Appendix 4

AUDIT & GOVERNANCE COMMITTEE 3 JULY 2013

Summary of Completed 2012/13 Audits, since last presented to Audit Committee (January 2013 meeting).

CEF - Governance and Financial Management Establishment Audit - Youth Offending Service Overall Conclusion = Issues

Internal Audit acknowledges that the Youth Offending Service (YOS) have recently embedded a new structure. The new structure has created a new post of County Manager for the Youth Offending Service who since appointment has made significant progress in implementing improved business processes and controls following the audit undertaken in 2011/12, which had an overall conclusion of Unacceptable. A follow up of last year's agreed management actions has confirmed:

From a total of 19 Priority 1 management actions raised we found:

9 related to the imprest/petty cash accounts. The Youth Offending Service no longer have imprest/petty cash accounts in operation so no testing required, 7 Fully Implemented, 3 Partially Implemented, and three revised priority 2 management actions raised in the report.

From a total of 14 Priority 2 management actions raised we found:

13 Fully Implemented, 1 Partially Implemented, and one revised priority 2 management actions raised in the report.

The partially implemented actions had been reported as implemented and whilst action had been taken to establish the system of controls in these areas, this year's testing found them not to be fully effective and therefore we have recorded them as partially implemented and have agreed revised actions with management to address the issues identified.

Areas requiring improvement noted during the internal audit follow up review are as follows:

Management Accountancy have provided significant support to the YOS during the restructure and management transition, but moving forward Managers with budget responsibilities should take a lead in budget monitoring.

Driving at work policy checks were work in progress at the time of audit and require completing. A process should be established to ensure that new entrants are included on the driving at work policy check list and assets issued are recorded on the inventory. Discrepancies were noted in local sickness records to SAP requiring robust monitoring of quarterly sickness monitoring reports.

A sample review of e-procurement items, found retrospective purchase orders being raised. Procurement card statements are currently authorised by the card holder and not the cost centre manager. This issue was identified during last year's audit. Since then these transactions have not been subject to independent cost centre management review.

CEF Contract Procurement and Contract Management - Overall Conclusion = Unacceptable

It should be noted that this audit focused on contract activity undertaken by CEF Operational Managers who sit outside of the Joint Commissioning/Procurement Teams. A small random sample of contracts from the CEF contracts register were considered to help form an opinion around the overall processes and management control environment across the whole system. Major contract activity, including Children's Centres, that is managed with the assistance of the Joint Commissioning Teams was not included in this review. This will be subject to Internal Audit review at a later date.

Areas of weakness arise from the level of understanding that individual CEF Operational Managers, who have contract responsibilities, have of the contracting environment and how or when they should interface with Procurement and the Joint Commissioning Team. This has highlighted an overall training and support need that should assist individual CEF Operational Managers with understanding the contracting environment and undertaking contract management activity.

The review identified that CEF Operational Managers did not have risk management processes embedded within the contract management approach. None of the contract arrangements had a risk assessment. The CEF Contract Register does not analyse contracts by risk to inform contract monitoring or future procurements.

The Directorate Leadership Team (DLT) do not receive regular or sufficient oversight of contract / supplier activity. Whilst a report had been recently provided to DLT which showed a general overview, this is not a regular report and there are areas where the management information could be strengthened further by providing expenditure analysis against suppliers and actual spend against contracted values. From a sample group we noted that projected spends and actual spends highlighted significant variances year on year that could show around 20% more spent than predicted.

The Procurement Team have developed processes to capture CEF contracting activity. However there was no clear process for Procurement to follow up or escalate queries where formal contract activity was not in place where expected. From review of contract information presented, we found that there needs to be a greater understanding of supply activities such as Agency Staff to ensure that rates achieved are reasonable and that quality from the supplier is maintained.

Detailed testing of the contract procurement stages was not undertaken as part of this audit, however for sample tested evidence was reviewed to provide a high level opinion on whether CEF Operational Managers, with contract responsibilities, were aware of the contractual and procurement framework. Of the 8 contractual arrangements reviewed we found that 3 contracts had issues arising. These examples highlighted a poor understanding of procurement process, procedures and responsibilities,

The monitoring undertaken by CEF Operational Managers for the sample of contracts reviewed varied. In particular, the standard format monitoring form required improvement and that where staff had developed their own monitoring method, there is the potential for error or omission of key contract monitoring checks. In particular, additional testing highlighted that there was insufficient depth of understanding about information presented

or collected. The continuing background checks on suppliers were found to be weak with CEF Operational Managers unable to provide sufficient assurance that the suppliers met continuing standards. For example we found that in one case the supplier had not made a financial return to the Charity Commission for a number of years and in a number of other cases the Charity Commission return showed continued losses with one going into liquidation during the period of the Audit. A review of whether some of the sampled suppliers were registered on the Information Commissioners public register for data controllers found that there were omissions.

The frequency of contract monitoring is with the manager who holds the contract monitoring responsibility or as outlined in the specification. The frequency of monitoring is not shown on the contracts register and therefore a clear monitoring overview is not available. We found evidence of monitoring being undertaken however, due to the lack of risk assessment / or original specification it is unclear whether the frequency of monitoring is appropriate. The quality of monitoring of actual performance/outcomes of the contractor also varied.

It was also identified that supplier complaints are routinely dealt with at a local level and that they are not captured for Senior Management overview which in turn impacts on how contract management points are captured or fed through into the risk management process. Early warnings of potential issues, including identification of potential safeguarding issues and reoccurring themes will therefore not be highlighted and reviewed by Senior Management.

Council procedures do not require a business case for low value procurements (over £25k but below EU threshold) and some of the issues around frequency of monitoring, risk assessments and when an issue is escalated and subsequently closed was not clearly understood due to the lack of lack of overall contract development and subsequent contract monitoring structure and risk management.

The agreed management actions are aimed at improving the quality of Contract Management and raising the standard of procurement understanding among all CEF Operational Managers operating in the contracting environment. Specifically, to ensure that the Procurement / Commissioning Team are able to develop a framework that assists with improved contract development going forward.

CEF Childrens Centres Procurement and Budgetary Control - Overall Conclusion = Acceptable

A total of four children's centres were visited; Britannia Road, The Leys, Bicester and Butterfly Meadows. The budgetary control element focused on the adequacy of the budget monitoring process and whether the budgets are being managed appropriately. The procurement element of the audit looked specifically at how e-procurement is used, procurement card spend, the usage of imprest accounts and whether any FB60 invoices were being used.

The budgets are regularly reviewed across all centres, and having reviewed the overall budget position it was evident that they were being well managed. A small number of overspend variances were queried with the relevant members of staff and these could be

explained, in all instances, as necessary expenditure. As a result other lines in the budget were underspent to ensure the budget balanced overall. None of the centres showed a position of overspend being forecast at the end of the financial year.

A sample of procurement card activity was taken across all four centres and in all cases there was a justifiable reason for the expense and all purchases reviewed were supported by receipts. Only one issue was identified around procurement card management and that was a lack of review and sign off of monthly card expenditure by a Cost Centre Manager.

Review of the imprest accounts, demonstrated all transactions sampled could be evidenced through receipts and reconciled with the bank account. A sample of purchase orders were reviewed through the SAP system and it was ascertained that all had been raised in line with the approval limits as set out in the scheme of delegation.

Overall the working practices across all of the centres reflected a good level of control over budgetary control and procurement. Only one control weakness was identified as part of the review.

CEF Governance and Financial Management Overall Directorate Report - Overall Conclusion = Issues

Authority & Governance

Whilst it can be seen that further progress has been made with correcting and updating the SAP Approvers Matrix, in relation to officers able to approve transactions on SAP and the person responsible field, three examples were noted where individuals that no longer work for the Council were named in the person responsible field. It was reported that these were on old / unused cost centres, however it was noted that there were still live approvers on each cost centre and there was no indication on the matrix that the cost centres were no longer in use. Examples of inappropriate active and passive substitution arrangements on SAP were also noted, £200K, £100K and £25K approvers had substitutes set up which did not have the same or higher level of delegated authority to approve. Internal Audit review of arrangements for the administration of one imprest account has identified that no checks are being made to the Scheme of Financial Delegation to confirm that payment requests are from approved officers. As the account is managed by E&E staff (processing payment requests for CEF and SCS Social Care staff), a management action is being agreed with the E&E Directorate in relation to the account administration process, however the Schemes of Financial Delegation within SCS and CEF also require review to ensure that there is clarity over who payment requests can be accepted from.

8 management actions on Authority & Governance for CEF were raised in 2011/12, all have been reported as implemented and Internal Audit testing has confirmed that 6 actions have been implemented effectively. However, it has been identified that management actions agreed in relation to review of active and passive substitution arrangements on SAP have not been fully effective. One specific example of inappropriate substitution arrangements was identified this year, which was raised in last year's audit report. It has been reported that this is in the process of being written into the CEF Scheme of Financial Delegation as a formal exception.

Information Governance

A separate report on CEF Information Governance has been issued and finalised. The overall conclusion was Issues. One priority 1 management action and three priority 2 management actions were agreed in the report. As at 9 April 2013, one priority 2 action has been implemented, the other three are outstanding.

The review has identified a number of risk areas with Information Governance that need to be addressed at both a corporate and local level. Corporately, we have found there is no formal structure for Information Governance, with clear ownership and defined roles and responsibilities. There is also a local issue in this respect as there is no defined responsibility for Information Governance within CEF or current representation at the corporate Information Governance Group. The joint working between CEF and SCS on social care also requires clear ownership and management of Information Governance issues.

A Corporate Data Transfer Policy was issued earlier this year but has not been well publicised and is difficult to find on the Intranet. Hence there is little evidence that relevant staff are aware of it. CEF does not have a complete and accurate register of all its external data transfers and there is no management review of this in place. A test of a sample number of transfers found that not all are undertaken securely, including some sensitive children's data, and some that are not covered by formal agreements.

A priority 2 action in respect of Information Governance and access to Children's data on SAP was agreed in the 2011/12 CEF Governance and Financial Management Audit. The original implementation date was 30 June 2012, this has been extended and the action is still outstanding and therefore re-stated in the CEF Information Governance report.

There is now a mandatory requirement for all staff to complete an e-learning course on the Data Protection Act 1998. This was introduced during the course of the audit and will help improve staff awareness of the key issues.

Business Continuity

One management action was raised in 2012/13 in respect of business continuity for CEF. This has been implemented.

Review of three business continuity plans to ensure that key services have been identified, ICT systems documented, that recovery team contacts were still current and that where the plan included P1 services it had been tested within the last year, was found to be satisfactory.

Risk & Performance Management

Corporately there is significant development underway in the areas of Risk Management and Performance Management. This includes the revision to the Risk Management Strategy which is due to be published during April 2013 which will be followed by the review and update of intranet guidance. A major programme approach is being developed and rolled out which will ensure risk and performance are managed in conjunction with major projects and programmes. There is now a corporate resource to

provide review and challenge on a quarterly basis of risk and performance information submitted by directorates. This corporate resource will also offer advice and guidance to directorates in developing their localised processes.

During 2012/13 the Strategy and Performance Services Manager and the Performance Information Manager have been reviewing risk and performance reporting structures and processes in CEF. The revised corporate strategy will now provide the corporate framework to review the directorate policy and processes for identifying and managing risk and to provide directorate lead and challenge on a quarterly basis. The work is on-going and it is planned that a complete review and updating of the risk registers will be undertaken across the directorate in the summer linking in with the Service and Resource Planning timetable.

The policy for risk management within CEF is currently being drafted by the Performance Information Manager and it is intended this will be agreed by DLT and in place by the end of the first quarter in 2013/14.

During the first quarter of 2013/14 the Strategy and Performance Services Manager and the Performance Information Manager plan to attend all Operational Manager's meetings (tier 3) in CEF to deliver further training and guidance in risk management, particularly around identification, management and escalation of risks.

Within CEF from 2013/14, following each quarter end there will be consideration of business issues at DLT and at extended DLT meetings, which will include risk, performance, finance, complaints. Reporting format for risk and performance will be reviewed in preparation for this.

Due to the current developments both corporately and a directorate level it has been decided not to complete any detailed testing of these areas for 2012/13 and proposed that these will be reviewed in more detail during 2013/14.

