

## ANNEX 2

### 2011/12 Internal Audit Plan – Status of Q1 and Q2 audits. (Completed audits since last report are shaded)

Directorate	Qtr	Audit	Status at 6 September
CEF	1	<p><b>CEF Governance and Financial Management – Performance Management</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p>	Draft report issued
CEF	1	<p><b>CEF Safeguarding</b></p> <p>This audit has been deferred from 2010/11 Internal Audit Plan. The aim of the audit will be to provide assurance that safeguarding framework, policies and procedures are working effectively.</p> <p>The audit will review the quality assurance framework, reviewing the scope adequacy, and reporting mechanisms within this process. The audit will also review the systems and processes in place for caseload management. The audit will follow up on any outstanding actions and test implementation of any priority 1 management actions from previous audits of Safeguarding Training, Safer Recruitment, and also relevant actions regarding accuracy and completeness of Frameworki data included in the audit undertaken of Performance Indicators.</p>	Draft report issued
CEF	1	<p><b>YPLA (Young People’s Learning Agency) – Sixth form funding</b></p> <p>Under the requirements of the YPLA Internal Audit are required to provide assurance on a cyclical basis over the funding paid in respect of local authority maintained schools with sixth forms. It will include review of processes in place</p>	Fieldwork completed – file review.

Directorate	Qtr	Audit	Status at 6 September
		to verify the completeness and accuracy of the school's data returns.	
CEF	1	<p><b>One System (EMS)</b></p> <p>One system is the main pupil database used across CEF. The audit will look review the use of the system across the directorate and to provide assurance on the accuracy and integrity of data on the system. A key aspect of the audit will be to review the financial governance surrounding payments generated by data supplied by the system.</p> <p>The audit will specially review the business processes in place to generate payments to providers within the Early Years Service.</p>	<p>Final Report Issued</p> <p>Conclusion: ACCEPTABLE</p>
CEF	1	<p><b>Early Years</b></p> <p><b>Early Years – Delivery of Savings Plan.</b> During quarter 1 Internal Audit will look to provide assurance on the robustness and accuracy of the savings plans in place for Early Years. The audit will consider the new structural changes in place and responsibilities for achievement of each part of the savings plan, reviewing that appropriate budget monitoring mechanisms are in place.</p> <p>Internal Audit will work with the Deputy Director to identify any future Internal Audit activity required to consider key governance and financial management controls as processes are reviewed / re-designed as part of the implementation of the CEF Business Strategy.</p>	<p>Exit Meeting completed - draft report to be issued</p>
CEF	2	<p><b>CEF Governance and Financial Management – Project Management</b></p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p> <p>During quarter 2 Internal Audit will review the area of project management in CEF, as this was not tested for this directorate as part of the 2010/11 audit. The audit will provide assurance that the directorate ensures that all projects</p>	<p>Not started</p>

Directorate	Qtr	Audit	Status at 6 September
		are appropriately authorised and effectively managed to ensure that objectives are achieved and that projects are completed within the required timescales and budget.	
CEF	2	<p><b>Payments to Foster Carers – Trojan System</b></p> <p>From 2011/12 payments to Foster Carers are being processed via the Trojan system. These were previously administered via spreadsheets. Internal Audit will test the key controls to provide assurance on the accuracy, integrity and reliability of payments made.</p>	Fieldwork
CEF	2	<p><b>Review of CEF Management Information Systems</b></p> <p>In preparation for the introduction of the Early Intervention Hubs, governance arrangements have been established to oversee developments, including Task and Finish group for ICT/Buildings and Data, Information Sharing and Processes. As a consequence and as part of these governance arrangements, representatives from Information Management and Business Support Team within CEF, are reviewing all directorate management information systems to identify how the requirements of the Early Intervention hubs and re-designed directorate will be supported in the future and whether the existing systems will still be required in the longer term.</p> <p>A project will be set up to deliver this review of systems and the planned changes needed to ensure that CEF systems will support the new process required when operating the Early Intervention Hubs.</p> <p>Internal Audit will review the project management arrangements, and at key stages provide advice / assurance over the key processes planned, to include review of what data quality / assurance mechanisms will be in place for the recording and reporting of key data. A separate audit of the One System (EMS) was undertaken in quarter 1</p>	Fieldwork
CEF	2 & 3	<p><b>Children’s Centres</b></p> <p>The audit will provide assurance on the project within CEF to re-commission 44</p>	Not yet started

