Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 15 September 2021

INTERNAL AUDIT 2021/22 PROGRESS REPORT

Report by the Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits.**

EXECUTIVE SUMMARY

2. This report provides an update on the Internal Audit Service, including resources, completed and planned audits.

3. A full update on resources was made to the Audit and Governance Committee in June 2021 as part of the Internal Audit Strategy and Plan for 2021/22.

4. The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the June 2021 Committee. Since the last update, there have been no further red reports issued.

PROGRESS REPORT:

RESOURCES

5. A full update on resources was made to the Audit and Governance Committee in June 2021 as part of the Internal Audit Strategy and Plan for 2021/22. There are currently no vacancies within Internal Audit / Counter Fraud.

6. One of the new Senior Auditors who commenced in November 2020, went on maternity leave from the middle of June 2021. We are currently reviewing options to cover this absence.

7. We are continuing to support team members to compete both the Chartered Internal Audit Qualification and the Certified Internal Audit Qualification. Two of the Senior Auditors have recently passed one of the Certified Internal Audit exams, their studies are continuing. The Assistant Auditor and Counter Fraud Intelligence Officer are undertaking apprenticeships.

2021/22 INTERNAL AUDIT PLAN - PROGRESS REPORT

8. The 2021/22 Internal Audit Plan, which was agreed at the June 2021 Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit. The plan and plan progress is reviewed quarterly with the individual directorate leadership teams.

9. There have been 5 audits concluded since the last update, summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

FINAL Reports:

Directorate	**2020/21 Audits** (one audit included within the 2020/21 opinion was not finalised at the time of the last report)	**Opinion**
Adults	Order of St Johns Contract	Amber
Directorate	**2021/22 Audits**	**Opinion**
Childrens	Supporting Families – Claim 1 – claim certified	n/a
Customers, OD & Resources - IT	Cyber Security	Amber
Childrens	Implementation of New Childrens IT Education System – Phase 1 Data Migration	Green
Adults	Client Charging	Amber

The following **grant certification** work has been completed since the last report to A&G:

- Building Digital UK – certified end of June 21

PERFORMANCE

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

Performance Measure	Target	% Performance Achieved for 21/22 audits (as at 01/09/21)	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)	60%	Previously reported year-end figures: 2020/21 50% 2019/20 61% 2018/19 69%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	Previously reported year-end figures: 2020/21 88% 2019/20 74% 2018/19 82%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	75%	Previously reported year-end figures: 2020/21 80% 2019/20 74% 2018/19 85%

The other performance indicators are:

- % of 2021/22 planned audit activity completed by 30 April 2022 - reported at year end.

- % of management actions implemented (as at 01/09/21) – 72%. Of the remaining there are 3% of actions that are overdue, 9% partially implemented and 16% of actions not yet due.
  (At June 2021 A&G Committee the figures reported were 79% implemented, 2% overdue, 6% partially implemented and 13% not yet due)

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

COUNTER-FRAUD

11. The next counter fraud update to Audit & Governance Committee is scheduled for November 2021.

SARAH COX
Chief Internal Auditor

Background papers: None.
Contact Officer: Sarah Cox sarah.cox@oxfordshire.gov.uk

APPENDIX 1 - 2021/22 INTERNAL AUDIT PLAN - PROGRESS REPORT

Audit	Planned Qtr Start	Status as at 1/9/21	Conclusion
Corporate / Cross Cutting			
Provision Cycle - Prepare, Tender and Implement.	Q3	Not started	
Provision Cycle - Manage & Review	Q3	Not started	
Childrens			
Children's Payments via ContrOCC / LCS recording	Q3/Q4	Not started	
Childrens Education System – Implementation of New Council IT System	Q1	Phase 1 – Final Letter Further phases – to complete during 21/22	Overall conclusion to be recorded at year end
Troubled Families Claim 1 Claim 2 Claim 3	Q1-Q4	Claim 1 – Completed Claim 2 – scheduled Claim 3 – not started	n/a
Family Solutions Plus	Q3/Q4	Not started	
SEND	Q3	Scoping	
Education Safeguarding	Q3	Scoping undertaken Q1 – deferred to Q3 at request of service	
Adults & Housing			
Direct Payments – Follow Up	Q4	Not started	
Payments to Providers	Q3/Q4	Not started	
Client Charging	Q1	Final Report	Amber
Money Management	Q3	Not started – fieldwork booked for December	
Supplier Business Continuity	Q2/Q3	Not started	