6 management actions in respect of risk management and 6 management actions in respect of performance management were raised in the 2011/12 CEF Governance and Financial Management Audit - these are all reported to be implemented, except 1 for risk management action in respect of training to senior / operational managers. These have not been tested by Internal Audit.

The target implementation for the outstanding action on risk management training has been revised by the officer responsible for 31 May 2013.

Management action 11 from last year's audit on the Review of CEF Directorate risk registers has been re-stated in this report as it was identified that whilst the initial review had been completed the full review and updating of the risk registers is now not planned until summer 2013.

A new action has been agreed in this report regarding the finalising of the CEF risk management policy.

Financial Management

Budget Setting/Budgetary Control:

The audit of budget setting for all directorates has been deferred and will be undertaken as part of the Governance and Financial Management Audit for 2013/14. Two management actions in respect of budget setting were agreed in last year's Business Strategy audit - these are reported as implemented.

A review of the CEF Directorate Financial Monitoring & Business Strategy Delivery (FMBSD) reports was completed for the period April 2012 to February 2013 and a sample of budgets lines reviewed and discussed with Management Accounting.

For 2012/13 Internal Audit did not complete any scrutiny and challenge at the cost centre manager level due to the implementation of the Transforming Customer Services Project. The project includes procurement of an Excel based front end to SAP for revenue & capital budget monitoring & forecasting to go live September 2013 which aims to aid the competency and engagement issues of budget holders, and increase visibility and challenge. From audit discussions with Management Accounting we noted service areas with continued over-reliance on management accountants to complete service forecasting. This is also being addressed as part of the Transforming Customer Services Project and progress has already been made on implementing the resource allocation tool for targeting management resources to high risk budgets.

The audit of Youth Offending Service identified that through restructure and management transition the CEF management accounting have provided significant support. Going forward the service plan to take responsibility for cost centre management.

There were no budgetary control issues identified during the audit of Children's Centre's Procurement and Budgetary Control.

Two management actions in respect of budgetary control were raised in last year's Governance and Financial Management audit. Both have been reported as implemented.

Financial Compliance:

The audit of Youth Offending Service for 2012/13 identified significant improvement in this area since the previous year when the overall conclusion was Unacceptable. The overall conclusion for 2012/13 is Issues.

The audit of Riverside Centre identified significant control weaknesses and non-compliance in the areas of income, cash and stock control procedures and security, lack of management arrangements for shop activities, no charging policy resulting in various discounts offered and stock sold at a loss, inadequate insurance arrangements for shop stock and failure to identify and report on VAT. The audit was concluded as Unacceptable and detailed findings are included within the confidential report.

Procurement:

An audit of CEF Contract Procurement and Contract Management was undertaken during 2012/13. A separate report has been issued and has the overall conclusion of Unacceptable. It should be noted that the audit focused on contract activity undertaken by CEF Operational Managers who sit outside of the Joint Commissioning/Procurement Teams. A small random sample of contracts from the CEF contracts register were considered to help form an opinion around the overall processes and management control environment across the whole system. Areas of weakness arise from the level of understanding that individual CEF Operational Managers, who have contract responsibilities, have of the contracting environment and how or when they should interface with Procurement and the Joint Commissioning Team. This has highlighted an overall training and support need that should assist individual CEF Operational Managers with understanding the contracting environment and undertaking contract management activity.

The audit of Youth Offending Service identified weaknesses in this area in that Procurement Card Statements were not being reviewed and approved by the Cost Centre Manager and that retrospective purchase orders were being raised.

The audit of Riverside found this area to be Unacceptable, as referred to in the findings under Financial Compliance and included within the confidential report.

There was only one issue identified during the audit of Children's Centre's Procurement and Budgetary Control, whereby the procurement card statements at one children's centre, from a sample of four visited, were not being independently reviewed and signed off by the Cost Centre Manager.

An audit of Knights Court Facilities Management Office was undertaken as part of the E&E Governance and Financial Management audit during 2011/12. As payments were processed by this office on behalf of CEF, some actions were for CEF officers. One management action for CEF is still outstanding and is noted again in this report.

Control of Assets:

This was tested for CEF during the establishment visits to Riverside and YOS. There was one issue identified at YOS. The audit of Riverside found this area to be Unacceptable, as referred to in the findings under Financial Compliance and included within the confidential report.

Legislation - Health & Safety

Internal Audit testing in this area has focussed on health and safety and how responsibilities under health and safety legislation are being discharged. No wider review of legislation has been undertaken by Internal Audit for 2012/13.

A corporate audit of Health and Safety has been undertaken for 2012/13. The audit covered at a strategic level how all Directorates and the Health, Safety and Wellbeing Team discharge their responsibilities. The audit has identified a number of areas of material concern. This has been used to contribute towards the conclusion for the area of

Legislation for each Directorate as the findings summarised below affect the whole organisation.

- The audit concluded that there has also been a lack of clarity of roles and responsibility with regard to health and safety. This includes the issues arising through the mobilisation of the new Facilities Management Contract.

- It has been identified that whilst Part 3 Arrangements, covering the whole organisation, detailing the Deputy Director's arrangements for managing significant risk have been drafted and agreed at Directorate level these have not yet been formally issued or communicated yet.

- There is also a draft "Establishment / Workplace Health and Safety Procedure" which breaks down duties between Carillion (the new Facilities Management Contract) and the OCC Manager responsible for Premises which has also not been formally issued and communicated.

- The issue of mandatory health and safety training for managers, not being undertaken which has been previously raised by Internal Audit is still evident.

- Reports by the Health, Safety and Wellbeing Team to Directorate Leadership Teams (DLTs) do not capture significant issues or common themes arising from the manager's safety tours.

- Reporting by the Health, Safety & Wellbeing team to DLTs is not always timely or with the appropriate regularity.

The separate report produced for the Health and Safety audit does acknowledge the work currently being undertaken and planned to address the known weaknesses in this area including: that the E&E directorate are currently leading on the review of Health & Safety responsibilities from the mobilisation of the new Facilities Management Contract. This includes the identification of the "responsible officer" for each building. There is also a proposal to establish a Corporate Health and Safety Governance Group from May 2013 which should address a number of the other issues raised in the report.

Human Resources

Corporate HR report that they are currently working on the HR pages of the intranet to provide managers and employees with high quality information that is quicker and easier to find. As part of this, they are reviewing the induction information to make the content clearer. Other recent corporate developments include the introduction of a checklist for temporary workers and also an e-learning induction module for all new starters. Corporate HR are currently developing a report which will be available to Senior Managers to report on information such as completion of induction e-learning. From sample testing carried out on induction within CEF, 4 managers responded (from a sample of 5), of which 2 had completed induction checklists and provided evidence, the other 2 reported that reviews had been undertaken but the induction checklist had not been completed.

The audit of YOS identified that driving at work procedural checks not being completed and that there was no evidence that the Sickness Absence report from SAP was being verified to local records for accuracy. There were two management actions agreed under Human Resources in 2011/12 audit. These have been reported as implemented, one of these related to the HR Business Partner ensuring that sickness reports were cascaded to the correct level of management for verification.

Project Management

There has been no detailed review of project management arrangements within CEF for 2012/13. An audit of project management in the SCS directorate was completed during quarter 3 of 2012/13, however whilst this noted issues identified by reviewing specific SCS projects, it has resulted in corporate management actions which will be applied and should strengthen project management across all directorates. This includes the need to review the Corporate Project Management Framework / Guidance and the role of Project Managers. For each project, a project manager will be assigned. The project managers will be responsible for ensuring the existence and review of the full business case / brief, which should include a feasibility study to be completed prior to the initiation of the project, detailing the options considered, expected business benefits, costs and risks prior to the initiation of the project. PIDs will follow a standard format and be appropriately approved. Project Managers will be responsible for assisting with the identification and budgeting of project costs at the start of the project. These budgets will then be signed off by the directorate's project board and recorded on SAP as a separate cost centre. The project managers will be responsible for monitoring these budgets throughout. Project Managers will be responsible for challenging the completeness of the project risk registers. Improvements will be made to the way in which lessons learned from project implementation are documented and disseminated for future learning.

An audit was undertaken of CEF project management during 2011/12. One management action has still not been implemented. This has been noted in the findings within this report.

SCS - Project Management - Overall Conclusion = Issues

It should be noted that the CEO Research & Major Programme Unit is currently reviewing the Performance and Project Management Structure across the Council which will include review of each Directorate's arrangements for project management and in the case of SCS will include review of the Change Management Board. This audit therefore focussed on a sample of projects and reviewed how effectively the key project management controls had been applied.

Whilst the report notes issues identified by reviewing specific SCS projects, it has resulted in corporate management actions which will be applied and should strengthen project management across all directorates. This includes the need to review the Project Management Framework / Guidance and the role of Project Managers.

The four projects sampled within the SCS Directorate were; Discharge to Assess, Adult Re-ablement Service, Day Opportunities for Older People and Independent Living Services Remodelling.

From our review we found no initial project brief or business case documents in place compiled by the service/Directorate. All four projects result from council strategies and DLT decisions however there were no documented business cases/feasibility studies in place providing the background of the project, the expected business benefits, the options considered, the expected costs of the project, a gap analysis, the expected risks, savings and link back to council strategies.

Project Initiation Documents (PID) are in place for all four projects sample reviewed. Issues were noted with final approved and signed off versions not available on the project register, out-of-date Project Board/Team officers named in the PID and project tolerances not detailed to enable effective monitoring of project delivery.

Three out of the four projects reviewed did not have project costs identified and assigned including associated Project Management resourcing costs. Through discussion with the Projects and Programmes Manager we noted that project costs have not been historically requested by the Change Management Board. Despite Project Managers being critical to the delivery of a project and resulting planned service savings, they have no input into the budget planning, monitoring and control process.

The OCC Project Management framework includes a progress report, to provide a summary of the project's progress against milestones, outlines next steps and highlights any key risks or issues. From review of the four sampled projects we found only 2/4 projects routinely utilising the progress reports which are then duplicated onto the status updates. Status updates are provided on the project register, the detail of the status updates varies between the projects, but these do not highlight progress against key milestones, as such audit were unable to clearly appraise the projects progress against the achievement of project deliverables.

The Project and Programme Framework includes exception reporting to be used once it is predicted that certain tolerances are going to be exceeded, the Project Board should be notified immediately using an exception report. Only 2/4 projects had set project tolerances in the PID, this was due in part to no budgets assigned to the projects to enable determination of budget tolerances. From review of the four sampled projects and discussion with the Project Managers we found the standard framework exception report was only required and utilised for one project. However, Audit were unable to track whether tolerances had been exceeded and exception reports should have been used, as progress reports which provide detail of progress against key milestones are not routinely completed.

The Project and Programme Framework provides for a change request process to be followed to control changes to the project plan in response to any issues arising, e.g. an unavoidable slippage in meeting a milestone. One of the projects reviewed has exceeded the target completion date as detailed in the PID, the project timescales have not been amended, and a change request not submitted due to changes with the project which were still under consideration.

Issue logs are maintained for all the four sampled SCS projects reviewed. From review of the issue logs we found inconsistent application and detail of recording project issues. Furthermore, with the exception of one project, we could not see a direct link between the high impact issues detailed on the issue log to the project risk register.

Lessons learnt are not routinely captured throughout the duration of the project for analysis and debrief at the end of the project. A knowledge bank of lessons learnt is not maintained within Project Management which can be utilised for future projects.

SCS - Governance and Financial Management Establishment Audit - Engagement Service - Overall Conclusion = Issues

Management Accountancy have provided significant support to the Engagement service during the restructure and management transition, but moving forward the Cost Centre Manager should take a lead in budget monitoring.

A sample review of payroll claims found that they were not all arithmetically correct and supported with receipts which matched the value of the claim. We also noted claims with no supporting receipts, and a claim not authorised by the appropriate cost centre manager.

Discrepancies were noted between local sickness records to SAP requiring robust monitoring of quarterly sickness monitoring reports. A new apprentice to the team was identified with no induction/probation record on file.

Not all procurement card statements are authorised by the cost centre manager, with all supporting receipts on file, and instances noted of purchases which could be made via e-procurement. A sample review of e-procurement items, found retrospective purchase orders being raised and late invoice payments. Instances were noted of the bank account being overdrawn.

