

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 12 September 2018

INTERNAL AUDIT 2018/19 PROGRESS REPORT

Report by the Director of Finance

INTRODUCTION

1. This report provides an update on the Internal Audit Service, including resources, completed and planned audits and an update on counter-fraud activity.

RESOURCES

2. A full update on resources was made to the Audit and Governance Committee in April 2018 as part of the Internal Audit Strategy and Plan for 2018/19. The Senior Auditor (who also covered counter fraud) took a six-month secondment to the Policy Team (May to November 2018). His chargeable audit days lost due to this arrangement are being covered by two/three audit staff from an external firm working on a secondment basis. The staff have received their induction and audit work has started. His responsibilities for counter fraud have been transferred to one of the Principal Auditors whose responsibilities are currently being reviewed as part of the development of the new counter fraud arrangements. The Senior Auditor has recently been offered a permanent position within the Policy Team which he has accepted. The recruitment process will therefore be initiated as soon as possible to find a permanent replacement.
3. The two Auditors within our team are continuing to undertake professional study, having both passed the IIA's Certified Internal Auditor Qualification, they have now sat the first exam of the final level and both successfully passed – Chartered Internal Audit Qualification. The Principal Auditor is now also studying for the Chartered Qualification and will be sitting the first exam in the Autumn.

2017/18 INTERNAL AUDIT PLAN - PROGRESS REPORT

4. The 2018/19 Internal Audit Plan, which was agreed at the April Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit.

5. There have currently been no amendments to the plan for 2018/19. The plan and plan progress will be reviewed with the individual directorate leadership teams during September and October.
6. There have been 4 audits concluded since the last update (provided to the April 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	2018/19 Audits	Opinion
Resources - ICT	Network Management	Green
People – Adults	Payments to Providers	Amber
People – Children’s	EDT	Green
Corporate	Fit for the Future Governance Arrangements	Amber

PERFORMANCE

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

Performance Measure	Target	% Performance Achieved for 17/18 audits (as at 28/8/18)	Comments
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)	80%	Previously reported year-end figures: 2017/18 80% 2016/17 60% 2015/16 58%

Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	80%	Previously reported year-end figures: 2017/18 95% 2016/17 94% 2015/16 96%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	75%	Previously reported year-end figures: 2017/18 92% 2016/17 75% 2015/16 48%

The other performance indicators are:

- % of 2018/19 planned audit activity completed by 30 April 2019 - reported at year end.
- % of management actions implemented (as at 22/8/18) - 60%.
Of the remaining there are 17% of actions that are overdue and 23% of actions not yet due.

(At April 2018 A& G Committee the figures reported were 72% implemented, 10% overdue and 18% not yet due)

- Extended Management Team satisfaction with internal audit work - reported at year end.

COUNTER-FRAUD UPDATE

8. The 2018/19 Counter-Fraud Plan was presented to the July Audit & Governance committee, progress against the plan will next be reported to the November Audit and Governance Committee.
9. The new agreement with the Oxford City Investigation Team is being developed with a target date for the end of September for sign off. They will provide resource to support the assessment and triage of all referrals, with the Internal Audit team continuing to manage the referral process and maintain the fraud log for the first six months. This will enable knowledge transfer to the City Team regarding OCCs cases, systems and processes. Where formal fraud investigations are required these will be managed and delivered by the Investigation Team. They

will be responsible for providing expertise, training and assistance with communications. They will also take over the full management of the NFI (National Fraud Initiative) exercise from the initial fair processing notices, uploading of data sets, review of results and system recording.

RECOMMENDATION

10. The Committee is **RECOMMENDED** to note the progress with the 18/19 Internal Audit Plan and the outcome of the completed audits.

