benchmarking against other authorities may have provided more information to help set a more realistic budget.

The budgets are being kept under continual scrutiny and additional review measures have already been introduced to help control the escalating costs. Which include Director sign off of placements. A continual forecasting model is also maintained to try and predict additional costs up to year end, which is reconciled against SAP to ensure the most up to date and accurate information is available.

At the time of the audit each of the capital build projects were in their infancy stage. The projects are being delivered by E&E on behalf of CEF and there is clear evidence that the CEF Placement Strategy Board and in particular the Corporate Parenting Manager have a good level of involvement and oversight on each of the capital build projects. Review of the controls and processes around the design and implementation of the capital build were found to be satisfactory and there is evidence of sufficient monitoring of the capital spend and adequate processes in place for monitoring and escalation of progress against timescales and budget.

The programme governance arrangements for the overall Placement Strategy were reviewed, which identified that key information detailing project progress on all of the identified work streams is being sufficiently communicated. Risks are being monitored and escalated as appropriate and overall programme roles and responsibilities.

### **POOLED BUDGETS 2014/15**

Opinion: Amber	13 April 2015	
Total: 07	Priority 1 = 0	Priority 2 = 07
Current Status:		
Implemented	01	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	06	

### **Our overall conclusion is Amber**

The governance structure of the Pooled Budgets is fundamentally sound, with recent initiatives such as having one Pooled Budget Manager to manage all pools a positive step towards greater consistency and oversight across all pools. Whilst issues were identified during the audit, in most cases these were already being addressed and plans underway for resolution, indicating that escalation and identification of risk is functioning effectively. Oversight of performance and budgets is satisfactory, albeit with a gap regarding provider quality monitoring, which is now being closed with a new regular slot for the Contracts & Quality Service Manager at the Officers Group. Despite a sound governance structure, the overall audit conclusion is Amber due to the failure to update the S75 in 2014, lack of oversight of quality monitoring and the size of the impact of the LD Pool overspend this year, acknowledging however the improvements with budget setting and budgetary control going forward.



A: Decision-making and roles & responsibilities

These are clarified in the S75 Agreement and from observation at JMG meetings and review of the meeting minutes decision-making appears clear, with agreed actions followed up on. The S75 Schedule 3 detailing the contribution amounts and risk share between parties requires annual review and sign-off by OCC's and OCCG's respective governing bodies. This did not happen fully in 2014, however clear plans are currently in place to ensure review and sign-off in 2015. In 2014 there was a disagreement between OCC and OCCG on changing the PD Pool risk share.

There has been a gap in communication to relay decisions made at the System Resilience Group committing expenditure from the Pooled Budgets back to the Pooled Budget Manager/Officers Group.

B: Performance, outcomes and quality oversight

The JMGs and Officers' group receive a range of performance information in line with the targets reported to the Health and Wellbeing Board. A recent initiative to amalgamate the finance and performance reporting has been well received by the Officers group and should help support the move to greater consistency of monitoring across the Pools, following the change to merge the Officers group meeting for all Pools into one.

JMG/Officer Group's oversight is focused on finance, budgetary control and HWB performance indicators and less on quality and commissioning issues, although this is being rectified with a new slot at the Officers Group focussing on this. There is currently no regular performance reporting to JMG on provider quality issues, except where concerns have been identified by CQC or a serious case review.

C: Risk Management

The Pools do not have their own separate risk registers and instead risks relating to the Pooled Budgets are captured within the Directorate risk registers. This approach was reviewed and agreed as being appropriate in September 2014 by OCCG and OCC's risk and performance leads, with input from the Chief Internal Auditor. It was further agreed that the Officers group would review the Directorate risks on a quarterly basis to ensure risks relating to the Pools are sufficiently captured and updated. The Pooled Budget risk management strategy has not been captured in the S75 Agreement.

D: Budgetary control & financial risk sharing

Budgets for the Pools are set annually and the Host Partner is responsible for compiling monthly budget reports during the year to monitor expenditure and forecasts.

For 2014/15 there is a significant overspend forecast in the LD Pool (currently £4.1m), for which OCC are liable for 85%. The over spend has been reported throughout the year to JMG and to OCC Cabinet and plans have been put in place aiming to bring expenditure down by year-end. Efficiency savings included in the 2014/15 budget have not all been achieved (approximately a third have been achieved). It is expected that corporate reserves will be used to fund the over spend.

The budget setting for the LD pool was overly optimistic given the 2013/14 over spend and the trend towards increasing demand. The under spend in

## AG5

2013/14 was under-reported in the last months of the year, leading to an unexpected increase in the overspend at year end; however the over spend in 2014/15 appears more accurate, including improved trend analysis of personal budget claw back. There is a continued risk to delivering to the LD budget in future years, given the increasing demand for services coupled with savings that have to be made. These risks and the savings plans have been escalated, scrutinised and decisions made at an appropriately senior level. The audit walked through a sample of budget lines in the OP and LD pools to check the process followed for calculating the forecast figures. No significant issues were identified, however a number of minor issues were highlighted, although all of these had already been identified, considered and action underway to address them.

**ANNEX 3 Proposed PERFORMANCE INDICATORS 2015/16**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency reporting</b>	<b>of</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
4	% of planned audit activity completed by 30 April 2016	100%	Quarterly report to A&G Committee.		Internal Audit Performance Monitoring System
5	% of management actions implemented	90% of all management actions	Quarterly report to A&G Committee.		Action Management Tracking System