SCS - Final Management Letter on Follow up of implementation of management actions raised in SCS Client Care Funding audit 2011/12

Introduction

During 2011/12 and audit of SCS Client Care Funding was undertaken. The audit activity focussed on the review of client information across the key systems used within S&CS (Swift, Abacus, SAP and Document Manager) with the aim of confirming that for each client:

Services were correctly recorded on the relevant systems;

The way in which each service was funded could be clearly identified; and

Income and expenditure in relation to the services identified was accurately recorded on the relevant system including SAP.

A final report was issued on 5 December 2011 with an overall conclusion of Unacceptable. A total of nine priority 1 and eight priority 2 management actions were agreed to address the weaknesses identified.

A number of these actions were linked to the implementation of AIS. However due to the delay with the implementation of the AIS project and changes in staff responsibility since the audit report was originally agreed, it has been necessary to revisit the original actions to ensure control weaknesses identified during the audit are addressed satisfactorily, within revised timescales and that responsibility for implementation is allocated correctly.

Findings

Management have confirmed that four priority 1 actions and four priority 2 actions have been fully implemented. Internal Audit follow up testing has not been undertaken to confirm this.

There were two actions (both priority 2) agreed originally as part of Client Care Funding audit which were then rolled forward to Accounts Payable audit in relation to the re-introduction of sample checking by management within the Financial Assessments Team and the review of controls in place to ensure that input errors were identified and rectified promptly. Although both actions were reported to have been fully implemented, testing undertaken by Internal Audit identified during a recent audit of Client Charging identified that implementation has not been effective. Revised management actions are included in the separate Client Charging report 2012/13.

Two actions (both priority 2) relating to the review and clarification of the way in which internal and external day centre attendance is charged for (original report references; 9 & 10) were also followed up under the recent Client Charing audit. This identified that both actions had been partially implemented. A consultation has now been completed and revised charges have been approved by Cabinet. The remaining work to be completed is detailed in the separate Client Charging report 2012/13 and new actions have been agreed which supersede the original actions.

The remaining five actions (all are priority 1) from the Client Care Funding Audit are still outstanding and, as noted in the introduction above, have been delayed as they are linked to the implementation of AIS. The original five management actions have now been superseded by 4 revised ones.

SCS Client Charging - Overall Conclusion = Unacceptable

At the commencement of the audit it was reported by the Finance Business Partner (FBP) that a review of client charges was being undertaken. This has led to a detailed examination of current charging methods jointly by the FBP, Internal Audit and Corporate Finance. It was identified that there is a lack of coherent policy for charging resulting in some inconsistencies in charges for home support. The audit has considered the control environment including the governance around the application of the charging policies. Our observations and issues arising from the audit have been fed back to Senior Management for consideration in their review.

The audit found weaknesses with the governance around the application of the charging policies. The current methodologies for determining the annual review of client charging are not clearly defined, although it was noted that the current practice is compliant with the Fairer Charging Guidance and Regulations. The policy review has not been concluded in a timely way such that the review of charges for 13/14 cannot be completed until after a period of consultation, delaying the application until September at the earliest.

In both methods currently being applied there is the potential for a surplus of income to be accumulated; however, there is no documented policy or procedure for how this should be

dealt with. It is expected that overall a small surplus of income will be accumulated in 2012/13 and therefore a decision is required on the fair treatment for this surplus.

For a small number of personal budget clients, their accounts have not been reviewed and reconciled against actual care provision as was intended when personal budgets were introduced. This means that these clients' accounts require review, reconciliation and adjustment to ensure that the costs charged to the client match the cost of care received.

Inconsistent application of the approved charging rates for a small number of clients has been noted which could have resulted in a slight undercharge in some cases, the amount is not expected to be material, but does require further review and clarification of how these rates should be applied going forward.

Management action is being taken to consult clients on changes to the charging policy. An interim charge will be put in place for 2013/14 from April with any corrections applied as necessary once the charging policy has been consulted on and formally approved by Cabinet in September 2013.

It was found that the Financial Assessments Team are not receiving sufficient information, on a case by case basis, to enable them to ensure clients are treated consistently in relation to periods of free care allowed for reablement and short term services.

No formal performance information was produced by the Financial Assessments Team during the 2012/13 financial year until September 2012. From the information produced since September the majority of performance targets are red, foregone income is also significantly higher than target. Despite some of the targets reported on relating to the performance of SCS staff, the Deputy Director for Adult Social Care was unaware of these issues until informed by Internal Audit and had not been copied in on performance reports.

Additionally, during January 2013, it was reported that foregone income figures reported from September 2012 had been significantly understated. The reason for this is not clear. However, it is apparent that there has not been sufficient and accurate monitoring of this issue which has financial implications for SCS in addition to the performance issues it highlights in relation to the Financial Assessments Team.

There are currently no effective exception reporting arrangements in place for identifying clients on Swift that have not been financially assessed on Abacus. Exception reporting arrangements are in the process of being reviewed and updated. Responsibility for review and action of exception reports by SCS was found to be unclear.

Sample testing has identified a high rate of input errors, particularly in relation to date recording within the Fairer Charging section of the Financial Assessments Team. Although this affects the accuracy of the performance information produced, it is acknowledged that the examples identified by Internal Audit have not resulted in material differences in the client charges invoiced. Despite management actions being agreed as a result of previous audits that management within the team will do monthly sample checks to identify and resolve performance and training issues, this has not been implemented effectively. It is reported that this has been due to staff shortages and

sickness during the current financial year. Sample testing of residential / nursing assessments identified examples where authorisation of care could not be confirmed as being in accordance with the Scheme of Financial Delegation.

Sample testing also identified examples of delays in referral of clients to the Financial Assessment Team and in the submission of authorised Annex 2's.

Further examples of data accuracy issues were also identified in relation to Swift input by SCS, these included services not being recorded, inconsistent care start and end dates and records not being appropriately updated in relation to a client's death. It was also noted that there were two cases where the Financial Assessments Team had not been notified by the Social Care Team that the client had died.

In relation to income target setting, it was identified that the income targets set in the last few years have been unrealistic, it does not appear that demographics and changes in legislation or any other factors which could influence income levels are routinely considered when setting income targets. It was also identified that there is currently no one within SCS with responsibility for monitoring and managing income.

Actions agreed as a result of previous audits on Client Care Funding and Accounts Payable (both undertaken in 2011/12) were also followed up as part of this audit. Two actions relating to the review and clarification of the way in which internal and external day centre attendance is charged for are partially implemented. A consultation has now been completed and revised charges have been approved by Cabinet. The remaining work to be completed is detailed in the main body of this report and new actions have been agreed which supersede the original actions.

There were also two actions agreed originally as part of the Client Care Funding audit which were then rolled forward to the 2011/12 Accounts Payable audit in relation to the re-introduction of sample checking by management within the Financial Assessments Team and the review of controls in place to ensure that input errors were identified and rectified promptly. Although both actions were reported to have been fully implemented, testing undertaken by Internal Audit identified that implementation has not been effective. Revised management actions are included in this report.

SCS Governance and Financial Management Overall Directorate Report - Overall Conclusion = Issues

Authority & Governance

7 management actions were raised as a result of last year's audit of Authority & Governance within SCS. All have been reported as fully implemented. Internal Audit testing as a result of this year's audit has confirmed effective implementation of 4 of these actions. Of the other 3, although improvements can be seen in some areas, it has not been possible to confirm that implementation has been fully effective at mitigating the risks identified last year. Therefore, these actions have been re-worded or re-stated in this year's report. The issues identified are detailed below:

It was found that the Schemes of Financial Delegation for SCS and OFRS did not clearly differentiate between the use of active and passive substitutes on SAP. Examples were noted where individuals that no longer work for the Council were named in the "person responsible" field on the SAP Approvers Matrix. It was reported that there were on old / unused cost centres, however it was noted that there were still live approvers on each cost centre and there was no indication on the matrix that the cost centres were no longer in use. An example was noted where an officer's level of delegated authority in the Scheme of Financial Delegation was higher than their approval level on SAP. Inappropriate use of active and passive substitutes on SAP were also noted, one of the examples noted was also raised in last year's audit report.

Internal Audit review of arrangements for the administration of the Mount House imprest account has identified that no checks are being made to the Scheme of Financial Delegation to confirm that payment requests are from approved officers. As the account is managed by E&E staff (processing payment requests for CEF and SCS Social Care staff), a management action is being agreed with the E&E Directorate in relation to the account administration process, however the Schemes of Financial Delegation within SCS and CEF also require review to ensure that there is clarity over who payment requests can be accepted from across Facilities Management Offices.

Information Governance

A separate report on SCS Information Governance has been issued and finalised. The overall conclusion was Issues. One priority 1 management action and three priority 2 management actions were agreed in the report. As at 9 April 2013 three actions have been reported as implemented, one action remains outstanding.

This review has identified a number of risk areas with Information Governance that need to be addressed at both a corporate and local level. Corporately, we have found there is no formal structure for Information Governance, with clear ownership and defined roles and responsibilities. There is also a local issue in this respect as the previous Information Governance Officer has transferred to ICT following the recent organisation restructure. The joint working between S&CS and CEF on social care also requires clear ownership and management of Information Governance issues.

A Corporate Data Transfer Policy was issued earlier this year but has not been well publicised and is difficult to find on the Intranet. An Information Asset Register has been produced for S&CS and includes details of external data transfers. However, a test of a sample number of transfers found that some are not undertaken securely and some that are not covered by formal agreements.

There is now a mandatory requirement for all staff to complete an e-learning course on the Data Protection Act 1998. This was introduced during the course of the audit and will help improve staff awareness of the key issues. We have identified a potential breach of the Data Protection Act as some data collection forms used to collect personal data do not have a privacy notice and consents are not always being recorded as obtained.

Business Continuity

One management action was raised in 2011/12 in respect of business continuity for SCS, and a further action for business continuity in OFRS. These have both been implemented.

There were no queries identified from review of the business continuity plan registers maintained and therefore no detailed testing of plans was undertaken for SCS (or OFRS) during 2012/13. A sample of priority 1 plans were selected from the register and verified to the list of plans physically tested in the last year by the County Business Continuity Officer of the Emergency Planning Unit - this was found to be satisfactory.

Risk & Performance Management (excluding OFRS)

Corporately there is significant development underway in the areas of Risk Management and Performance Management. This includes the revision to the Risk Management Strategy which is due to be published during April 2013 which will be followed by the review and update of intranet guidance. A major programme approach is being developed and rolled out which will ensure risk and performance are managed in conjunction with major projects and programmes. There is now a corporate resource to provide review and challenge on a quarterly basis of risk and performance information submitted by directorates. This corporate resource will also offer advice and guidance to directorates in developing their localised processes.

During 2012/13 the Strategy and Performance Services Manager and the Performance Information Manager have been reviewing risk and performance reporting structures and processes in SCS. The revised corporate strategy will now provide the corporate framework to review the directorate policy and processes for identifying and managing risk and to provide directorate lead and challenge on a quarterly basis. The work is on-going and it is planned that a complete review and updating of the risk registers will be undertaken across both directorates in the summer linking in with the Service and Resource Planning timetable.

The policy for risk management within SCS is currently being drafted by the Performance Information Manager and it is intended this will be agreed by DLT and in place by the end of the first quarter in 2013/14.

During the first quarter of 2013/14 the Strategy and Performance Services Manager and the Performance Information Manager plan to attend all Operational Manager's meetings (tier 3) in SCS to deliver further training and guidance in risk management, particularly around identification, management and escalation of risks.

Within SCS from 2013/14 risk and performance will continue to be reported to and discussed on a quarterly basis at DLT. Further work is planned with Tier 3 managers to develop this process further.

Due to the current developments both corporately and a directorate level it has been decided not to complete any detailed testing of these areas for 2012/13 and proposed that these will be reviewed in more detail during 2013/14.

3 management actions in respect of risk management and 5 management actions in respect of performance management were raised in the 2011/12 SCS Governance and Financial Management Audit - the 5 performance management actions are all reported to be implemented. These have not been tested by Internal Audit.

The 3 raised in respect of risk management are only partially implemented (all priority 2). These related to review of timing of presentation of risk management to SCS DLT, Directorate Risk Lead review of risk registers and risk management training to senior / operational managers. The target implementation date for these actions has now been revised by the officer responsible to 31 May 2013.

A new action has been agreed in this report regarding the finalising of the SCS risk management policy.

Financial Management (excluding OFRS)

Budget Setting/Budgetary Control:

The audit of budget setting for all directorates has been deferred until April/May 2013 and will be undertaken as part of the Governance and Financial Management Audit for 2013/14. Two management actions in respect of budget setting were agreed in last year's Business Strategy audit - these are reported as implemented.