Sarah Cox
Chief Internal Auditor

Background papers: None.
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APPENDIX 1 - 2018/19 INTERNAL AUDIT PLAN - PROGRESS REPORT

Audit	Planned Qtr start	Status	Conclusion
People: Financial Management	Q1-Q4	Scoping	
People: Contract Management - Supplier Resilience	Q2	Fieldwork	
Adults: Payments to Providers (Home Support and Residential)	Q1	Final Report	Amber
Adults: Waiting List	Q1/Q2	Fieldwork	
Adults: Client Charging (including ASC debt)	Q3	Scoping	
Adults – Contract Management – Reablement – Contingency	Q1/Q2	Fieldwork	
Adults – Implementation of pre-paid cards for direct payments	Q3/Q4		
Children – Implementation of IT system	Q2-Q4		
Children: Retention, including training and development	Q2	Fieldwork	
Children: Foster Payments	Q4		
Children: Children’s Social Care Payments	Q4		
Children: Thriving Families	Q2/Q4	Claim 1 - Fieldwork	
Children: Thames Valley Adoption Service	Q3/Q4		
Children: EDT (Emergency Duty Team)	Q1	Final Report	Green
Children: Care Placements	Q3/Q4		
Children: Census Team	Q2	Fieldwork	
Communities: Financial Management	Q1-Q4	Scoping	
Communities: Financial Management – Income	Q1	Draft Report	Amber
Communities: Highways Contract Payments	Q3		
Communities: Waste - Contract Management	Q2-Q3	Fieldwork	
Communities: S106	Q4		

Communities: Property - Facilities Management	Q3/Q4		
Communities / Resources			
Communities / Resources: Capital Programme – Governance and Delivery	Q3		
Communities / Resources: Oxfordshire Housing and Growth Deal – Accountable body	Q4		
Resources: Financial Management	Q1-Q4	Scoping	
Finance - Pensions Administration	Q3/Q4		
Finance - Purchasing / Procurement (covering pre-paid cards – see adults above)	-	-	-
Finance - Payroll	Q4		
Finance - Accounts Receivable	Q4		
Finance - Treasury Management	Q4		
ICT – Back-up and Recovery	Q4		
ICT - IT Incident Management	Q3		
ICT - Data Centre Refresh	Q3		
ICT - Network Management	Q1	Final Report	Green
ICT - Internet and Email Access	Q4		
Corporate / Cross Cutting - Governance			
Fit for the Future – governance arrangements	Q1	Final Report	Amber
Fit for the Future – new Target Operating Model	Q3 onwards		
GDPR – General Data Protection Regulation	Q2	Exit Meeting	
Health & Safety	Q1/Q2	Exit meeting	
Business Continuity	Q2	Fieldwork	

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Network Management Review 2018/19

Opinion: Green	03 August 2018	
Total: 3	Priority 1 = 0	Priority 2 = 3
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Roles and Responsibilities	G	0	0
Network Documentation	G	0	0
Network Monitoring	A	0	3
		0	3

Appendix 1 provides a definition of the grading for each of the conclusions given.

The OCC corporate network comprises of a wide area network (WAN) that provides connectivity to sites, each of which has a local area network (LAN). The WAN is a commissioned service that is managed by Vodafone and all LAN's are managed in-house by ICT Business Delivery. The demarcation line between ICT Business Delivery and Vodafone are the routers at each site; Vodafone manage the network up to and including the router and ICT manage everything beyond it. Previous IT audits have confirmed that there is a formal contract for the WAN and that regular service review meetings are held with Vodafone.

The Technical Services team within ICT Business Delivery are responsible for managing LAN's and infrastructure e.g. servers and storage. Roles and responsibilities are documented within job descriptions which were reviewed and confirmed to reference this area of work. Members of the Technical Services and Service Support teams have various areas of expertise and they are formally documented in a recently developed skills matrix.

Configuration information about the network and infrastructure is available. The majority of it is held on the IT solutions that are used for managing and monitoring these environments e.g. 'Zabbix' for servers and 'Solarwinds' for routers, switches and wireless

access points. There are also a number of network diagrams which are dated March 2018 and were documented for the PSN submission.

A review of Zabbix and Solarwinds confirmed that policies are applied for monitoring purposes and that they provide relevant management information to the ICT technical teams. Various thresholds and alerts are set on both systems but the ones on Solarwinds would benefit from review as they are either at default settings or use an email address for alerting that is no longer valid. An area of risk identified in regard to the network and infrastructure is that there is no reporting on future performance and capacity requirements.