Customers, OD & Resources – HR			
Well-being / Sickness Management	Q1	Fieldwork	
IR35 (off-payroll rules)	Q1	Exit meeting	
Customers, OD & Resources – Finance			
Treasury Management	Q4	Not started	
Growth Board – Accountable Body Role	Q1/Q2	Fieldwork	
Pensions Administration	Q4	Not started	
Customers, OD & Resources – Finance / IT			
Payment Card Industry Data Security Standard (PCI-DSS)	Q1	Draft Report	
Customers, OD & Resources – IT			
Cyber Security	Q1	Final Report	Amber
IT Change Management	Q2	Fieldwork	
Software Asset Management	Q4	Not started	
Data Centre	Q3	Not started	
Customers, OD & Resources – Cultural Services			
Music Service Follow Up	Q3	Not started	
CDAI – Fire & Rescue & CODR – HR / Finance			
Gartan Payroll & HR Processes	Q1	Fieldwork	
CDAI			
GDPR	Q2	Draft Report	
Property / Facilities Management	Q3/Q4	Not started	
CDAI / Corporate / Cross Cutting			
Fleet Management – Compliance	Q1	Fieldwork	
Environment & Place / CODR – Finance			
Capital Programme - Major Infrastructure	Q3	Not started	
Capital Programme - Highways Asset Management	Q3	Not started	
Environment & Place			
Highways Contract Management	Q2/Q3	Scoping – service have requested audit for Q4	
S106 – Spend	Q1	Fieldwork	
Various / Corporate / Cross Cutting			

Combined Audit & Counter Fraud Reviews	Q1-Q4	-	
Covid-19 Funding / Payments	Q1-Q4	-	
Grants	Q1-Q4	Building Digital UK – certified end of June 21	

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Summary of Completed Audits 2021/22 since last reported to Audit & Governance Committee June 2021

2020/21 Audit

Order of St Johns Contract 2020/21

Overall conclusion on the system of internal control being maintained	**A**

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Contract Governance	**A**	**2**	**5**
B: Risk Management	**A**	**0**	**1**
C: Contract Performance	**A**	**0**	**11**
D: Payments, Incentives & Penalties	**A**	**1**	**1**
		3	**18**

Opinion: Amber		
Total:	Priority 1 = 3	Priority 2 = 18
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	21	

The Oxfordshire Care Partnership Contract covering the Council's residential care arrangements with 17 Order of St John's Residential Care Homes was originally agreed in 2001. Some elements of the contract are due to end in 2027 and some in 2032. During the audit it was acknowledged that the teams involved in contract management, quality and performance monitoring and in the brokerage of OSJ block bed placements have been through significant changes in terms of structure following on from the provision cycle review and in staffing, with the majority of staff involved in the management and monitoring of the contract historically, no longer working for the Council.

Since the contract commenced, it is understood that there have been some variations to the contract, although not all of these have been fully and formally documented. The previous Interim Deputy Director for Commissioning reported that

the directorate is at the start of a strategic review process which will review current contractual arrangements in conjunction with determining the Council's need for residential care provision going forward. The directorate are at the start of this process with work required on determining where there are contractual issues which require resolution and where there are opportunities to review the way in which the contract is operating.