An Internal Audit has been completed on Pooled Budgets during 2012/13. The findings have not been summarised in this report as the draft Internal Audit report has not yet been issued and agreed, however the findings of this audit have been taken into account in forming our overall opinion on budgetary control for the SCS Directorate.

Income setting and budgetary control was considered as part of the 2012/13 Client Charging audit. It was identified that the income targets set in the last few years have been unrealistic, it does not appear that demographics and changes in legislation, or any other factors which could influence income levels, are routinely considered when setting income targets. It was also identified that no one within SCS had responsibility for monitoring and managing income. Two priority 1 management actions were agreed to address the issues identified, both have been reported as fully implemented.

Budgetary Control was reviewed within the Engagement Service establishment audit. This identified during re-structure and management transition that SCS management accounting have provided significant support. Going forward the Service now plan to take responsibility for cost centre management.

For 2012/13 Internal Audit did not complete any further scrutiny and challenge at the cost centre manager level due to the implementation of the Transforming Customer Services Project. The project includes procurement of an Excel based front end to SAP for revenue & capital budget monitoring & forecasting to go live September 2013 which aims to aid the competency and engagement issues of budget holders, and increase visibility and challenge. Progress has already been made on implementing the resource allocation tool for targeting management resources to high risk budgets.

Seven management actions in respect of budgetary control were agreed in last year's SCS Governance and Financial Management main report. 4 of these actions are reported to be fully implemented. One action in respect of SAP training for locality managers is not due for implementation until 30 April 2013, pending completion of the Transforming Customer Services Project. The remaining 2 management actions in relation to the devolving of income budgets to locality teams and to clarifying overall responsibility for SCS income budgets have been superseded by a management action agreed as a result of the 2012/13 Internal Audit of Client Charging. The revised action agreed in the Client Charging report has been reported as implemented.

Financial Compliance:

The audit of the Engagement Service identified an issue with payroll claims not being arithmetically correct and not all supporting receipts attached. It was also noted that the imprest account was going overdrawn. Testing of the Imprest Account at Oxford Day Services identified that the imprest account was not being reviewed by an independent officer.

Management actions raised in the 2011/12 Governance and Financial Management Audit of Trading Standards have all been reported as implemented.

Procurement:

The audit of SCS Contract Procurement and Contract Management has been deferred until 2013/14.

A management action raised in the 2011/12 Governance and Financial Management report in respect of procurement has been reported as implemented.

The audit of the Engagement Service and Oxford Days Services (Procurement card and imprest account only) identified that not all procurement card statements are authorised by the cost centre manager, with all supporting receipts on file, and instances noted of purchases which could be made via e-procurement.

The audit of the Engagement Service also noted that retrospective purchase orders were being raised and late invoice payments.

Control of Assets:

Not tested in detail for SCS directorate during 2012/13.

No issues identified in this area during the establishment audit of the Engagement Service 2012/13.

Legislation - Health & Safety

Internal Audit testing in this area has focussed on health and safety and how responsibilities under health and safety legislation are being discharged. No wider review of legislation has been undertaken by Internal Audit for 2012/13.

A corporate audit of Health and Safety has been undertaken for 2012/13. The audit covered at a strategic level how all Directorates and the Health, Safety and Wellbeing Team discharge their responsibilities. The audit has identified a number of areas of material concern. This has been used to contribute towards the conclusion for the area of Legislation for each Directorate as the findings summarised below affect the whole organisation.

- The audit concluded that there has also been a lack of clarity of roles and responsibility with regard to health and safety. This includes the issues arising through the mobilisation of the new Facilities Management Contract.

- It has been identified that whilst Part 3 Arrangements, covering the whole organisation, detailing the Deputy Director's arrangements for managing significant risk have been drafted and agreed at Directorate level these have not yet been formally issued or communicated yet.

- There is also a draft "Establishment / Workplace Health and Safety Procedure" which breaks down duties between Carillion (the new Facilities Management Contract) and the OCC Manager responsible for Premises which has also not been formally issued and communicated.

- The issue of mandatory health and safety training for managers, not being undertaken which has been previously raised by Internal Audit is still evident.

- Reports by the Health, Safety and Wellbeing Team to Directorate Leadership Teams (DLTs) do not capture significant issues or common themes arising from the manager's safety tours.

- Reporting by the Health, Safety & Wellbeing team to DLTs is not always timely or with the appropriate regularity.

The separate report produced for the Health and Safety audit does acknowledge the work currently being undertaken and planned to address the known weaknesses in this area including: that the E&E directorate are currently leading on the review of Health & Safety responsibilities from the mobilisation of the new Facilities Management Contract. This includes the identification of the "responsible officer" for each building. There is also a proposal to establish a Corporate Health and Safety Governance Group from May 2013 which should address a number of the other issues raised in the report.

Human Resources

Corporate HR report that they are currently working on the HR pages of the intranet to provide managers and employees with high quality information that is quicker and easier to find. As part of this, they are reviewing the Induction information to make the content clearer. Other recent corporate developments include the introduction of a checklist for temporary workers and also an e-learning induction module for all new starters. Corporate HR are currently developing a report which will be available to Senior Managers to report on information such as completion of induction e-learning. Within SCS 5 managers were sampled, of which 3 had completed the inductions and provided the evidence, the other 2 reported that induction checklists did not need completing for the member of staff as one

was only temporary (and started before the temporary checklist was introduced), and the other had worked at the Council previously and as such was just reviewing performance through the standard appraisal/1:1 meeting process. During the establishment audit of the Engagement Service a new apprentice to the team who started in October 2012 did not have an induction/probation record completed

The audit of the Engagement Service identified discrepancies between local sickness records maintained and sickness data recorded on SAP. A management action was agreed in the separate report that the quarterly sickness report would be received and reviewed for accuracy.

There were 4 management actions agreed under Human Resources in 2011/12 audit. (One priority 1 and three priority 2). These have all been reported as implemented. One of these actions implemented was in respect of the level of distribution of sickness monitoring reports.

Project Management

An audit of project management in the SCS directorate was completed during quarter 3 of 2012/13, however whilst this noted issues identified by reviewing specific SCS projects, it has resulted in corporate management actions which will be applied and should strengthen project management across all directorates. This includes the need to review the Corporate Project Management Framework / Guidance and the role of Project Managers. For each project, a project manager will be assigned. The project managers will be responsible for ensuring the existence and review of the full business case / brief, which should include a feasibility study to be completed prior to the initiation of the project, detailing the options considered, expected business benefits, costs and risks prior to the initiation of the project. PIDs will follow a standard format and be appropriately approved. Project Managers will be responsible for assisting with the identification and budgeting of project costs at the start of the project. These budgets will then be signed off by the directorate's project board and recorded on SAP as a separate cost centre. The project managers will be responsible for monitoring these budgets throughout. Project Managers will be responsible for challenging the completeness of the project risk registers. Improvements will be made to the way in which lessons learned from project implementation are documented and disseminated for future learning.

SCS Pooled Budgets - Overall Conclusion = Issues

In relation to governance arrangements in the management of the OP, PD and LD pooled budgets, some ambiguity was noted in relation to the process for formalising changes to voting members of JMG. The process for the documenting of voting members deputies was also found to be unclear. An issue was also raised by one of the Pool Managers in respect of liability for the care of CHC clients where the client receives a home support service without a personal health budget. However, it should be noted that the number of clients affected is reported to be less than 10 and it has been reported that a process is being agreed to resolve this.

In relation to budget management, it was noted that the way in which efficiency savings are to be monitored and managed for 2013/14 financial year has been reviewed and

updated. An unforeseen overspend was noted at year end in relation to the LD pool having forecast an underspend for most of the 2012/13 financial year. It has been reported that roles and responsibilities in relation to forecasting and methodology for the forecasting of personal budgets were unclear and have now been clarified for this pool to ensure that forecasting going forward is robust and accurate. Sample checking on LD financial reporting identified several figures which could not be traced back to SAP. Although it has been reported that this is due to movements in cost centre groups in SAP and retrospective changes to some budget lines during the year, it has not been possible to fully reconcile the accuracy of these figures as reported to JMG. It was also noted, across all three pools, that there were instances where it was difficult to trace some pre-JMG and JMG discussions over changes to lines in the pooled budgets from pre-JMG action notes or JMG minutes.

CEO - Governance and Financial Management Establishment Audit - Oxford Registrar's Office - Overall Conclusion = Issues

Discrepancies were noted in local sickness records to SAP requiring robust monitoring of quarterly sickness monitoring reports. Driving at work policy checks were work in progress at the time of audit and require completing. A process should be established to ensure that new entrants are included on the driving at work policy check list.

No accruals are currently processed at year end for marriage/civil partnership income, which is payable 12 weeks in advance of the service being provided. For requested certificates which cannot be issued, certificate fee income is not banked on a timely basis.

Instances were noted of the bank account been overdrawn, and no independent review and reconciliation of the imprest account.

CEO Governance and Financial Management Overall Directorate Report - Overall Conclusion = Issues

Authority & Governance

Internal Audit testing identified that the published version of the CEO Scheme of Financial Delegation has not been updated since June 2012. It was determined by SFG in 2011 and is stated in the corporate guidance that the published version of the Scheme of Financial Delegation should be updated every 6 months. It was identified that there are still a number of officers who no longer work for the Council (some who have not for some years) named as "person responsible" for some cost centres on SAP. It was reported that these were on old / unused cost centres, however it was noted that there were still live approvers on the cost centres identified and that there was no indication on the matrix that the cost centres were no longer in use. An example of inappropriate use of active substitution arrangements on SAP was also identified (£500K approver had £5K approvers as active substitutes on 155 cost centres on SRM and R/3).

There were 4 management actions raised in relation to Authority & Governance in the 2011/12 CEO Governance & Financial Management Internal Audit Report. Three actions have been reported as fully implemented, testing has confirmed that 2 have been implemented effectively, the other action has not been fully effective in relation to the updating of the person responsible field in SAP, therefore a revised management action has been raised within this report. One action agreed last year in relation to the review of

active and passive substitution arrangements on SAP has not been implemented, this is highlighted in the main body of the report and will continue to be monitored by Internal Audit until it is fully implemented.

Information Governance

A separate report on CEO Information Governance has been issued and finalised. The overall conclusion was Issues. Three priority 2 management actions were agreed in the report. As at 9 April 1 management action has been implemented and 2 are still outstanding.

The review identified a number of risk areas with Information Governance that need to be addressed at both a corporate and local level. Corporately, we have found there is no formal structure for Information Governance, with clear ownership and defined roles and responsibilities. For CEO, an Information Governance lead has been identified however responsibilities are not formally documented.

A Corporate Data Transfer Policy was issued earlier this year but has not been well publicised and is difficult to find on the Intranet. Hence, there is little evidence of staff being aware of it. It was identified that CEO does not have a complete and accurate register of all its external data transfers, a risk that has been previously reported by Internal Audit in the Governance & Financial Management audits of 2010/11 and 2011/12, to which agreed management actions have not been implemented.

There is now a mandatory requirement for all staff to complete an e-learning course on the Data Protection Act 1998. This was introduced during the course of the audit and will help improve staff awareness of the key issues. We have identified a potential breach of the Data Protection Act as a number of on-line data collection forms used to collect personal data do not have a privacy notice.

Business Continuity

One management action was raised in 2011/12 in respect of business continuity for CEO. This has been implemented.

Review of three business continuity plans to ensure that key services had been identified, ICT systems documented, that recovery team contacts were still current and that where the plan included P1 services it had been tested within the last year, was found to be satisfactory. A supplementary issue has been agreed regarding ensuring the directorate's register records the last date of review by the Business Continuity Co-ordinator and the date of the last test.

Risk Management / Performance Management

Corporately there is significant development underway in the areas of Risk Management and Performance Management. This includes the revision to the Risk Management Strategy which is due to be published during April 2013 which will be followed by the review and update of intranet guidance. A major programme approach is being developed and rolled out which will ensure risk and performance are managed in conjunction with major projects and programmes. There is now a corporate resource to

provide review and challenge on a quarterly basis of risk and performance information submitted by directorates. This corporate resource will also offer advice and guidance to directorates in developing their localised processes.