EDT (Emergency Duty Team) Audit 2018/19

Opinion: Green	03 August 2018	
Total: 4	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	4	

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policies & Procedures	G	0	1
Operational Processes	G	0	0
Management Information	G	0	1
HR	A*	0	1
Finance	A	0	1
IT	G	0	0
		0	4

** area is amber, however no additional management actions required as issue already being addressed by management.*

Our overall conclusion is Green, on the basis that planned management action over the restructuring of the EDT service will address the risk of staff working excessive hours.

Our sample testing on EDT referrals demonstrated that, for the sample reviewed, the team are appropriately prioritising and dealing with referrals, accurately recording details on SO39 forms, and handing over referrals to the appropriate team/s. Areas of good practice could be evidenced in SO39 reports reviewed, which included escalating cases where necessary, and considering risks to both the individual and to workers when dealing with cases. Effective working relationships with other internal teams (e.g. REoC) and external agencies could also be evidenced, with plans in place under the proposed new structure to further develop these. Additional work has also gone into ensuring day time teams understand how referrals should be made to EDT for out of hours work, with effective measures in place to identify and escalate inappropriate / incomplete referrals.

The EDT service is currently staffed by a rota of dedicated social care staff who hold substantive posts in Children's or Adult Social Care, however these staff are increasingly working above the European Working Directive of 48 hours maximum per week, in order to resource the service. A review of the rota for the past 12 months found staff are regularly working over the target 4-6 shifts per month. Prior to the audit, this issue had been identified by the Team Manager and Service Manager, and reported to senior management. EDT is in the process of consulting on a restructure, with the aim of implementing a substantive team and splitting night shifts. This would decrease total hours worked by individual staff members and significantly reduce instances where staff work in excess of 48 hours per week. The Service are currently in staff consultation in relation to the new model.

From sample testing on expenditure incurred as part of dealing with an EDT referral, some issues were noted in relation to the coding of expenditure and in the review and approval of procurement card transactions. Whilst it was reported that any expenditure incurred as a result of an EDT referral should be coded to the team the individual is open to, sample testing identified this is not being applied consistently. Of the 20 referrals reviewed, there were seven referrals where expenditure had been incurred, but only one instance where the expenditure had been coded correctly. From testing undertaken on purchasing card activity for sample of EDT staff, it was found that purchasing card expenditure is not being reviewed or approved in line with Council policy. It is acknowledged that this non-compliance is not limited to EDT staff.

From a sample of referrals tested as part of this audit, risks are being assessed throughout referrals, and clear and frequent communication between the workers on shift and with external agencies could be seen on the referral forms reviewed. However, there are current inefficiencies in the way referrals are recorded and shared, as SO39 forms are completed and emailed to the relevant team(s) for action / information, who then save the form to the individual's Frameworki / LAS account. In order to provide management information and analysis of referrals, each form must be imported into an Excel spreadsheet. Management are aware of these issues and are working with ICT to explore how this process can be made more efficient when the new Children's ICT system is implemented. It is also noted that the Service will be required to review their end to end processes and whether any changes are required to these as part of the implementation of the new system.

Fit for the Future – Governance Arrangements Review 2018/19

Opinion: Amber	20 August 2018	
Total: 16	Priority 1 = 3	Priority 2 = 13
Current Status:		
Implemented	3	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	13	

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Case for Change	G	0	0
FFF Board	G	0	6
Working Groups	A	0	4
Management Reporting	A	2	2
Financial Reporting	A	1	1
		3	13

The FFF (Fit for the Future) transformation programme implemented a new governance model just over six months ago, the Chief Executive and Director of Finance requested an internal audit to provide assurance over the governance arrangements prior to the programme progressing to the next phase. Whilst the audit has identified some areas of control weakness, the significant size, nature and scale of work now being managed by the FFF Board should be acknowledged. The audit has identified that the introduction of the new governance model has seen a significant improvement to the overall management of the transformation programme over the last six months. The implementation of the agreed management actions from this report will further strengthen governance arrangements for the next phase of the programme. It is also pleasing to report that since the audit fieldwork was completed and initial findings shared with senior management that action has already been taken to address a number of the points raised.