Directorate	Qtr	Audit	Status at 6 September
		<p>Children's Centres across the county.</p> <p>The review will focus on the project management arrangements, and at key stages provide advice / assurance over the key processes planned and the overall implications on delivery of the directorate's Business Strategy.</p>	
CEF	2	<p><b>Schools Assurance – Use of SAP for budgetary control.</b></p> <p>In addition to the schools programme of individual assurance visits, throughout 2011/12 Internal Audit will look to undertake thematic reviews of key risk areas to provide the S151 officer with assurance on the financial control environment.</p> <p>The area of budgetary control and the use of SAP will be reviewed in quarter 2, using a sample of schools, to provide assurance that SAP is being used effectively to enable expenditure to be properly controlled and accounted for.</p>	Not yet started
EE	1	<p><b>EE Governance and Financial Management (including Customer Services) – Performance Management</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p>	Draft Report issued.
EE	1	<p><b>Property and Facilities Procurement</b></p> <p>The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the first phase review, completed in March 2011. The ISOS Stage, tender briefings and dialogue phase will be reviewed in quarter 2 and the ISDS Stage, dialogue and selection of preferred bidder will be completed in quarter 3.</p>	Draft Report Issued.

Directorate	Qtr	Audit	Status at 6 September
		Further work on the mobilisation phase will be considered in quarter 4.	
EE	1	<p><b>New Highways and Transport Contract</b></p> <p>Operational from the 1<sup>st</sup> April 2010, this years audit will follow on from the 2010/11 review, focussing on the issues raised in relation to the operational processes designed to deliver the services of the Highways Contract.</p> <p>The review will assess progress in implementing the service Improvement Plan, as well as the effectiveness of the performance and risk management arrangements.</p>	<p>Final Report Issued.</p> <p>Conclusion: UNACCEPTABLE</p>
EE	1	<p><b>Concessionary Travel</b></p> <p>With the administration of the Concessionary Travel scheme transferring to County Council responsibility from the 1<sup>st</sup> April 2011, the audit will focus on the handover arrangements and the design and effectiveness of processes and systems implemented the manage the scheme.</p>	Draft report issued
EE (Customer Services)	1	<p><b>Insurance</b></p> <p>The audit will provide assurance on processes in place to ensure that the Council has adequate cover for insurable risks and claims are being processed accurately and timely.</p>	Exit meeting – Draft report to be issued
EE (Customer Services)	1	<p><b>Procure to Pay</b></p> <p>This was originally included in the 2010/11 audit plan, however the implementation of the system for electronic scanning of invoices by the Accounts Payable Team has been delayed until 30 June 2011.</p> <p>Internal Audit will complete walkthrough testing on the designed processes prior to implementation.</p>	Draft management letter issued.
EE (ICT)	1	<p><b>ICT Strategy</b></p> <p>The audit will provide assurance on the implementation of the current ICT Strategy. The audit will review the strategy to ensure it is being effectively</p>	<p>Final Report issued:</p> <p>Conclusion: ACCEPTABLE</p>

Directorate	Qtr	Audit	Status at 6 September
		delivered, monitored and managed. The review will also ensure that the benefits of ICT are fully realised and the development of ICT supports corporate objectives and priorities.	
EE (ICT)	1	<b>Internet Access and Security</b> The audit will provide assurance on the security and access controls in place in relation to the internet and email, designed to reduce any potential misuse.	Moved to Q3
EE (ICT)	1	<b>Disaster Recovery Project</b> The audit will provide advice on the implementation of the Disaster Recover Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	Final Report issued: Conclusion: ACCEPTABLE
EE	2	<b>E&amp;E Governance and Financial Management (including Customer Services)</b>  During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.	Not started
EE (Customer Services)	2	<b>Property and Facilities Procurement</b> The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the second phase review, completed in June 2011, looking at the contract specification, any related tender documents and the schedule for the ISDS phase.  Further work on the mobilisation phase will be completed in quarters 3 and 4.	Phase 2 – Final Report Issued Conclusion: Acceptable
EE (Customer	2	<b>Highways and Transport Contract</b> Operational from the 1 <sup>st</sup> April 2010, this audit will determine progress against	Now planned for Q3 due to issues arising from the Q1