There is also work underway reviewing risk and performance management reporting structures for CEO. Due to the current developments both corporately and at a directorate level it has been decided not to complete any testing of these areas in CEO for 2012/13 and it is proposed that these will be reviewed in more detail during 2013/14.

There were two management actions agreed in respect of Risk Management in the 2011/12 CEO Governance & Financial Management Report. These have been followed up on by Internal Audit and have been confirmed as implemented.

Financial Management

Budget Setting/Budgetary Control:

The audit of budget setting for all directorates has been deferred until April/May 2013 and will be undertaken as part of the Governance & Financial Management Audit for 2013/14.

Budgetary Control within CEO has not been reviewed for 2012/13 - audit testing has been focussed in the main directorates.

There was one action for budgetary control from last year's 2011/12 audit. This has been followed up and confirmed as implemented.

Financial Compliance:

Issues were noted in the audit of Oxford Registrar's Office with the treatment of marriage/civil partnership income at year end and that there were instances of the imprest bank account being overdrawn and no independent review / reconciliation of the account.

Procurement:

Audits of contract procurement and contract management specific to CEO have not been undertaken in 2012/13, these audits have been undertaken in the main directorates.

In last year's 2011/12 audit there were 5 actions raised in respect of Procurement - these have all been reported as implemented. These have not been verified by Internal Audit.

Control of Assets:

Not tested for CEO directorate during 2012/13.

Legislation - Health & Safety

Internal Audit testing in this area has focussed on health and safety and how responsibilities under health and safety legislation are being discharged. No wider review of legislation has been undertaken by Internal Audit for 2012/13.

A corporate audit of Health and Safety has been undertaken for 2012. The audit covered at a strategic level how all Directorates and the Health, Safety and Wellbeing Team discharge their responsibilities. The audit has identified a number of areas of material concern. This has been used to contribute towards the conclusion for the area of Legislation for each Directorate as the findings summarised below affect the whole organisation.

- The audit concluded that there has also been a lack of clarity of roles and responsibility with regard to health and safety. This includes the issues arising through the mobilisation of the new Facilities Management Contract.

- It has been identified that whilst Part 3 Arrangements, covering the whole organisation, detailing the Deputy Director's arrangements for managing significant risk have been drafted and agreed at Directorate level these have not yet been formally issued or communicated yet.

- There is also a draft "Establishment / Workplace Health and Safety Procedure" which breaks down duties between Carillion (the new Facilities Management Contract) and the OCC Manager responsible for Premises which has also not been formally issued and communicated.

- The issue of mandatory health and safety training for managers, not being undertaken which has been previously raised by Internal Audit is still evident.

- Reports by the Health, Safety and Wellbeing Team to Directorate Leadership Teams (DLTs) do not capture significant issues or common themes arising from the manager's safety tours.

- Reporting by the Health, Safety & Wellbeing team to DLTs is not always timely or with the appropriate regularity.

The separate report produced for the Health and Safety audit does acknowledge the work currently being undertaken and planned to address the known weaknesses in this area including: that the E&E directorate are currently leading on the review of Health & Safety responsibilities from the mobilisation of the new Facilities Management Contract. This includes the identification of the "responsible officer" for each building. There is also a proposal to establish a Corporate Health and Safety Governance Group from May 2013 which should address a number of the other issues raised in the report.

Human Resources

Corporate HR report that they are currently working on the HR pages of the intranet to provide managers and employees with high quality information that is quicker and easier to find. As part of this, they are reviewing the induction information to make the content

clearer. Other recent corporate developments include the introduction of a checklist for temporary workers and also an e-learning induction module for all new starters. Corporate HR are currently developing a report which will be available to Senior Managers to report on information such as completion of induction e-learning. Testing within CEO - 3 managers (from sample of 5) responded, of which 2 had completed induction checklists and provided evidence, the other 1 had not completed the induction checklist (Library).

The audit of Registrar's identified that driving at work procedural checks had not being completed and that there was no evidence of the Sickness Absence report from SAP being verified to local records for accuracy. Corporate actions agreed last year to improve these areas have been reported as implemented.

There was one management action agreed in the 2011/12 audit in respect of Human Resources for CEO. This has been reported as implemented.

Project Management

There has been no detailed review of project management arrangements within CEO for 2012/13. An audit of project management in the SCS directorate was completed during quarter 3 of 2012/13, however whilst this noted issues identified by reviewing specific SCS projects, it has resulted in corporate management actions which will be applied and should strengthen project management across all directorates. This includes the need to review the Corporate Project Management Framework / Guidance and the role of Project Managers. For each project, a project manager will be assigned. The project managers will be responsible for ensuring the existence and review of the full business case / brief, which should include a feasibility study to be completed prior to the initiation of the project, detailing the options considered, expected business benefits, costs and risks prior to the initiation of the project. PIDs will follow a standard format and be appropriately approved. Project Managers will be responsible for assisting with the identification and budgeting of project costs at the start of the project. These budgets will then be signed off by the directorate's project board and recorded on SAP as a separate cost centre. The project managers will be responsible for monitoring these budgets throughout. Project Managers will be responsible for challenging the completeness of the project risk registers. Improvements will be made to the way in which lessons learned from project implementation are documented and disseminated for future learning.

CEO Governance and Financial Management - Authority and Governance Corporate Letter - Overall Conclusion = Issues

Further improvements have been identified in a number of areas since the 2011/12 audit. Testing has confirmed that the SAP Approvers Matrix is being regularly reviewed and updated by Management Accounting and is more accurate than it was a year ago, particularly in relation to those able to approve on SAP. There were also fewer issues identified with the use of active and passive substitutes on SAP since last year's audit.

Testing identified that the review and updating of directorate schemes of financial delegation has not taken place with the required frequency within CEO directorate. There were a couple of areas where directorate schemes were still not fully compliant with the

corporate guidance. It was noted that the E&E Scheme of Financial Delegation did not include authorisers from Carillion (contract commenced July 2012). It was noted that imprest payments made by E&E Facilities Management Team were not being checked back to the CEF and SCS Schemes of Financial Delegation.

Although Internal Audit testing has confirmed that a great deal of progress has been made by management accounting in updating SAP Approvers, some inconsistencies were noted between SAP Approvers and Schemes of Financial Delegation within E&E and SCS. Testing also highlighted that there are a number of old / unallocated cost centres listed on the SAP Approvers Matrix which still have live approvers set up as able to approve transactions on these cost centres. It is also not currently possible to tell, from review of the matrix, which cost centres are live and which are not.

There are still issues with SAP substitution arrangements. Inappropriate substitution arrangements were identified by Internal Audit across all directorates. In E&E and CEO, management actions agreed as a result of last year's audit to ensure that there was a mechanism for identifying and addressing inappropriate substitution arrangements have not been implemented. Internal Audit will continue to monitor the implementation of these actions via the 4action system. It was also identified that structure charts available on the intranet for the E&E Directorate do not go below Deputy Director level.

EE (OCS) - Governance and Financial Management Establishment Audit - Oxfordshire Skills and Learning Service - Overall Conclusion = Issues

During the financial year the service has undergone a restructure merging Adult Learning and Commissioning into one team, Oxfordshire Skills & Learning Service.

It was highlighted that an officer within the team was on the board of one of OSLS's contractors and whilst controls had been put in place to avoid a conflict of interest, the 'conflict of interest form' had not been completed.

Learner numbers are monitored at performance meetings, but issues affecting funding are not communicated / addressed at budget monitoring meetings.

A small sample review of payroll claims found that they were not all supported with receipts. The service are in the process of identifying the staff that require a Disclosure and Barring Service check renewal on a 3 year basis but this has not yet translated into naming the actual staff to which this applies and verifying those renewals are in place.

Procurement card statements are not printed and authorised by the cost centre manager on a monthly basis regardless of spend activity. We further noted instances where supporting VAT receipts were not on file, and VAT not accounted for correctly. Outstanding tuition fee income is not reviewed at budget monitoring meetings and a process for debt write-off needs to be established.

An inventory was provided for review for items held at Chiltern House but no evidence of when the inventory was last updated/reviewed. No inventory listing was provided for items held off-site at centres.

Performance data does not clearly state variances from target learner numbers, and the effect on planned funding. Re-profiling of learner targets does not take into account performance to date to ensure that targets set are realistic and achievable.

An action from the 2011/12 EE Governance and Financial Management Audit has not been fully implemented in respect of rationalising cost centres. This has been re-stated.

E&E Governance and Financial Management Overall Directorate Report - Overall Conclusion = Issues

Authority & Governance

Internal Audit testing identified that the some further updates need to be made to the format of the Scheme of Financial Delegation in relation to the use of active substitutes on SAP and on the stated period of review and re-publication of the Scheme. It was also identified that the levels of delegated financial authority for Carillion staff have not yet been published, the Carillion contract has been in place since July 2012. There has been a separate contract audit undertaken of the Property and Facilities Contract. This is currently at draft report stage and the findings have not been summarised in this report. It was noted that the "person responsible" field in the SAP Approvers matrix still includes officers who no longer work for the Council, these include an officer who left the Council in 2008 and another officer who left in June 2012. It was reported that these were on old / unused cost centres, however it was noted that there were still live approvers on the cost centres identified and that there was no indication on the matrix that the cost centres were no longer in use. Further examples of inappropriate active and passive substitution arrangements were identified from review of the SAP approvers matrix.

There were 7 management actions agreed in relation to Authority & Governance in the 2011/12 E&E Governance & Financial Management Internal Audit Report. 6 actions have been reported as fully implemented. Testing has confirmed effective implementation of 4 actions. Recurring issues have been noted as part of this year's audit in relation to the other 2 actions and so updated management actions have been agreed as part of this audit. One action agreed last year in relation to the review of active and passive substitution arrangements on SAP has not yet been implemented, this is highlighted in the main body of the report and will continue to be monitored by Internal Audit until it is fully implemented.

Information Governance

A separate report on E&E Information Governance has been issued and finalised. The overall conclusion was Issues. Two priority 2 management actions were agreed in the report. Both have been reported to be implemented.

The review identified a number of risk areas with Information Governance that need to be addressed at both a corporate and local level. Corporately, we have found there is no formal structure for Information Governance, with clear ownership and defined roles and responsibilities. There is also a local issue in this respect with regard to current IG roles in E&E, OCS and ICT.

A Corporate Data Transfer Policy was issued earlier this year but has not been well publicised and is difficult to find on the Intranet. Hence, there is little evidence of staff being aware of it. A register of external data transfers has recently been compiled, however, it does not record all relevant details.

On a positive note, there is now a mandatory requirement for all staff to complete an e-learning course on the Data Protection Act 1998. This was introduced during the course of the Information Governance audit and will help improve staff awareness of the key

issues. It was noted during the audit of Facilities Management Samuelson House that 3/6 employees had not undertaken the mandatory training. This has since been addressed.

Business Continuity

One management action was raised in 2011/12 in respect of business continuity for E&E. This has been reported as implemented.

There were no queries from the review of the business continuity registers held for either E&E or OCS and therefore no detailed testing of plans was undertaken during 2012/13. It was noted, for OCS, that the dates of the tests for those including P1 services exceeded 1 year in a couple of instances. A sample of priority 1 plans were selected from each register and verified to the list of plans physically tested in the last year by the County Business Continuity Officer of the Emergency Planning Unit. This identified one query with an OCS plan and a management action has been agreed.

Risk & Performance Management

Corporately there is significant development underway in the areas of Risk Management and Performance Management. This includes the revision to the Risk Management Strategy which is due to be published during April 2013 which will be followed by the review and update of intranet guidance. A major programme approach is being developed and rolled out which will ensure risk and performance are managed in conjunction with major projects and programmes. There is now a corporate resource to provide review and challenge on a quarterly basis of risk and performance information submitted by directorates. This corporate resource will also offer advice and guidance to directorates in developing their localised processes.

Within the E&E directorate there has also been significant activity in the development of risk management and performance management reporting. Work has been undertaken by the Performance and Improvement Manager and her team to review all risk registers and develop those where they previously did not exist. In some areas of the directorate the risk registers have now been fully revised and in others this is still work in progress. To support this work a programme of risk awareness sessions has been delivered to all service team meetings (tier 4 managers), they have also been provided with 1:1 support where required and a toolkit to provide further advice has been developed and due to be made available shortly.