The FFF programme is currently in phase 3 and is addressing the opportunities identified in the case for change. The case for change was developed during phase 2 and focused on gaining a further understanding of the issues identified in the activity analysis undertaken in the summer of 2017 (phase 1) together with the development of new target operating model. Phase 3 also includes establishing a new governance structure for the FFF programme and the wider Programme Management Office (PMO). The work to develop the case for change was carried out by the consultants PwC, in conjunction with the Council. The case for change

has been documented and was approved by the FFF Working Group in January 2018. It has also been taken to Members, Informal Cabinet and there has been ongoing engagement with the Extended Political Group Leaders and the Cabinet portfolio holder. There is a decision point at the end of phase 3 regarding the new target operating model, which will be a Cabinet decision in September.

The FFF Board is chaired by the Chief Executive and includes the Assistant Chief Executive, Strategic Directors, Director of Finance, Strategic Partner (PwC) and the PMO. It is thus representative of the organisation and has the level of authority to make decisions on the transformation programme. The Board meet monthly, have a formal set agenda and a Terms of Reference but it was reviewed and found not to include a number of key areas, including objectives, quorate, inputs in terms of reporting requirements and outputs. There was also no evidence that the Terms of Reference had been approved. There is a potential conflict of interest between the Chief Executive's role as chair of the FFF Board and his role as chair of the Resources Working Group and governance could be strengthened by segregating these responsibilities. The other risks identified include roles and responsibilities for FFF Board members not being documented and Board actions not being followed up to confirm that they have been completed. A Communications Strategy has been documented and we understand that it was taken to the February Board but there is no evidence of it being approved.

The FFF Board has five working groups reporting to it, Resources; Communities, FFF, Adult's and Children's. Each working group has a Terms of Reference but we have found that with the exception of Children's they are not sufficiently detailed. We also found that with the exception of Communities, there is no evidence of the working group Terms of Reference being approved by the FFF Board. Each working group is sponsored by a Strategic Director and a project tracker is maintained that has details of the senior responsible officer and project manager for each project. The working groups meet monthly and have formal agendas, although it was noted that there is no consistency in the way meetings are recorded. There is a dedicated programme manager resource for Adult's and Children's but not for Resources and Communities and this should be reviewed to ensure the responsibilities associated with this role are being fulfilled for these two working groups. Information on roles and responsibilities at a project level, including that of the Finance Business Partner (FBP)/Senior Financial Advisor (SFA) are available on the Intranet, however, do not include HR and procurement who also have a role in working groups.

Highlight reports are used by working groups to review the delivery of individual projects. Template documents are available and used to ensure a consistent level of reporting. Whilst highlight reports include risks and issues at an individual project level, with the exception of Children's they are not managed at a working group level and there is no escalation of material risks and issues to the FFF Board. The FFF Board maintain a themed risk and issue log and there is a standing agenda item to review it at each meeting. However, we found that the log does not include the risk of not achieving the specified savings/benefits. The information received by the FFF Board includes a summary status of projects by working group, transformation savings and spend and a summary working group highlight report. The FFF Board also receive project close requests that are based on an agreed template and include the financial/non-financial benefits realised from the project.

The case for change identifies a benefit of between £33m - £58m for moving to a new operating model. This will be evaluated for accuracy and to ensure that the stated overall benefits are realistic and can be achieved. The implementation plan for the new operating model will provide a more detailed assessment of the anticipated savings, which will include the £17.4m required in the period 2019/20 – 2021/22 (as well as any overlap that exists with savings in the existing Medium Term Financial Plan). A review of these figures has therefore not been undertaken as part of this audit.

A finance tracker is maintained to monitor and report on FFF investments and savings. Each project should work with an FBP/SFA who should validate the financial content of documents before they are taken to working groups. However, there is no documented evidence that this happens and it is also noted that there is no finance data for some of the projects reported to the FFF Board via the working group highlight reports as they are “to be confirmed”. This includes projects in delivery and means that their investment costs and savings have not been identified/validated and cannot be monitored. It is acknowledged that FBP/SFAs attend each working group to provide financial oversight at the meetings.