With some elements of the contract due to end in 2027 and others due to end in 2032 there is now an opportunity to review the current arrangements and determine how this can work for the Council and the Oxfordshire Care Partnership going forward including addressing some of the long-standing issues noted below.

Following on from internal restructures and significant staffing changes across Contracts & Procurement, Commissioning, Quality & Improvement and Brokerage, it is noted that there are areas where recruitment and induction processes are ongoing and where teams are not yet operating in a Business-as-Usual state. This is acknowledged by senior management within these services, and action is being taken to ensure that key tasks are being picked up and assigned on a temporary basis where necessary.

Changes have been made to contract governance structures, with three different programme level meetings (strategic, executive and operational level) now established for monitoring and discussing of contractual issues with OSJ. The terms of reference for these groups are in the process of being agreed along with escalation and reporting arrangements.

Contract level risk management processes have been set out as part of the provision cycle restructure, and now require implementation within the relevant teams to ensure that contract specific risks and mitigations are identified and managed appropriately.

There is a need to determine appropriate performance reporting arrangements, both with OSJ as part of the revised contractual arrangements and also internally within Brokerage covering the block bed management process. Historically there have not been formally agreed KPIs and as part of the review of governance structures, the internal performance reporting by Brokerage which considered the timeliness of notification of vacancies and the efficiency of the vacancy to admission has been halted pending review and confirmation of requirements going forward. Clarity is required over what the Council requires from OSJ in terms of performance reporting and what is required internally to provide assurance over the performance of the contract.

From review of the block bed management process, sample testing identified instances where the Council had not been informed of a vacancy by the home in accordance with the timescales required by the contract. This is key in ensuring that the Council can fill the vacancy promptly and in being able to minimise void charges (which are payable from 7 days after the bed becomes vacant, not from when OCC are notified about the vacancy), but instances where we are being notified late are not consistently evidenced and there is no process for monitoring, review or escalation of performance in this area. Email notifications relating to vacancies are not being retained consistently outside of Outlook at present, which makes performance in this area difficult to monitor. Similarly, email exchanges from weekly and monthly checking / reconciliation processes where placement and vacancy

information is checked with OSJ homes are not retained outside of Outlook and so information on discrepancies is not captured, or followed through so that root causes can be established and resolved.

Whilst sample testing on the turnaround of the vacancy to admission process did not identify significant instances where turnaround would have been rated as Red under previous performance reporting arrangements, most cases took longer than a week to progress and there is one case where it hasn't yet been possible to confirm how the vacancy was filled. There were also a number of issues with the accuracy of recording of placements which could result in unnecessary delays in filling vacancies and increase the likelihood of double bookings. Both the use of the Care Booking System and the block bed spreadsheet used for managing the block bed process require review by Brokerage management in conjunction with Quality & Improvement colleagues to ensure that they are consistently capturing accurate information required in relation to the timely filling of block bed vacancies, and also to ensure that best use is being made of resources through the capture of performance information at source.

There has been a lack of management oversight in relation to the block bed management process and decision making since performance reporting in Brokerage was halted in early 2021. Decision making in relation to the prioritisation of cases for block beds is currently the responsibility of one individual.

The agreed charges for voids for 20/21 have recently been confirmed and settled with OSJ, with significant increases noted from charges paid for 19/20. Although there was some initial review of the reasons for the increasing level of charges earlier in the year, there hasn't yet been any further analysis to provide a clear understanding of the reasons for the increase. Testing has identified that sourcing of block bed placements was routinely delayed by around a week for much of the year to enable prioritisation of hospital discharges and urgent short stays, this is likely to have contributed to the increase in charges as has the closure of some homes due to COVID where block bed admissions have had to be delayed. Sample testing of the turnaround process noted void charges were payable for the majority of cases tested, despite some vacancies being filled within 7 business days. The strategic review of the contract provides an opportunity to review whether current contractual obligations and approach in relation to void payments are appropriate going forward.