Directorate	Qtr	Audit	Status at 6 September
Services)		<p>the audit action plan and the follow up audit completed in quarter 2.</p> <p>The review will also assess progress in implementing the service Improvement Plan, as well as the effectiveness of the governance, performance and risk management arrangements.</p> <p>As operational information becomes available, the review will focus on more detailed sampling to ensure service objectives are being delivered.</p>	audit, completed in August 2011.
EE (Customer Services)	2	<p><b>Energy Strategy</b></p> <p>A new Energy Strategy is currently being developed within E&amp;E and is due to be adopted during the summer.</p> <p>The audit will focus on the governance arrangements in place to monitor and deliver the requirements of the Energy Strategy, including data quality arrangements.</p>	Fieldwork
EE (Customer Services)	2	<p><b>ICT ESS / MSS Programme</b></p> <p>The audit will review the governance arrangements and controls in place when implementing Employee Self Service and Manager Self Service applications within SAP.</p>	Project not yet progressed so audit deferred to Q3
EE (Customer Services)	2	<p><b>ICT SAP Collaboration Review</b></p> <p>The audit will review the management and governance controls over the proposed partnership with Hampshire on the SAP collaboration.</p>	Draft Report Issued
EE (Customer Services)	2	<p><b>ICT Data Centre Security</b></p> <p>The audit will review the physical and environmental security controls over the Clarendon data centre. In addition to the above, we will also review the security over the communications room at County Hall and Unipart House.</p>	Final Report Issued Conclusion: ACCEPTABLE
EE (Customer	2	<p><b>ICT MS Enterprise Programme</b></p> <p>The Microsoft Enterprise Services Programme will address the work to</p>	Draft Interim Management Report Issued

Directorate	Qtr	Audit	Status at 6 September
Services)		upgrade desktops and laptops to a base level of Windows 7 and Office 2010. The audit will provide assurance management and governance arrangements in delivering MS Enterprise programme and operational and systems controls in place.	
CEO	1	<b>Members Allowances</b> The audit will provide assurance on the systems and processes in place to ensure the accuracy and integrity of allowances paid.	Draft Report Issued
CEO	1	<b>Treasury Management</b> An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	Final Report Issued Conclusion: ISSUES
CEO	2	<b>CEO Governance and Financial Management</b> This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.  During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11 within CEO, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.	Not yet started
Corporate	1	<b>Business Strategy Programme</b> During quarter 1, Internal Audit will review the arrangements in place to monitor the delivery of the Directorate Business Strategies. It will include a	Exit meeting



Directorate	Qtr	Audit	Status at 6 September
		review of the general governance arrangements, the management information being presented to the Business Strategy Group and any resulting actions. This analysis will help identify Internal Audit activity for 2011/12 to provide assurance that key risks associated with delivery of significant change across the organisation are managed effectively.	
Corporate	2	<b>Contract Audit</b> The contract audit needs assessment has been completed but the timetable has not yet been agreed. The contract audit plan includes time for revenue contracts, focussing on contract management and capital contracts.	See Q3 plan
SCS	1	<b>SCS Governance and Financial Management – Performance Management</b> This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.	Draft Report Issued.
SCS	1	<b>Alert Service</b> The review will focus on the processes for re-assessing clients by Community Voice, that financial forecasts are accurate and robust, the financial charging process is effective and contract management and monitoring arrangements are in place.	Draft Report Issued
SCS	1 & 2	<b>Self Directed Support</b> The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including	Draft Report Issued

Directorate	Qtr	Audit	Status at 6 September
		personal budget allocations and accounting, care plan delivery and client documentation.	
SCS	2	<p><b>SCS Governance and Financial Management</b></p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p>	Not yet started
SCS	2	<p><b>Safeguarding</b></p> <p>The aim of the audit will be to provide assurance on the quality assurance framework for Safeguarding in respect of externally provided services, reviewing the scope, adequacy and reporting mechanisms within this process. The audit also will provide assurance on the annual review process, in respect of delivering safeguarding objectives. The audit will consider current improvements already planned or being actioned by the Directorate within the area of Safeguarding and the multi-agency peer audit to be independently led by the Oxfordshire Adult Safeguarding Board.</p>	Draft Report Issued
SCS	2	<p><b>Client Care Funding</b></p> <p>This audit will follow on from the observations raised during the 2010/11 review where the systems in place within SCS appear to not maintain the correct level of documentation to support delivery of the needs of the client.</p> <p>Testing will focus specifically on deterring the process or control weaknesses and implications in not having robust systems to support service needs and operational decisions.</p>	Fieldwork