There is also work, underway to review in more detail the performance reporting structures within E&E. Initially the KPIs/SLAs of OCS are being reviewed however it is intended this will extend across the whole directorate. Further work is then planned in streamlining how performance information is captured with a view to automating the process as much as possible.

The design of the process for capturing risks and escalating them to the appropriate management, scoring and flagging for Director and CCMT level was discussed with the Performance and Improvement Manager and found to be satisfactory. The effectiveness of this process was not tested. The Performance and Improvement Manager supplied all relevant risk registers and quarterly performance reports for 2012/13.

Due to the current developments both corporately and a directorate level it has been decided not to complete any detailed testing of these areas for 2012/13 and proposed that these will be reviewed in more detail during 2013/14.

1 management action in respect of risk management and 3 management actions in respect of performance management were raised in the 2011/12 E&E Governance and Financial Management Audit - these are all reported to be implemented.

Financial Management

Budget Setting/Budgetary Control:

The audit of budget setting for all directorates has been deferred until April/May 2013 and will be undertaken as part of the Governance and Financial Management Audit for 2013/14. One management action in respect of budget setting was agreed in last year's Business Strategy audit - this is reported as implemented.

A review of the E&E Directorate Financial Monitoring & Business Strategy Delivery (FMBSD) reports was completed for the period April 2012 to February 2013 and a sample of budgets lines reviewed and discussed with Management Accounting.

For 2012/13 Internal Audit did not complete any scrutiny and challenge at the cost centre manager level due to the implementation of the Transforming Customer Services Project. The project includes procurement of an Excel based front end to SAP for revenue & capital budget monitoring & forecasting to go live September 2013 which aims to aid the competency and engagement issues of budget holders, and increase visibility and challenge. From audit discussions with Management Accounting we noted service areas with continued over-reliance on management accountants to complete service forecasting. This is also being addressed as part of the Transforming Customer Services Project and progress has already been made on implementing the resource allocation tool for targeting management resources to high risk budgets.

7 management actions in respect of budgetary control were raised in last year's Governance and Financial Management audit. 1 has been re-stated in the establishment audit of OSLS. 5 have been reported as implemented. 1 has been partially implemented.

During review of budgetary control in the establishment audits, it was identified that at Samuelson House there was a weakness in the review of payroll information which meant a discrepancy had not been identified.

With OSLS a management action from last year had not been implemented in respect of review and rationalisation of the cost centres. Outstanding tuition fee income is not reviewed at budget monitoring meetings and a process for debt write-off needs to be established. Performance data does not clearly state variances from target learner numbers, and the effect on planned funding. Re-profiling of learner targets does not take into account performance to date to ensure that targets set are realistic and achievable.

Financial Compliance:

The audit of Facilities Management Samuelson House 2012/13 highlighted issues in respect of the transactions the Facilities Management Finance Team process on behalf of CEF and SCS. Deviations from standard Council financial practice was identified as well as non-implementation of five previously agreed management actions from the 2011/12 audit of Facilities Management Knights Court. As at 16 April 2013 all management actions agreed in the Samuelson House audit have been reported as implemented. However

three management actions from the Knights Court 2011/12 audit have not been fully implemented, these are referred to in the detailed findings within this report.

It was also noted in the audit of Samuelson House and Oxfordshire Skills and Learning Service that a sample of payroll claims were not supported with receipts.

We noted that Facilities Management staff, at Mount House do not have a signatory listing which they can verify operational staff claims against and are not utilising the CEF /SCS scheme of delegation to verify authorisations on requests for payments from Social Workers.

There were two management actions in respect of financial compliance in last year's main directorate audit report. These are reported as implemented.

Procurement:

The audit of Facilities Management Samuelson House concluded this area as Issues. It was identified that the imprest account operated by the Samuelson House Facilities Management Finance Team was being utilised by CEF and S&CS staff in preference to the correct methods of procurement such as procurement cards, SAP/SRM and reimbursement through central submission of Travel and Expenses claim forms to payroll. Some of these issues remained outstanding from the Facilities Management audit at Knights Court which impacted on the findings for Samuelson House. Current implementation status of these actions are reported under the section of financial compliance.

The audit of Oxfordshire Skills and Learning Service highlighted that procurement card statements are not always printed and authorised by the cost centre manager and supporting VAT receipts are not always retained on file.

There were five management actions in respect of procurement in last year's audit report. These are reported as implemented.

There has been a separate contract audit undertaken of the Property and Facilities Contract. This is currently at draft report stage and the findings have not been summarised in this report.

Control of Assets:

There has been a separate audit of Asset Strategy Implementation (including Corporate Landlord Approach). This is currently at draft report stage and the findings have not been summarised within this report.

This area was reviewed at an establishment level for Samuelson House where no issues were identified and OSLS where one issue report and a management action agreed.

Legislation - Health & Safety

Internal Audit testing in this area has focussed on health and safety and how responsibilities under health and safety legislation are being discharged. No wider review of legislation has been undertaken by Internal Audit for 2012/13.

A corporate audit of Health and Safety has been undertaken for 2012. The audit covered at a strategic level how all Directorates and the Health, Safety and Wellbeing Team discharge their responsibilities. The audit has identified a number of areas of material concern. This has been used to contribute towards the conclusion for the area of Legislation for each Directorate as the findings summarised below affect the whole organisation.

- The audit concluded that there has also been a lack of clarity of roles and responsibility with regard to health and safety. This includes the issues arising through the mobilisation of the new Facilities Management Contract.

- It has been identified that whilst Part 3 Arrangements, covering the whole organisation, detailing the Deputy Director's arrangements for managing significant risk have been drafted and agreed at Directorate level these have not yet been formally issued or communicated yet.

- There is also a draft "Establishment / Workplace Health and Safety Procedure" which breaks down duties between Carillion (the new Facilities Management Contract) and the OCC Manager responsible for Premises which has also not been formally issued and communicated.

- The issue of mandatory health and safety training for managers, not being undertaken which has been previously raised by Internal Audit is still evident.

- Reports by the Health, Safety and Wellbeing Team to Directorate Leadership Teams (DLTs) do not capture significant issues or common themes arising from the manager's safety tours.

- Reporting by the Health, Safety & Wellbeing team to DLTs is not always timely or with the appropriate regularity.

The separate report produced for the Health and Safety audit does acknowledge the work currently being undertaken and planned to address the known weaknesses in this area including: that the E&E directorate are currently leading on the review of Health & Safety responsibilities from the mobilisation of the new Facilities Management Contract. This includes the identification of the "responsible officer" for each building. There is also a proposal to establish a Corporate Health and Safety Governance Group from May 2013 which should address a number of the other issues raised in the report.

Human Resources

Corporate HR report that they are currently working on the HR pages of the intranet to provide managers and employees with high quality information that is quicker and easier to find. As part of this, they are reviewing the induction information to make the content clearer. Other recent corporate developments include the introduction of a checklist for temporary workers and also an e-learning induction module for all new starters. Corporate HR are currently developing a report which will be available to Senior Managers to report on information such as completion of induction e-learning. Induction testing completed in E&E – 4 managers responded (from a sample of 5), of which 3 had completed the induction checklists and provided evidence, the other 1 reported that it had been completed however did not provide the evidence. Induction testing completed in OCS – 4 managers responded (from a sample of 5), of which 2 had reported the inductions as complete (only one provided evidence), the other 2 reported that induction checklists did not need completing, e.g. temporary.

Weaknesses in the area of HR were identified during the Facilities Management Samuelson House establishment audit in relation to driving at work policy checks. It was identified during the audit of OSLS that the service are in the process of identifying the staff that require a Disclosure and Barring Service check renewal on a 3 year basis but this has not yet translated into naming the actual staff to which this applies and verifying those renewals are in place.

There were six management actions in respect of HR in last year's audit report. These are all reported as implemented.

Project Management

There has been no detailed review of project management arrangements within E&E for 2012/13. An audit of project management in the SCS directorate was completed during quarter 3 of 2012/13, however whilst this noted issues identified by reviewing specific SCS projects, it has resulted in corporate management actions which will be applied and should strengthen project management across all directorates. This includes the need to review the Corporate Project Management Framework / Guidance and the role of Project Managers. For each project, a project manager will be assigned. The project managers will be responsible for ensuring the existence and review of the full business case / brief, which should include a feasibility study to be completed prior to the initiation of the project, detailing the options considered, expected business benefits, costs and risks prior to the initiation of the project. PIDs will follow a standard format and be appropriately approved. Project Managers will be responsible for assisting with the identification and budgeting of project costs at the start of the project. These budgets will then be signed off by the directorate's project board and recorded on SAP as a separate cost centre. The project managers will be responsible for monitoring these budgets throughout. Project Managers will be responsible for challenging the completeness of the project risk registers. Improvements will be made to the way in which lessons learned from project implementation are documented and disseminated for future learning.

EE - Asset Strategy Implementation (incl. Corporate Landlord Approach) - Overall Conclusion = Issues

The issues noted in the report can be viewed as early day problems that will be overcome as the contractual relationship with Carillion and Capita Symonds matures. During this early period of the contract we identified that there were some gaps in process and procedure that could impact on the aim of reducing the Estate in terms of size and cost or hinder the development of the Corporate Landlord approach. The key findings are summarised as follows:

- Management information - there is a clear thread of information in the detail provided to senior officers and members, it follows a format that may not necessarily give any of the parties a clear understanding of how the total programme of activity is achieving the Corporate Landlord or property rationalisation aims;
- Internal programme tracking - a key spreadsheet used to track savings needed greater clarity over presentation of actual savings to ensure that it was accurate and a reliable source of information; and
- Project Initiation Document (PID) - Although there are a number of elements that constitute a PID document, there is not a single reference document. Unfortunately this means that there are a number of areas that have yet to be formally captured for monitoring and tracking purposes including project dependencies, workstreams, risk tracking / mitigation and business planning.
- Transfer from Departments to Corporate Landlord - Developing the relationships between the Corporate Landlord and Service Heads is key for delivery. Changes in working patterns and a presumption that the Corporate Landlord is acting in the best interests of the Estate are key to delivery. Although there is written evidence of

structural engagement and anecdotal evidence of buy in to the new approach, the transfer of control from service heads to the Corporate Landlord appears to be very much a paper exercise with budgets, service level agreements and the beginnings of one to one liaison;

- Climate change and Energy Conservation - There is a need to revisit the Carbon Reduction Plan as a separate workstream with the contractor and adopt a Council standard aimed at meeting or exceeding the target set under the contract. It should be noted that some very good work has already been undertaken in this area particularly around monitoring energy usage aimed at reducing cost. Nevertheless, there needs to be some work undertaken to prioritise disposal or energy efficiency work on buildings that are highlighted as being less efficient than others in the property portfolio; and
- Utility and other accommodation cost transfer from Directorates to Corporate Landlord - Although there is no clear timetable showing when Utility budgets would be transferred from departmental budgets through to the new Corporate Landlord the work in this area has been continued and is now broadly complete for utilities. Some budgets had not been clearly used for utilities whilst others such as FM related items have been challenged for transfer to the Corporate Landlord. Unfortunately grounds Maintenance, Site Security, Pest Control, Fire Equipment, Confidential Waste and Multi-Functional Devices are still outstanding.
- ICT development and strategy for the Estate with reference to County Estates Management System K2 - A unilateral decision by Carillion to shut down access to the K2 system before a new system had been trialled and the issues around a new system or migration of historic data have been addressed, raises issues around Information Governance;
- Non compliance with existing Health & Safety legislation specifically Asbestos - Any assertion by Carillion that there is statutory non-compliance would have to be based on whether or not the initial desk top review and property surveys highlighted a higher than previously reported risk to the Council. At the time of the review a more in depth study of a representative sample of buildings to assess the true Health & Safety condition for the Estate had not been undertaken by Carillion and none had been requested of them;
- Corporate Landlord and Building users Service Level Agreements (SLA) - At the time of the review the SLA's had yet to be formally signed off and it was noted that there were a number of clauses that needed to be reviewed in order to ensure that it was more workable for landlord and tenant.
- From a limited overview of the draft Service Level Agreement (SLA) between the Corporate landlord and Service Heads highlighted that there are a number of areas in the SLA that can either be strengthened or developed further;
- Capacity and capability assessments - this is covered in the review of the overall property contract managed by Carillion however this is normally part of the PID development process. It is also noted that the pre contract activity did not undertake a staff capacity and capability review. However, it should be noted that the Transfer of staff (TUPE) to the new contractor was undertaken without any issues arising; and
- Financial information overview of the Estate - During review of the tenancy agreements it was noted the Council have four tenancies at will. This is a flexible type of letting agreement that is often used for short term commercial property letting. The

tenancy at will agreement is however indefinite and continues until one of the parties gives notice to the other to bring the tenancy to an end.