The process for payment of void charges to OSJ is time and resource intensive. Due to the lack of availability of accurate and accessible information on voids, a manual reconciliation process has been required to reconcile and confirm void payments due. A task and finish group has now been set up, which includes OSJ representatives, to resolve these longstanding issues and agree an approach going forward which will enable OSJ to provide clear and accurate information which can be quickly and easily checked by OCC. This work will also confirm where responsibility for these checking processes will sit under the new structure, ensuring that there is a joined up approach across Quality & Improvement and Brokerage.

2021/22 Audits

Supporting Families 2021/22 – Claim 1

The current claim consists of 146 families for Significant & Sustained Progress (SSP). A further 8 families, that were reviewed by Internal Audit in March 2021 but were not submitted within that claim as the maximum number had been reached, were claimed for in April as agreed with MHCLG, bringing the total for the year so far to 154.

The audit of the previous claim (March 2021) identified no issues or management actions, owing to the previous improvements to the process for identifying duplicate claims and updates to the Think Family Outcome Plan. All previous actions from previous audits have been implemented.

The audit checked a sample of 10% of the total SSP claim (15 families) to ensure that they met the relevant criteria for payment and had not been duplicated in the current or previous claims. Their initial eligibility criteria for inclusion in the Programme were also checked.

Overall Conclusion

The audit noted the improvements in the internal processes for data checking and validation made following previous claims have remained effective. Testing for duplicates found no families that have previously been claimed for, and no issues were identified with the eligibility or sustained progress of the families sampled. Testing also confirmed the effective implementation of new processes to evidence sustained progress against the attendance criterion, given home schooling as a result of Covid-19.

Due to satisfactory responses having been received for all queries raised by Internal Audit, this claim can be signed off for submission.

As such, no audit findings or management actions are required as part of this report.

Cyber Security 2021/22

Overall conclusion on the system of internal control being maintained	**A**

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
User Education and Awareness	A	1	1
Security Incident Management	A	0	4
Malware Protection	G	0	0
Vulnerability Assessments	R	1	4
Security Patching	G	0	1

Remote Access	**G**	**0**	**1**
		2	**11**

Opinion: Amber		
Total: 13	Priority 1 = 2	Priority 2 = 11
Current Status:		
Implemented	8	
Due not yet actioned	3	
Partially complete	0	
Not yet Due	2	

Cyber threats remain a key area of business risk to all organisations running digital systems and show no signs of reducing with the ever endless reports of successful network security breaches, data breaches and prevalent ransomware, phishing and other types of cyber attacks. All organisations must operate a strong and robust security control environment to protect their digital assets from these cyber threats. In this context, it is pleasing to see that OCC now have a dedicated IT and Cyber Security role, shared with Cherwell District Council, which has specific responsibility for cyber security and resilience across the two authorities.

There is a corporate IT Acceptable Use Policy (AUP) which covers areas of cyber security relevant to end users. The AUP states that all users should complete mandatory online training on acceptable use on an annual basis, however, this is not managed or monitored and hence there is a risk that users may not complete their training and be aware of their security responsibilities. The Cyber Security Officer would like to introduce new mandatory training on cyber security, which we support, although this will require a corporate review to see how it fits in with the existing training. Responsibilities for monitoring the completion of training, including sanctions for those who fail to complete it, should also be agreed. There is a process for alerting users to new cyber threats but it can be improved and there should also be regular communication of key cyber messages to all users to ensure they remain vigilant and aware of their responsibilities.

There is a documented Information Security Incident Policy that defines processes for reporting and managing security incidents. We found the policy missed its annual review in February 2020 and does not define any responsibilities for the IT and Cyber Security Officer, as the role was created after the last review of the policy. Security events and activities are logged on various platforms but there is no formal policy or process defining how they are managed, monitored and acted upon. This could lead to cyber incidents not being detected and responded to on a timely basis. There is also no cyber incident response plan to ensure a rapid and orderly response to a confirmed cyber attack.