Directorate	Qtr	Audit	Status at 6 September
Proactive Fraud	1	<p><b>Compliance with Contract Procedure Rules</b></p> <p>This proactive fraud exercise will review compliance with the Council's Contract Procedure Rules. The review will utilise IDEA (data interrogation software) to identify all significant procurement activity and ensure the Council's requirements have been complied with.</p>	Testing
Proactive Fraud	1	<p><b>ICT Network Access</b></p> <p>Following on from the Council's ICT Acceptable Use e-learning, this proactive exercise will review the outcome of the e-learning and determine the reasons for any non-compliance in completing the training.</p>	Testing
Proactive Fraud	2	<p><b>Overtime Claims</b></p> <p>This proactive fraud exercise will utilise IDEA (data interrogation software) to assess the level of overtime claims being submitted. The review will aim to establish whether the overtime claims forms submitted and paid are appropriate.</p>	Not yet started

## SUMMARY OF COMPLETED AUDITS as highlighted in table above

### CEF - One System

The One system is the main pupil database used across CEF. The audit reviewed the use of the system across the directorate to provide assurance on the accuracy and integrity of data on the system. It included the review of financial governance surrounding payments generated by data supplied by the system. The audit specifically reviewed the business processes in place to generate payments to providers within the Early Years Service.

Our overall conclusion is ACCEPTABLE. Internal Audit identified that there is generally a sound system of internal control in place.

Issues were identified regarding the timeliness of data input by schools and quality of local procedure notes with regards to the individual modules of the ONE system.

An area of good practice noted was the Early Years process notes. These provided detailed guidance on the process within Early Years and how the ONE system is best used. The notes were found to cover all areas of the function and had version control providing evidence that they had been recently reviewed. It was also noted that there are robust controls regarding payments generated from the Early Years module and the Transport module. Guidance notes for the submission of statutory returns were in place and the returns were checked prior to submission.

## **ICT Strategy**

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

A Corporate ICT Strategy has been documented and was approved by Cabinet in October 2010. The ICT Strategy includes an action plan showing how aims and objectives will be achieved and the implementation of this is overseen by the Business Strategy Group (BSG). A Technology Strategy, which will support the ICT Strategy, is currently being developed and will be submitted to BSG for formal approval by June 2011.

A review of the ICT Strategy found it is aligned to corporate aims and objectives as detailed in the Corporate Plan. The ICT Programme Board is responsible for managing the implementation of the strategy and the membership of this has recently been extended to include directorate level representatives. A review of the minutes of the ICT Programme Board found there is no formal discussion of the ICT Strategy and that its main focus is a review of new and existing projects.

A strategy for business applications has not been documented, either within the Corporate ICT Strategy or the draft Technology Strategy. The development of such a strategy needs to be led by each directorate, with support from ICT as required.

## **Disaster Recovery Project**

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

ICT Business Delivery are planning a test of the new disaster recovery facility at Kidlington Fire Station (KFS) on the 27<sup>th</sup> July 2011. We undertook an interim review of these plans in June 2011 and identified a number of risks and issues with the project. A report of our findings was issued on the 28<sup>th</sup> June 2011, with an overall conclusion of ISSUES.

Since our interim review, significant progress has been made with the project. The ICT Disaster Recovery Plan is nearly complete, although we have identified some further areas that need to be included within it.

We expressed some concerns about the state of the disaster recovery facility and whether it would be ready for the test date given the large amount of refurbishment work required to finish the site. We have confirmed that all work is progressing to plan and ICT have received assurances from Property Services that the contractor will complete the work by the scheduled date.

A Disaster Recovery Test Plan has been documented, in conjunction with Sungard, a disaster recovery service provider. The key outstanding actions with regard to the preparations are to agree the users from business areas who will participate in the test and to develop and finalise the test plans they will use.

### **Data Centre Security**

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

Policies have been documented which define the physical and environmental controls for key IT installations; overall these are being effectively managed and found to be working in practice. The majority of expected security provisions have been put in place to manage the key risks; including access control mechanisms, fire suppression, water detection, air conditioning units, UPS, equipment servicing and maintenance, CCTV, intruder alarm and monitoring systems. The main exception is the lack of a backup generator and plans are already underway to install these at Clarendon House and County Hall.

The fire suppression system NOVEC 1230 has been installed in the County Hall Server Room. However, the room integrity test conducted in April 2010 was unsuccessful. We understand that work has since been completed to properly seal the room, but subsequent testing has not been carried out to confirm that the room could effectively contain the gas in the event of its release. This could reduce its effectiveness in extinguishing a fire and lead to increased loss of equipment and network connections.