EE - Property and Facilities Contract - Overall Conclusion = Issues

The issues noted in the report can be viewed as early day problems that should be overcome as the contractual relationship with Carillion and Capita Symonds matures. During this early period of the contract we identified that there were some gaps in process and procedure that could impact on the Property Services contract in the short term. The key findings are summarised as follows:

- Feasibility and Business Case - there is a clear indication that the council followed a clear process for understanding the decision to tender the service as a preferred option;
- Estimated savings and income generation - certain assertions had been made around potential savings at the business case Stage and these have now been refined as part of the Medium Term Financial Planning process;
- Project Initiation Document (PID) - there are a number of elements that have been derived from the contract documentation that constitute a PID, although there is not a central reference document covering the PID outcomes;
- Reporting and Monitoring mechanism - at the time of the review, the method of reporting had an agreed format, however how this provided a good reporting and risk management framework needed to be more clearly mapped against the contract;
- Contract tolerance - this was an area that can be viewed as covered within the KPI's and OPI's as target outcomes and will be reviewed as the contract matures;
- Cost control - The cost control mechanism fairly relies on the Council's Change Control mechanism for stabilising the contract cost. However, cost control relies heavily on the interpretation of when the transfer of risk takes place and the understanding of the parties as to how cost control is applied; and
- Contract Cash envelope - The contract overview relies on a cash envelope for the provision of services and the generation of Task Orders that have been signed off by the Contract manager. Only agreed payments will be made under the contract.
- Key Performance Indicators - At this early stage in the contract there are a number of discussions around the validity of the KPI's and how to make them more workable and whether they are aspirational;
- Issues log - There is no clearly defined issues log for the project. Senior managers are aware of this and have raised the matter with Carillion. An issue tracking methodology needs to be developed;
- Quality and developing the Contract management framework - The structure of the KPI's and OPI's is to act as a quality control mechanism and contract management framework in line with the outcomes developed within the PID.
- Risk Management - the framework for risk management needs to be more clearly defined with a robust system for review and escalation adopted that is congruent with the contractor.

- Risk transfer to contractor - A number of matters had arisen as a result of the Capita Symonds Due Diligence and subsequent outline review of the service to ensure that Health & Safety risks had been clearly addressed. An action plan needs to be developed that addresses contractor health & Safety concern and meets the needs of the Council based on a clear risk assessment.
- Task orders - Early day review of the Task Order payment process highlights that there are some signs that the contractor is not delivering in line with the specification. The management team are aware of this and have taken remedial action to deal with the matters arising;
- VAT impact on the contract - Although there have been some early advice around the VAT implications of the contract there had been concern expressed over whether the wording changed the VAT status resulting in a potential liability. At the time of the review the Contract wording had been checked with the County VAT Advisor and alternative wording adopted.
- Delegated Authority - This had been outlined in the contract and mobilisation documentation.
- At the time of the review there were no variations undertaken and there had only been outline discussions the appropriate application of the KPI's and OPI's.
- Mobilisation Plan - Within the contract procedures there is a clear mobilisation plan and in the run up to the contract there was a monthly project mobilisation plan report that was distributed to the members of the project team covering Finance, HR etc. Capturing issues arising from this process has been highlighted above.
- Contract engagement - At the time of the review there were a number of discussions being undertaken with schools over the services they could sign up to with Carillion. There was also concern over various aspects of Health & Safety and it was clear from review of other areas that there was not a good understanding of how the Carillion contract could or should work with partner directorates. Although SLA's are a way of ensuring that corporately staff members are aware of their responsibilities, this needs to be clearly communicated through to all staff in order to facilitate the cultural change envisaged by the creation of the contract.
- Post project review - this is not formally undertaken in all cases and has not been done for the end of the procurement / early mobilisation stage.
- Communication Plan - The contract has a number of clear references to a Communication Plan however it can be argued that the information submitted in the run up to the project is aimed at service promotion as opposed to communication. The various threads that make a standard communication plan would normally in turn be linked to a stakeholder plan.

EE (OCS) - Virtualised Infrastructure - Overall Conclusion = Issues

There are adequate arrangements in place for managing and supporting the virtual server environment and relevant skills and knowledge are available within the Infrastructure Team. However, the specific responsibilities of nominated staff are not documented and there is also no documentation on the configuration of the virtual server environment. VMware is currently used as the main technology, although a decision was made during the course of the audit to replace this with Microsoft Hyper-V, as this is available via the

Microsoft Enterprise Agreement, resulting in a saving on licensing costs. The timescales for implementing Microsoft Hyper-V have yet to be formally agreed.

There are no current risk exposures around performance and capacity management as there are no resource constraints on any of the physical host servers. There is scope for improving the security of the virtual environment by hardening servers and applying security patches on a proactive basis. The number of ICT staff with administrator level access to the environment should also be reviewed. Auditing and logging is enabled, but a regular review of audit events is not undertaken.

EE (OCS) - Wireless Network - Overall Conclusion = Issues

Our previous audit of the wireless network, completed in 2008/09, identified a number of security weaknesses that were found to expose the authority to a "high level of risk". Since then, ICT have deployed a new wireless network that has significantly improved both security and management capabilities; the latter via a Wireless LAN Controller that can be used to centrally manage the entire wireless network.

The wireless network is managed by the Infrastructure Team within ICT Business Delivery, who we found have the relevant skills, experience and knowledge to support the network. However, there is still no formal policy on wireless networking; a weakness that was reported in our 2008/09 audit.

Whilst the main corporate wireless network is generally secure, our testing has identified a number of issues that should be addressed to further protect the network. This includes making certain configuration changes in the Wireless LAN Controller, and more importantly, improving the monitoring of the network to identify all critical events and activity. In addition to the main wireless network, there are a number of other wireless networks that are deployed for things such as supporting legacy equipment and for testing. These were tested as part of the audit and security weaknesses have been identified that could be exploited to compromise these networks.

EE (OCS) - Telephony Infrastructure Project - Overall Conclusion = Issues

The objective of the Telephony Infrastructure Project is to replace the existing telephone system, which is deemed expensive and complicated, with a new system that is based on current technology and developments in the market. The aim of the project also includes reducing the overall cost of telephony at OCC, consolidating telephone budgets into ICT and providing softphones for all users to support new ways of working.

A first stage audit of the project was undertaken in July 2012 and identified a number of key risk exposures. These were reported in a management letter that was issued in August 2012 and finalised in October 2012. The overall conclusion for the first stage audit was "Issues". This second and final stage audit has identified that a number of our previously reported risks have not been fully addressed.

The project has encountered a number of difficulties and is significantly behind schedule. The delays have been caused by security issues which have still not been fully resolved, the requirement to port numbers i.e. transfer numbers from one supplier to another, as well as the need to test the resilience and failover of the new system. In addition, there have been supplier difficulties and changes to initial requirements, in light of other corporate initiatives e.g. the agile working project.

As a result of current issues, the project was stopped at the time of the audit to allow ICT to take stock and re-evaluate its requirements. We understand the Project Manager is writing an options paper to detail the current position and make recommendations for moving forward.

EE (OCS) - Schools Support (Part A – Resource Allocation) - Overall conclusion = Acceptable

Significant changes have taken place, and continue to take place, nationally around the way funds are apportioned to schools. The Department for Education issued new guidance as to the way funds should be distributed, based on alternative criteria than that previously used. The Schools Finance Team have been proactive in keeping Schools Forum up to date with the new arrangements, how it will affect the schools and how the Council are setting about applying the changes. This has resulted in the new arrangements being applied effectively as per the requirements.

Evidence was reviewed to ensure that the fund from 2012/13 had been apportioned correctly and balanced at year end. Having reviewed the reconciliation it was evident that all funds had been distributed accordingly and balanced at year end.

CEO - Main Accounting - Overall Conclusion = Acceptable

From the testing undertaken, it is clear that there are well established processes and controls in place throughout the main accounting process. The recommendation made in the 2011/12 report relating to approval of journals was found to have been implemented. The sample testing undertaken on journals, internal recharges, bank reconciliations and request for new general ledger codes confirms that adequate controls are in place to manage these areas.

Areas of good practice that were found during the audit included comprehensive guidance material which is made available to staff via the Council's intranet site, as well as internal procedures which are stored electronically and distributed to staff. However, it was noted that the SAP Payment Upload procedure manual, used by the Processing & Control team, required review as it was found that officers who are no longer employed by the Council were named as responsible officers in the authorisation of files to be uploaded to SAP.

We confirmed through audit testing of 25 weeks since April 2012 that bank reconciliations have been carried out between the bank accounts held by the Council and the information held in SAP. The reconciliations are prepared by an officer within the Banking and Taxation team and reviewed and signed off by the Banking Services Manager.

The Finance Business Partners complete an annual Key Controls Checklist for each of the feeder systems for which they are responsible for. Through testing of the feeder systems it was noted that the Finance Business Partners rely on the information provided to them from their staff when completing the checklist. Upon completion of the checklist, the Finance Business Partners are required to submit an email confirmation to the Financial Accountant, confirming that they have approved the checklist and assurances can be given on the functioning of the feeder systems. The Strategic Finance Managers informed audit that they are unable to access the accountant's email inbox, resulting in the inability to determine whether the checklist provided to audit was the most up-to-date version. Furthermore, it was identified during testing that for one feeder system the checklist was found to be incomplete, and the Strategic Finance Managers were unable to

provide audit with more information on whether a later and completed version had been submitted or not. Further testing was carried out to verify the accuracy of the information documented on the checklists, which was found to be accurate.

It was verified through audit testing that service lines are informed of the success of the upload from the feeder system to SAP, with officers from the Processing & Control team attaching relevant screenshots from SAP to confirm the control total and number of transactions processed.

Testing of journals and internal recharges revealed that sample checks are carried out on a monthly basis by the Financial Accountant, with all supporting documentation retained on the Processing & Control team's shared folder for all the journals and internal recharges selected for testing. Furthermore, checks are carried out for all journals and internal recharges processed over the value of £50,000.

It is clear that officers are aware of their roles and responsibilities in the final accounts process, with a close-down timetable published in the Finance section of the Council's intranet. We confirmed that risks identified in the risk register are discussed and updated on a quarterly basis and actions agreed are documented on the register to ensure that the risk targets are met.

EE (OCS) - Payroll - Overall Conclusion = Acceptable

From the testing undertaken, it is clear that there are well established processes and controls in place throughout the payroll process. The sample testing undertaken on starters, leavers, variations to pay, deductions; and payments only identified minor issues.

It was confirmed through audit testing that the SAP system is secured by unique user names and password controls. In addition, it was verified that current officers in the payroll team are able to access the payroll function within SAP. Furthermore, declaration of interests within the Payroll team are reviewed on a monthly basis to verify that officers are not responsible for processing payments to those they are related to.

Sample testing was completed on a number of areas in relation to starters; leavers; variations to pay; and deductions. From audit testing it was determined that the controls in place are adequate and working effectively. Furthermore, it was confirmed through audit testing that only relatively minor issues were identified.

We confirmed through audit testing of two months that review of payroll control exception reports are completed prior to the monthly payroll run being completed. In addition, it was confirmed that monthly reconciliations between the payroll reports and the BACS transmission is checked and verified by the Payroll Manager.

We confirmed with the Payroll Manager that pension contributions are submitted to the administering body by the 19th of each month. Through audit testing of the contributions, monthly submissions were made in a timely manner by the payroll team.

Sample checks are carried out on a monthly basis by the Pay and Employment Information team, with 5% checks completed on starters; leavers; change in position / hours / grades and bank details. A further 1 % check is carried out on travel claims; expenses; overtime and sickness. It was confirmed through audit testing that these are completed on a monthly basis and requests are made to management where further evidence is required to support the check made.

We confirmed through audit testing that quarterly checks of establishment reports are completed by Service Managers. A response is required by management to confirm that the information held relating to employee details and post details is accurate. All the information is held by the Workforce Data Management team, who are responsible for checking that responses have been received.

Guidance for staff in the Payroll team are available in electronic format on the shared drive. This is accessible by all staff within the payroll function, and guidance is updated as and when there have been changes to the processing of payroll related queries.