A layered approach is adopted to protect against malware threats, which continue to be a major risk. Scanning for malware is undertaken at various levels, including the network boundary, Internet gateway, email service and desktop. Testing confirmed that malware scanning on these environments is adequately configured and maintained up to date.

IT Services have access to a vulnerability scanning tool that is used to perform monthly scans of the IT environment. Various teams use the tool for their own purpose but there is no overall ownership or defined responsibilities for reviewing the monthly scan reports and addressing the vulnerabilities. A review of the last monthly scan revealed a large number of high risks relating to system misconfigurations, outdated software and unsupported software. On a positive note, we found that IT Services reacted quickly to the recent well publicised vulnerabilities relating to SolarWinds and Microsoft Exchange. A cyber security roadmap is being developed and we have suggested that it be linked to the "10 steps to cyber security," which is endorsed by the National Cyber Security Centre and defines how organisations can protect themselves in cyberspace. A phishing test has not recently been undertaken to assess the level of risk exposure to phishing attacks.

All clients are patched on a monthly basis and servers are patched quarterly, with certain servers such as domain controllers being patched more frequently. Checks are performed in both cases to ensure all deployed patches have been successfully applied and thus the risk around patching vulnerabilities is being managed.

Remote access to the corporate network is subject to multi-factor authentication, where the user and computer are both authenticated. On Office 365, multi-factor authentication is also used and involves users having to enter a PIN in addition to their network credentials. We have identified a risk in relation to the VPN (Virtual Private Network) used for remote access to the network as it supports old protocols that have known security vulnerabilities. These protocols may no longer need to be supported as the VPN servers have recently been upgraded.

Children's Education System Implementation Review – Stage 1 Data Migration

Overall conclusion on the system of internal control being maintained	**G**

No priority 1 or 2 management actions arising at this stage of the review.

Introduction

The audit is being undertaken in a number of stages throughout the year. Internal Audit will cover both assurance over the design of operational processes and controls for the new system and also key IT system processes and controls. Management letters will be produced to report on our findings from each stage of our review.

Scope of work

It has been agreed within the terms of reference that Internal Audit would carry out a number of stage audits on the Children's Education System implementation project during 2021/22. This reports on the first stage review, which looked at Data Migration.

Overall Conclusion

Our overall conclusion is Green. This is based on the scope of the work undertaken relating to the consideration of the implementation of key system controls in relation to data migration.

There is a documented Data Migration Strategy that has been approved by the ICT Technical Design Authority and the Project Board. Our review of the strategy found that it did not include all the areas we would expect to find as a number are covered in other documents. This was discussed with the Project Manager who has now consolidated all key information into the strategy for ease of reference. The Data Migration Strategy has also been updated with other information from the LCS data migration and will be taken to the Project Board for re-approval.

A data migration team has been onboarded who have specific skills and experience with the new system. The number of data migration cycles has been agreed and the timescales for each are included in a Data Migration Plan, along with the resources required. It was confirmed that the data migration mapping specification for "DM1" has been signed-off by the subject matter expert.

Validation rules and scripts are used for confirming the quality of data being migrated and there are procedures to ensure any issues are logged and remediated. Reconciliations will be performed to confirm that all data has been successfully loaded into the new system.

There has been a slight delay to the start of User Acceptance Testing (UAT) for DM1). There are also some capacity issues because of the summer holiday period and a tight window for UAT testing because of the cut off for "DM2". This is identified as a risk on the RAID log. Formal test scripts are being developed for UAT which will include scenario based testing.