In general, the process to restrict access to critical IT areas is working effectively. The only exceptions noted were the use of shared, generic swipe cards by contractors, which results in a lack of accountability and reduces the effectiveness of the Salto audit log. The other was that the main comms room at Unipart House was left unlocked with keys unsecured outside the room at the time of the audit.

## **Treasury Management**

Our overall conclusion is ISSUES.

The conclusion of the previous (2010/11) audit of Treasury Management was Issues, with six management actions agreed. Three of these have been confirmed as implemented during 2010/11. The three outstanding actions have all been revised or restated. One of these actions, regarding the update of procedure notes, was originally raised in the 2009/10 audit and was already restated in 2010/11 with a revised completion date of 31 July 2011. Progress has been made towards completing this action and it is now expected that it will be fully implemented by 31 August 2011.

Cash flow management was reviewed for the first time since the 2008/09 audit and it was found that processes have been introduced to provide accurate and reliable cash flow forecasts.

The main issues identified during testing included the need to review the risks and risk owners in the Chief Executive Office's risk register as it was found that these have not been reviewed since July 2010 and now require amendment and ownership. Testing the entries in the scheme of delegation found that the delegated authority of Treasury Management officers was not clear. Finally, it was identified that Members currently receive limited training to support them in their role to scrutinise and challenge Treasury Management performance and strategy.

It should be noted that testing did not identify any control weaknesses that could result in the loss or misappropriation of funds.

## **Highways and Transport Contract Follow Up**

There were a total of 35 management actions agreed as part of the 2010/11 Internal Audit review of the Highways and Transport Contract. During this follow-up review of the management actions, we found that:

- 40% (14/35) of the management actions may be classed as "complete", where management actions had been implemented;
- 46% (16/35) of the management actions may be classed as "in progress", where some work has been carried out to progress and implement the management action; and
- 14% (5/35) of the management actions may be classed as "not started".

The follow-up review found that although progress has been made in implementing management actions, there are still a number of actions that have not been fully implemented. This has resulted in an overall conclusion of UNACCEPTABLE. The system of internal control is generally weak, and the exposure to risk is such that it is probable that objectives will not be, or are not being

achieved. The system is open to the risk of significant error or abuse. Following the review, the main areas where work is still required include:

- The processes for managing service risks, including the completion of task order risk registers.
- Clarifying and communicating roles and accountability within the service.
- Performance indicator reporting and challenge.
- The timely completion of task orders, in advance of work being undertaken.
- The process for approving payments and budget forecasting and monitoring.
- A review to address any financial miscoding.
- The completion of compensation event guidance and training.
- The calculation and approval of the profit fee.
- Reporting and monitoring delivery of the Improvement Plan.

As part of the work that has been completed in the six weeks since the audit, management have identified detailed actions, responsible officers and implementation dates to fully address all the outstanding issues in the report. This has resulted in the initial 21 outstanding actions being broken down into 67 individual actions. Of these 67 actions, 62 are due to be implemented by the 30 September 2011. The remaining five actions are due to be implemented by the 31 March 2012.

Ownership for monitoring implementation of the actions remains with Highways and Transport Leadership Team (HTLT), although the Highways & Transport Service Manager will be obtaining weekly progress updates. In addition to this, fortnightly meetings will be held between Internal Audit and the Highways & Transport Service Manager to ensure actions are being implemented within the agreed dates.

Further updates in implementing the actions are due to be presented to the Audit Working Group in September and SPB in October. Audit testing on the effectiveness and management overview of the processes and controls being introduced is planned to take place during quarter three 2011/12.

### **Property Asset Management Procurement (Phase 2)**

Our overall conclusion at this stage is ACCEPTABLE. There is a sound system of internal control in which risks are being managed to acceptable levels.

One issue was found during the audit regarding indemnity insurances. We were informed that a system exists within the Property & Facilities Programme Office for checking professional indemnity insurances on an ongoing basis but that assurance that this has taken place has not been sought by the Project Team. It is further noted that a procurement project of this nature is dependent on

key consultants in critical areas and that it is generally accepted that the prevalence of legal challenges to contract awards is on the increase.

In addition to testing the ISOS phase, Internal Audit followed up the seven actions agreed during the first phase of the audit, which focussed on the PQQ exercise. Testing found that all seven actions included in the final report for the PQQ phase, which was issued on the 30 April 2011, have been implemented.