We confirmed that risks identified in the risk register are discussed and updated on a quarterly basis and is maintained by the HR Workstream Lead. Actions agreed are documented on the register to ensure that the risk targets are met.

It was confirmed through audit testing that the recommendations raised in the 2011/12 audit have been implemented.

EE (OCS) - Pensions Administration - Overall Conclusion = Acceptable

We examined the identification, examination and management of service and operational risks. They are completed through a Pension's Risk Register and were confirmed to be reviewed and reported quarterly. It was confirmed through audit testing that the Axis system is secured by unique user names and password controls. In addition, it was verified that only members of the Pension Administration team have access to the Axis system. Furthermore, the Axis system is only available on host Pension Administration computers at the Unipart House site. The migration of Axis to the new Altair system is due for implementation at the end of March 2013.

We examined the adherence to relevant statutory regulations, which included updates to the LGPS, training of the Pension Administration team, documentation for guidance to complete tasks and adequacy of the resources available. An assessment of the 31 task checklists and system flow charts was completed by audit. This concluded that only eight have been reviewed in the last 12 months of the audit fieldwork and were thus confirmed to be up to date.

Sample testing was completed on a number of areas in relation to scheme membership. From audit testing it was determined that the controls in place are adequate and working effectively. Furthermore, it was confirmed through audit testing of two months that review of payroll control exception reports are completed prior to the monthly payroll run being completed. In addition, it was confirmed for a sample of three months tested that the payroll run was authorised by both the Technical Manager and the Pension Services Manager prior to being completed.

We confirmed with the Team Leader that an NFI data matching exercise has just been completed. All of the records returned by the NFI have been actioned by the Pensions Admin team and there were no frauds or errors identified.

Pension records are maintained for all members and contributions for each year are reconciled to the amounts received from the body. An annual return from each member is received and reconciled to the monthly contributions that it has paid throughout the year. It was confirmed for a sample of five admitted body returns tested that the totals reconciled on two occasions. Evidence of follow up with the body for the remaining three was confirmed to be in place by Audit.

Guidance for the process to be followed in respect of admission bodies to the LGPS was confirmed to be in place on the internet through The Local Government Pension Scheme (Administration) Regulations 2008. However, the process followed by the Pension Administration team differs from this guidance in respect of underwriting the liability risk to the Council itself. Guidance to staff of the process followed could not be verified to be in place by Audit. For one of a sampled five admission bodies we were unable to confirm that the correct process had been adopted by the Pension Administration team in admitting Carillion to the LGPS.

We confirmed that performance statistics are reported corporately on a monthly basis by the Pension Services Manager by way of a dashboard report. In addition, we verified that a quarterly establishment return is completed corporately. Furthermore, we confirmed that performance of the Pension Administration team is reported to the Pension Fund Committee on an annual basis.

EE (OCS) - Accounts Receivable - Overall Conclusion = Issues

Two issues were raised in the previous Accounts Receivable audit completed in the financial year 2011/12. The Internal Audit follow up process has confirmed that both actions have been implemented. We examined the identification, examination and management of service and operational risks. It was confirmed for a sample of three months tested that risk updates were completed within the Internal Control Monitoring Framework spreadsheet.

The SAP and Abacus systems were verified to be restricted by the requirement to input a unique user name and password. The Accounting Manual is up to date and available for staff to access via the intranet. One member of staff interviewed as part of the audit was not aware of the Accounting Manual's location. In addition, he confirmed that he was not aware on how to raise an invoice on the SAP system.

The raising of invoices and cash receipting was tested at the following three sites: Music Service, E&E and QuEST (Schools Division). They have all been reported separately to ensure clarity within the report in respect to the issues raised.

QuEST

There is no procedural guidance in respect of raising invoices in place for QuEST (Schools Division). In addition, at the time of audit testing, it was confirmed that:

- For the financial year 2011/12 there were 18 academies that had bought into Council services. Of this number, only nine had been invoiced by the service, despite contractual agreements in place for each stating the payments would be made on a monthly basis.
- For the financial year 2012/13 there is 30 academies that have bought into Council services. Of this number, only four have been invoiced by the service, despite contractual agreements in place for each stating the payments would be made on a monthly basis.

An update on the invoicing issue highlighted above was obtained at the end of March 2013. This identified that there was £670k outstanding income yet to be received. Of this, £312k had been invoiced and £358k yet to be invoiced. Officers have provided assurance that work is in hand and that all invoices will be issued during April 2013, with payment terms to be agreed with each school.

In addition, it was confirmed that income received is reconciled to the invoices sent upon receipt of the obligation on a spreadsheet maintained by the quEST Business Manager.

Music Service

Local financial procedural guidance regarding the process that is followed in respect of raising invoices was in place. However, the Music Service financial procedures have not been reviewed since 2006 and processes have been amended resulting in guidance not reflecting current practice.

We confirmed that new accounts are set up on site. Due to the format of the form and checks completed, there is a risk that existing customers may be set up as new customers on the system, meaning that they may end up with a number of different invoices rather than just one consolidated invoice. The Principal Finance Officer confirmed that no reconciliations between expected debtor income and cancelations to the SAP financial ledger are completed. It was confirmed that monthly account forecasts, which details the change in debtors between period (showing the total debtors and the total debtors over 90 days has elapsed) is produced, but no reconciliation is completed.

E&E

Up to date procedural guidance regarding cash receipting and raising invoices was in place and accessible to staff via the shared drive. A sample of 10 invoices was tested and no issues were identified. Individual CCM's are responsible for reconciling the income received to the invoices raised on a monthly basis. We confirmed for a sample of two CCM's over a period of three months that this was completed.

Income receipting at the site differs for cheques and for cash received. No issues were identified in the cheque receipting process. However, cash is not signed for when it is received, but placed immediately into the safe. Once a number have been received they are taken out of the safe as a batch. It is then required to be counted, verified as correct and banked by two officers when receipting the cash received.

Corporate Income Team

We confirmed for sample of three months that a reconciliation was completed between the SAP Accounts Receivable module and the General Ledger. For all months tested, the figures balanced and was completed in a timely manner, however, there was no evidence of review for each of the months tested. In addition, we confirmed for a sample of three months tested that SAP was accurately reconciled to Abacus by the Income Manager, with review evidenced from the Strategic Income Manager.

A sample of 30 cancellations was tested and it was confirmed all were completed by the Corporate Income team on receipt of authorisation received by the CCM. We confirmed for a sample of 10 refunds and a sample of 10 write offs that all were appropriately authorised prior to being actioned on the system. In addition, we confirmed that all write offs completed are reported quarterly. A sample of 10 debts over 60 days was tested and we confirmed that appropriate action has been applied to each account. We confirmed for a sample of 10 Abacus debts that continual review and action was taking place on a monthly basis.

The Corporate Income team are responsible for daily cash receipting in respect of Abacus payments. Two officers are required to be present when opening the post. We confirmed that this was in place for 18 out of a tested sample of 20 days. We confirmed for a sample of five weeks that a reconciliation is completed between Abacus and the bank statement,

but for four weeks, the reconciliation had not been signed off promptly (i.e. they had been signed off between four and ten weeks after the reconciliation had been completed).

The Cash and Banking team are responsible for daily cash receipting in respect of SAP payments. Two officers are required to be present when opening the post, however as no logs are maintained by the team, audit was unable to test the effectiveness of the process. We confirmed that income for both SAP and Abacus is stored in a locked combination safe with access being restricted appropriately. Testing of bounced cheques and rejected direct debits highlighted no issues.

Income received within the three HOCA accounts is cleared to zero on a daily basis, with the income within being transferred to the main County Fund account. This is completed as part of the daily bank reconciliation, where we confirmed for a sample of 25 days that this was completed with the figures balancing on each occasion. We confirmed for a sample of five weeks tested that the SAP suspense account is reviewed by the Banking Services Manager, forming part of the weekly control account reconciliations.

Corporate - Organisational Health and Safety Arrangements - Overall Conclusion = Issues

The audit covered at a strategic level how all Directorates and the Health, Safety and Wellbeing Team discharge their responsibilities. The audit was undertaken part way through the implementation of a significant overhaul of the health and safety practices and procedures; a change process initiated by Senior Management to support the mitigation of this strategic risk. From the outset of the audit it was clear the management objectives for health and safety were clearly targeted at seeking to improve the effectiveness of the process and procedures and establish a framework through which there is clear accountability and ownership of health and safety risks. Through the work we have undertaken we have concluded there are "Issues" with the governance and system of internal control for the management of Health and Safety. Internal Audit recognise that there are currently plans and actions being put in place to address weaknesses that had previously been identified within the Authority, particularly with regard to key roles and responsibilities. Therefore, whilst the audit has highlighted areas of concerns including high risk exposure at the point of the audit testing, management have planned actions that will demonstrate improvement such that the existing risk exposures will be suitably mitigated within a short timescale. This final report notes actions already completed by management.

The key issues are summarised as follows:

This conclusion is based on the system of internal control in place for 2012/13 and at the time of the audit testing being completed (12 April 2013). Action already planned by management include a proposal for a new Health and Safety Governance Group to be formed in May 2013 which will address a number of the issues raised in this report providing the Terms of Reference and membership give it the necessary standing. Work is also being undertaken to review the responsibilities for Health and Safety Management with the mobilisation of the new Facilities Management contract.

In the interim, there remain some significant risks in the following areas:

- Improvements required to the capturing/recording of health & safety risks on both directorate and corporate risk registers, with clarity required on the corporate risk owner. Prior to finalisation of this report Management have stated that improvements required to the corporate risk register have been implemented.

- Although constitutionally the Strategic Human Resources Manager is responsible for producing corporate policy and monitoring the effectiveness of Health and Safety Management there is no formal reporting or mechanisms in place to enable effective monitoring by that Officer to be carried out.

- There has also been a lack of clarity of roles and responsibility with regard to health and safety throughout the organisation. The E&E directorate are currently leading on the review of Health & Safety responsibilities in relation to Property and Facilities Management from the mobilisation of the new Facilities Management Contract. This includes the identification of the "responsible officer" for each building, which is not yet complete. A report has been made to CCMT and the contractual issues are being considered. Internal Audit is reviewing / supporting this separately and therefore this area has not been included within the detailed scope of this audit. However the issue of contract mobilisation has highlighted a lack of clarity of roles and responsibilities, including corporate overview and management of health and safety risks which has been considered in the overall conclusion of this audit. There is also a draft “Establishment / Workplace Health and Safety Procedure” which breaks down duties between Carillion (the new Facilities Management Contract) and the OCC Manager responsible for Premises. Prior to finalisation of this report management have reported this will now be issued by the 31st May 2013.

- The issue of mandatory health and safety training for managers not being undertaken which has been previously raised by Internal Audit, is still evident. This is not reported on in all directorates and even where there is evidence of reporting there is no evidence of noticeable improvement.

- Whilst Part 3 Arrangements, covering the whole organisation, detailing the Deputy Director’s arrangements for managing significant risk have been drafted and agreed at Directorate level these had not been formally issued or communicated. Prior to finalisation of this report positive management action has now been taken and the Part 3s formally issued.

- There is a requirement for Tier 3 managers to undertake at least 2 safety tours a year. This was introduced in May 2011 with the objective of Tier 3 Managers carrying out two unannounced safety tours over the next twelve months and that it should be included as an objective in their appraisals. The template provided does require that if significant issues are raised / identified the H&S Team should be sent a copy of the form. There is no record of whether these safety tours have been completed and there is no mechanism for feeding back into Directorate Leadership Teams (DLTs) any significant issues or common themes arising from the manager's safety tours.

- Reporting on Health and Safety to CCMT is not always on a timely basis and issues were also identified with the regularity and timeliness of reports to DLTs. An issue previously raised by Internal Audit. It is however acknowledged that the challenges facing the Authority with regard to health and safety as it experiences major change are

complex. The method of service delivery has changed with the introduction of commissioning and major contracts with external providers including Facilities Management, maintained schools are becoming academies and there has also been much internal restructuring. During the audit and through discussion with key staff it was positive to note a number of areas of the organisation where there was considerable enthusiasm for ensuring that health and safety risks are minimised and improvements made. It should also be noted that the Authority has not in recent times been fined for health and safety lapses nor been served with an enforcement notice from the Health and Safety Executive.