Client Charging 2021/21

Overall conclusion on the system of internal control being maintained	**A**

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Policies & Procedures	G	0	1
B: Financial Assessments & Client Charging	A	0	4
C: ASC Debt Recovery	G*	0	0
D: Budget Monitoring	G	0	0
E: Performance Information	A	0	0
		0	5

** This is based on the scope of our sample testing. There is a known issue in relation to the process for full cost categorisation, however this had been identified prior to the audit and is in the process of being addressed by management.*

Opinion: Amber		
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	5	

The audit noted considerable improvements made towards the accuracy and timeliness of assessing and charging service users and the management of ASC debt, with sample testing identifying no material errors or control weaknesses. Some areas for improvement are noted below, along with the full implementation of outstanding actions from the previous audit.

A review of policies, procedures, and guidance available to both the Financial Assessment Team and the public confirmed that overall, guidance is clear and accessible, and responsibilities are clearly defined and understood. It was noted the team's training notes have not been updated following the creation of the Payments and Systems Data Team in November 2020. Resulting changes to roles, responsibilities, and processes for different areas of the client charging process are therefore not reflected in current guidance.

Residential and Non-Residential Financial Assessments were generally found to be completed and recorded accurately, with appropriate documentation to support the assessed contribution and evidence to show the service users had been informed of the outcome of their assessments. Sample testing did identify two exceptions when reviewing closed down accounts, whereby care packages ended on the wrong date had resulted in overcharges.

Review of pre-billing run checks found the required 10% sample checks on new Residential and Non-Residential financial assessments, and on credit invoices below £1,000, are not being carried out consistently. For new assessments, team records showed 20 assessments had been sample checked throughout 2020 (which is less than the 10% sample check target), with none having taken place in 2021. The required checks for credit invoices below £1,000, which should also provide assurance over the accuracy of low value Assessment Reductions (which are not subject to the same internal review and sign off as those £1,000+), had taken place in two out of the six months reviewed for Residential, and in none of the six months reviewed for Non-Residential.

Inconsistencies in the charging of Non-Residential Arrangement and Management Fees were noted during the audit. This was identified in both the 2018/19 and 2019/20 Client Charging audits, with management actions agreed to confirm the responsibility for identifying and charging the fees, and the introduction of management reporting to provide assurance the fees were being charged appropriately, consistently and in line with the Council's Contributions Policy. While both actions have been reported as implemented, sample testing of six new Non-

Residential Service Users identified two instances in which the fees had not been charged and it was found that management reporting in this area is not being produced.

Debt Recovery processes were found to be carried out promptly and appropriately, with effective processes in place to identify, assign, and arrange recovery of debts, including the set up and monitoring of instalment plans, and the processing and approval of write offs and refunds.

Performance Information in relation to the Financial Assessment and Income Teams was found to provide effective oversight of each team's monthly activity and is being shared appropriately across the service. It was the noted Management Action agreed under the 2019/20 Audit, requiring a review of all performance reporting in relation to Client Charging and Payments to Providers is not yet implemented, however it was reported the performance framework is in the process of being developed, with the intention of there being one Performance Board across the Social Care Finance Functions.

The 2019/20 audit of Client Charging and Payments to Providers contained 21 Management Actions, ten of which relate directly to Client Charging, and a further three covering both charging and payments. The remaining eight relate to Payments to Providers and will be covered under the 2020/21 Payments to Providers Audit.

Of the 13 management actions followed up on as part of the audit, five have been confirmed as fully and effectively implemented.

Four actions remain open; one is not yet due for implementation, and the audit has confirmed sufficient progress is being made towards implementation of the other three, which relate to Performance Information, ASC Staff e-learning, and Financial Safeguarding Training. Internal Audit will continue to monitor and report on progress in implementing these actions through routine follow up reporting processes.

Four actions were found not to have been implemented effectively in relation to charging of arrangement and management fees, and management of mismatched visits. As noted above, audit testing found that fees are not being charged consistently and management information in this area is not being produced. In relation to mismatched visits, the audit found the processes previously reported as implemented are not happening in practice. This was acknowledged by the service who reported that a work around is in place pending development and agreement of a permanent solution. This will be covered further under the 2020/21 Payments to Providers Audit.