Payments to Providers (Home Support and Residential) 2018/19

Opinion: Amber	10 August 2018	
Total: 23	Priority 1 = 1	Priority 2 = 22
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	23	

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Risk Area A: Payment Accuracy and Timeliness	A	0	13
Risk Area B: Overpayments	R	1	9
		1	22

OCC paid £70m¹ for home support and £119m for residential care in 2017/18 (this includes health funded care packages, which are processed through OCC systems). The home support payments are mostly paid from actual visit data from the Electronic Time Management System (ETMS) whereas residential payments are paid based upon planned care packages.

Work is currently underway within Adult Social Care to address inefficiencies in the end-to-end process of setting up a care package, which will cover a number of the issues identified during the audit, including delays and inaccuracies in setting up and closing down CPLIs (these issues have also been reported on as part of previous audits).

Payment Accuracy and Timeliness

Home support payments

For home support providers, there has been an increase in remote logging of home visits, indicating a greater risk of error or fraud if providers log visits remotely, as demonstrated by the decrease in the 'Aura' scores from an average of 86% in March 2016 to 76% in March 2018 (the target is to achieve 90% direct log-ins). While providers are currently issued warnings for their low Aura scores, further controls need to be put in place to improve follow through. Management Information on Aura scores is insufficiently escalated and monitoring of overlapping, missed and double handed visits is inadequate.

Residential payments

Residential providers had not been accredited and vetted by the Quality & Contracts team prior to payment in 4 out of the 15 care packages sampled, all of which were out of county homes. This was due to the Sourcing team or Social Worker not notifying Quality & Contracts of the new placements.

There is inadequate scrutiny during quality monitoring visits that the current list of residents held by OCC is correct and matches the current residents actually in the home (the 'remittance' check). This results in a greater risk of overpayment through error or fraud going un-detected. Furthermore, providers not visited are not subject to any 'remittance' checks. However, a new 'remittance' checking process is scheduled this year within the recently re-structured Quality & Contracts team.

Actions agreed following the 2016/17 NFI exercise have not yet been fully implemented, including a communication to providers regarding notification of service user deaths (although this is in progress) and 3-monthly remittance checks for one provider who was a repeat offender in non-declaration of service user deaths.

Payment delays

From testing of delayed support plan tasks, as well as residential and home support cases in general, the main causes of the delays in setting up care packages and paying providers were issues with the completion and authorisation of Support Plans and Annex 2 forms. The average delay in payments for residential placements has been reported as being 2 to 3 months. As discussed above, these issues will be

¹ The home support figure includes payments made for Respite, Extra Care Housing and Supported Living services.

addressed as part of the process review currently being undertaken by the ASC Pathways & Process Group.

There are known issues with the efficiency of implementing provider price uplifts and payment of supported living voids, as well as the quality of information in both these areas; however new processes are currently being developed to address these problems.

It has also been reported that there are ongoing issues and concerns with the quality and timeliness of the information received for Continuing Health Care (CHC) payments (which are processed by OCC), leading to payment delays and an impact on the accuracy of budget forecasting. This is being monitored by the Finance Business Partner for Adult Social Care.

Overpayments

Overpayments were identified during testing in 2 of 15 cases, totalling just under £4k, due to duplication of CPLIs for the same service user within the same home, as a result of manual input errors with Sourcing team processes. There are no controls or checks in place within Controcc to prevent or identify duplicate CPLIs within the same home.

Testing also identified errors in the closedown of CPLIs for deceased service users, including a £7k provider overpayment which had not previously been identified due to the wrong end date being input on the system. The control in place did not effectively address this issue as the case was not identified for follow up. Furthermore, instances were found where residential providers had not been paid as required for an additional 7 days following the death of a service user, due to 'cancelled' rather than 'deceased' being selected as the reason for closedown.

An overpayment of £59k had been made (and identified prior to the audit) due to the duplication of a non-planned service, which was also due to a manual input error within the Sourcing team. Testing also found issues with the timeliness of reviewing non-planned services and pulling these through to a Support Plan, which could lead to OCC paying for services that are no longer required to meet the needs of the service user. Information on non-planned services is not currently reported to the ASC Performance Board.